

**Feeding America  
Eastern Wisconsin, Inc.**

Financial Statements

June 30, 2023 and 2022

# Feeding America Eastern Wisconsin, Inc.

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## Independent Auditors' Report

To the Board of Directors of  
Feeding America Eastern Wisconsin, Inc.

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of Feeding America Eastern Wisconsin, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Milwaukee, Wisconsin  
October 19, 2023

# Feeding America Eastern Wisconsin, Inc.

## Statements of Financial Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and equivalents	\$ 1,927,330	\$ 2,226,881
Accounts receivable	299,991	77,114
Grants receivable	2,845,549	1,679,078
Pledges receivable	120,000	264,558
Beneficial interest, Greater Milwaukee Foundation, current	3,786,112	3,467,841
Inventories, purchased	861,539	948,901
Inventories, donated	2,155,340	1,117,150
Inventories, United States Department of Agriculture (USDA)	1,765	20,706
Prepaid expenses and deposits	127,974	116,306
Prepaid purchased product	90,000	103,288
Total current assets	<u>12,215,600</u>	<u>10,021,823</u>
<b>Property and Equipment, Net</b>	<u>9,691,683</u>	<u>9,713,131</u>
<b>Other Assets</b>		
Pledges receivable, long-term portion, net	13,809	124,809
Beneficial interest, Feeding America Eastern Wisconsin Foundation, Inc.	2,831,990	2,819,791
Beneficial interest, Greater Milwaukee Foundation	1,297,204	1,276,355
Total other assets	<u>4,143,003</u>	<u>4,220,955</u>
Total assets	<u>\$ 26,050,286</u>	<u>\$ 23,955,909</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,012,240	\$ 544,065
Finance lease payable, current portion	169,210	139,138
Operating lease payable, current portion	15,105	14,273
Accrued compensation	188,344	176,692
Deferred revenue	245,567	136,834
Total current liabilities	<u>1,630,466</u>	<u>1,011,002</u>
<b>Noncurrent Liabilities</b>		
Finance lease payable, long-term portion	748,996	748,871
Operating lease payable, long-term portion	24,852	9,169
Total noncurrent liabilities	<u>773,848</u>	<u>758,040</u>
Total liabilities	<u>2,404,314</u>	<u>1,769,042</u>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	14,652,651	13,155,522
Board designated	3,786,112	3,467,841
Total without donor restrictions	<u>18,438,763</u>	<u>16,623,363</u>
With donor restrictions	5,207,209	5,563,504
Total net assets	<u>23,645,972</u>	<u>22,186,867</u>
Total liabilities and net assets	<u>\$ 26,050,286</u>	<u>\$ 23,955,909</u>

See notes to financial statements.

## Feeding America Eastern Wisconsin, Inc.

### Statements of Activities

Years Ended June 30, 2023 and 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022</u>
<b>Revenue and Other Support</b>						
Emergency food assistance program	\$ 342,242	\$ -	\$ 342,242	\$ 352,201	\$ -	\$ 352,201
SNAP outreach and other government grants	432,207	-	432,207	439,305	-	439,305
Contributions	8,172,828	1,751,021	9,923,849	7,311,642	2,563,765	9,875,407
Change in fair value of beneficial interest, Feeding America Eastern Wisconsin Foundation, Inc.	-	12,199	12,199	-	(248,254)	(248,254)
Change in fair value of beneficial interest, Greater Milwaukee Foundation	318,274	69,055	387,329	(723,045)	(162,373)	(885,418)
Special events	537,251	-	537,251	552,980	-	552,980
Purchased product sales	1,270,267	-	1,270,267	1,208,345	-	1,208,345
Donated product contributions	53,662,810	-	53,662,810	53,435,461	-	53,435,461
USDA product contributions	-	3,388,253	3,388,253	-	4,613,604	4,613,604
Coronavirus Relief Fund grant revenue	9,578,982	-	9,578,982	2,782,086	-	2,782,086
Miscellaneous	253,479	-	253,479	241,208	-	241,208
Net assets released from restrictions	<u>5,576,823</u>	<u>(5,576,823)</u>	<u>-</u>	<u>7,072,611</u>	<u>(7,072,611)</u>	<u>-</u>
Total revenue and other support	<u>80,145,163</u>	<u>(356,295)</u>	<u>79,788,868</u>	<u>72,672,794</u>	<u>(305,869)</u>	<u>72,366,925</u>
<b>Expenses</b>						
Program	74,907,749	-	74,907,749	71,743,024	-	71,743,024
Management and general	1,017,363	-	1,017,363	914,356	-	914,356
Fundraising	<u>2,404,651</u>	<u>-</u>	<u>2,404,651</u>	<u>2,074,089</u>	<u>-</u>	<u>2,074,089</u>
Total expenses	<u>78,329,763</u>	<u>-</u>	<u>78,329,763</u>	<u>74,731,469</u>	<u>-</u>	<u>74,731,469</u>
Change in net assets	1,815,400	(356,295)	1,459,105	(2,058,675)	(305,869)	(2,364,544)
<b>Net Assets, Beginning</b>	<u>16,623,363</u>	<u>5,563,504</u>	<u>22,186,867</u>	<u>18,682,038</u>	<u>5,869,373</u>	<u>24,551,411</u>
<b>Net Assets, Ending</b>	<u>\$ 18,438,763</u>	<u>\$ 5,207,209</u>	<u>\$ 23,645,972</u>	<u>\$ 16,623,363</u>	<u>\$ 5,563,504</u>	<u>\$ 22,186,867</u>

See notes to financial statements

# Feeding America Eastern Wisconsin, Inc.

## Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 1,459,105	\$ (2,364,544)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	813,535	736,480
(Gain) loss on sale of property and equipment	(6,694)	2,540
Market change of beneficial interests	(399,528)	1,133,672
Bad debt expense	3,600	600
Inventories, donated	(1,038,190)	1,597,116
Inventories, USDA	18,941	(20,706)
Changes in assets and liabilities:		
Prepaid expenses and deposits	(11,668)	(17,593)
Prepaid purchased product	13,288	737,451
Accounts receivable	(226,477)	(24,668)
Grants receivable	(1,166,471)	(1,666,180)
Pledges receivable	255,558	81,068
Inventories, purchased	87,362	(697,855)
Accounts payable	468,175	319,057
Accrued compensation	11,652	36,019
Deferred revenue	108,733	(10,121)
Net cash flows from operating activities	<u>390,921</u>	<u>(157,664)</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(618,972)	(635,183)
Proceeds from sale of property and equipment and assets held for sale	30,914	12,484
Purchase of investments at Greater Milwaukee Foundation	-	(4,190,884)
Distributions from Greater Milwaukee Foundation	48,209	44,734
Net cash flows from investing activities	<u>(539,849)</u>	<u>(4,768,849)</u>
<b>Cash Flows From Financing Activities</b>		
Payments on deferred compensation plan	-	(13,037)
Finance lease payments	(150,623)	(174,452)
Net cash flows from financing activities	<u>(150,623)</u>	<u>(187,489)</u>
Net change in cash and equivalents	(299,551)	(5,114,002)
<b>Cash and Equivalents, Beginning</b>	<u>2,226,881</u>	<u>7,340,883</u>
<b>Cash and Equivalents, Ending</b>	<u>\$ 1,927,330</u>	<u>\$ 2,226,881</u>
<b>Supplemental Cash Flow Disclosures</b>		
Cash paid for interest	<u>\$ 63,280</u>	<u>\$ 18,119</u>
<b>Noncash Investing and Financing Activities</b>		
Property and equipment purchased with finance lease	<u>\$ 180,820</u>	<u>\$ 669,743</u>
Property and equipment purchased with operating lease	<u>\$ 16,515</u>	<u>\$ 20,390</u>

See notes to financial statements.

## Feeding America Eastern Wisconsin, Inc.

Statements of Functional Expenses  
Years Ended June 30, 2023 and 2022

	Program	Management and General	Fundraising	2023	Program	Management and General	Fundraising	2022
Salaries and benefits	\$ 3,872,264	\$ 662,365	\$ 1,150,427	\$ 5,685,056	\$ 3,314,843	\$ 569,442	\$ 1,004,614	\$ 4,888,899
Fund development	-	-	975,230	975,230	-	-	844,830	844,830
Staff development, travel and conferences	181,483	32,998	60,495	274,976	100,028	18,186	33,342	151,556
Occupancy	1,723,464	142,365	23,728	1,889,557	1,457,415	135,169	22,530	1,615,114
Office supplies and services	183,921	81,332	61,307	326,560	137,948	100,858	45,985	284,791
Dues and subscriptions	71,744	13,044	23,914	108,702	108,449	19,717	36,149	164,315
Transportation	405,412	883	147	406,442	401,763	3,843	641	406,247
Equipment and vehicle repair	149,557	-	-	149,557	119,193	-	-	119,193
Liability, building and vehicle insurance	158,906	21,444	3,574	183,924	120,612	16,405	2,734	139,751
Purchased product and procurement	1,452,089	577	-	1,452,666	1,260,400	582	-	1,260,982
Community relations and marketing	293,627	50,469	85,201	429,297	646,878	46,026	80,408	773,312
Member services - DATCP infrastructure grants	2,173,058	-	-	2,173,058	429,235	-	-	429,235
Interest	64,224	-	-	64,224	18,119	-	-	18,119
Miscellaneous	189,794	11,886	20,628	222,308	33,942	4,128	2,856	40,926
Donated product	52,624,672	-	-	52,624,672	55,032,577	-	-	55,032,577
USDA product	3,407,194	-	-	3,407,194	4,592,898	-	-	4,592,898
Special projects	760,567	-	-	760,567	984,921	-	-	984,921
DATCP product	7,113,845	-	-	7,113,845	2,768,518	-	-	2,768,518
CARES product	-	-	-	-	4,178	-	-	4,178
Grants to agencies	81,928	-	-	81,928	211,107	-	-	211,107
<b>Total expenses</b>	<b>\$ 74,907,749</b>	<b>\$ 1,017,363</b>	<b>\$ 2,404,651</b>	<b>\$ 78,329,763</b>	<b>\$ 71,743,024</b>	<b>\$ 914,356</b>	<b>\$ 2,074,089</b>	<b>\$ 74,731,469</b>

See notes to financial statements



# Feeding America Eastern Wisconsin, Inc.

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Notes to Financial Statements

June 30, 2023 and 2022

## 1. General

Feeding America Eastern Wisconsin, Inc. (the Organization) is the largest hunger relief organization in the state of Wisconsin with locations in Milwaukee and the Fox Valley. Founded in 1982 by the Rotary Club of Milwaukee, the Organization is a local and independent member of the Feeding America network. The Organization's mission is to solve hunger through collaboration with over 600-member organizations that serve nearly 400,000 people across 35 counties in Eastern Wisconsin.

## 2. Summary of Significant Accounting Policies

### Tax Status

The Organization has qualified for exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. Donations to the Organization qualify for the charitable contribution deduction under section 170(b)(1)(A). Additionally, the Organization is classified as an organization that is not a private foundation under Section 509(a)(2). None of the Organization's current activities are subject to taxation as unrelated business income.

### Basis of Accounting

The preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from these estimates and assumptions.

### Basis of Presentation

Under U.S. GAAP, the Organization is required to report information regarding the financial position and activities according to two classes of net assets, defined as follows:

*Net assets without donor restrictions.* Net assets that are not subject to donor-imposed stipulations.

*Net assets with donor restrictions.* Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Certain net assets may be subject to donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. In most instances, earnings on these net assets are available to the Organization as revenue without restrictions. As the Organization is not the trustee on any of these net assets, it does not consider itself to have an endowment fund.

The Organization's Board of Directors has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. The Organization's Board of Directors has designated \$3,786,112 and \$3,467,841 as of June 30, 2023 and 2022, respectively. The funds are designated as a reserve for unplanned expenditures and Board approved special projects.

### Cash and Equivalents

The Organization defines cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

# Feeding America Eastern Wisconsin, Inc.

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Notes to Financial Statements

June 30, 2023 and 2022

## Accounts Receivable

The Organization assesses collectibility of amounts due prior to the recognition of revenues. Accounts receivable are recorded at net realizable value when the amounts are due in accordance with contracts with customers. Accounts are written-off through bad debt expense when the Organization has exhausted all collection efforts and determines accounts are impaired based on changes in credit worthiness. During the years ended June 30, 2023 and 2022, \$3,600 and \$600 of accounts receivable were written-off, respectively.

## Grants Receivable

Grants receivable represents the outstanding balance of government grants due to the Organization based upon allowable costs incurred. Management determines the need for an allowance for doubtful accounts based on historical collection experience and a review of current receivable balances. No allowance for doubtful accounts is considered necessary at June 30, 2023 and 2022.

## Donated Assets

Donated marketable securities and other non-cash donations are recorded as contribution revenue at their estimated fair values on the date of donation.

## Fair Value Hierarchy

The prioritized fair value hierarchy of financial instruments under U.S. GAAP is summarized as follows:

Level 1 - Quoted prices in active markets, e.g. NYSE, NASDAQ, etc. for assets identical to the securities to be valued. If a Level 1 input is available, it must be used.

Level 2 - Inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples include matrix pricing utilizing yield curves, prepayment speeds, credit risks, etc.; quoted prices for similar assets in active markets; and inputs derived from observable market data by correlation or other means.

Level 3 - Unobservable inputs, which contain certain assumptions by the party valuing those assets. For Level 3 inputs, there is no market data or correlation with market assumptions. Examples would include limited partnership interests, closely held stock, etc.

## Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized at cost when purchased. Depreciation expense is recorded on a straight-line basis over the estimated useful life of the fixed asset. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in revenue and other support.

Donated property and equipment are recorded as increases in net assets without donor restrictions at their estimated fair value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

# Feeding America Eastern Wisconsin, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

## Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, the Organization has not recorded any impairment for long-lived assets.

## Pledges Receivable

Unconditional promises to give are recognized as pledges receivable and contribution revenue in the year received. Pledges receivable expected to be collected beyond one year are recorded at their present values, discounted based on the duration of the pledge as of the date the pledge is received. The discount, which is recorded when the pledge is received, is accreted to contribution revenue using the interest method. Conditional promises to give are recognized when the conditions on which they depend are met.

## Beneficial Interests

Accounting guidance requires that a specified beneficiary recognize its rights to the assets held by a recipient organization as an asset. The Organization has recorded its estimated equity in the various funds as a beneficial interest on the statements of financial position. The change in the beneficial interest is recorded in the statements of activities as revenue and other support.

## Contributions

The Organization recognizes all unconditional contributions as income in the period the unconditional contributions are received. Contributions are considered unconditional when the Organization meets any barriers or conditions communicated in the agreement. Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor limitations on use of the support. There were approximately \$109,953 and \$18,046 of conditional contributions received and included in deferred revenue at June 30, 2023 and 2022, respectively.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

## Contributed Services

A substantial number of volunteers have donated significant amounts of their time primarily in the sorting of food received from donor companies and producers. No amounts have been reflected in the financial statements for these donated services as they do not meet the requirement of specialized skills, therefore they do not meet the criteria for recognition. However, if these services would be obtained through outside help, the additional expense would have a significant impact on the financial statements.

## Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# Feeding America Eastern Wisconsin, Inc.

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Notes to Financial Statements

June 30, 2023 and 2022

## Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs that are directly attributable to a functional category are charged to that category. Costs that are not directly attributable are allocated based on time and effort.

## Inventories

Purchased product inventory is stated at the lower of cost (first in, first out) or market.

Donated product inventory is stated based on the average wholesale value of one pound of product as reported by Feeding America, Inc., (National). Donated product contributions consist of products received from donors and donated product expense consists of donated product distributed to recipient agencies.

United States Department of Agriculture (USDA) inventory consists of food allocations from the Emergency Food Assistance Program. The National valuation is used to assign a value to each product, USDA product contributions consist of products received from the USDA and/or USDA managed programs. USDA product expense consists of donated product distributed to recipient agencies.

## Deferred Revenue

Deferred revenue includes advance payments received from recipients for future food purchases from the Organization and receipts of contributions with barriers that have not been met at year-end.

## Reclassification

For comparability, certain 2022 amounts have been reclassified to conform with classifications adopted in 2023. The reclassifications have no effect on reported amounts of net assets or change in net assets.

### 3. Contracts with Customers

The Organization's members are billed for a small portion of products distributed based on a pricing structure that is set by National, ultimately constituting an individual contract between the Organization and the member for each distribution. The Organization is obligated to provide products as ordered by the member, and completion of this performance obligation occurs upon delivery or receipt of the product by the member.

Payment for product is typically due within 30 days of receipt of product. Although returns and credits exist relating to these contracts, the cumulative effect on revenue is not significant. Net realizable value of receivables from members were \$194,784 and \$35,405 at June 30, 2023 and 2022, respectively.

Due to the lack of uniformity in product over a period of time, the Organization does not consider a contract to exist until the day the order is scheduled to be distributed. As a result, the Organization does not have contract assets that cover multiple fiscal years, as the contract period is limited to the day of delivery or receipt to the member. The Organization does receive payments from members in advance of the distribution of product, but since the specific products to be distributed are not yet known upon receipt of these payments, no contract liability yet exists. The payments received are recorded in deferred revenue on the statements of financial position.

## Feeding America Eastern Wisconsin, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

### 4. Property and Equipment

Property and equipment are summarized as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Land, building and improvements	\$ 12,609,265	\$ 12,461,607
Warehouse equipment	1,733,539	1,641,578
Furniture and fixtures	685,631	670,393
Vehicles	1,233,787	903,587
Operating lease right-of-use assets	40,997	27,360
Finance lease right-of-use assets	<u>1,830,555</u>	<u>1,649,735</u>
Total property and equipment	18,133,774	17,354,260
Less accumulated depreciation	<u>(8,442,091)</u>	<u>(7,641,129)</u>
Net property and equipment	<u>\$ 9,691,683</u>	<u>\$ 9,713,131</u>

### 5. Fair Value Measurements

Beneficial interests in the Feeding America Eastern Wisconsin Foundation, Inc. (FAEW Foundation) and Greater Milwaukee Foundation are measured at fair value on a recurring basis. The beneficial interests are classified as Level 3 as the fair values are based on significant unobservable inputs (entity specific estimates of cash flows). Since the Organization has an irrevocable right to receive income earned from the assets held by others, the fair value of the Organization's beneficial interest is estimated to approximate the fair value of assets.

Information relevant to the measurement of fair value is below:

Description	Fair Value Measurement at June 30, 2023			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in FAEW Foundation	\$ 2,831,990	\$ -	\$ -	\$ 2,831,990
Beneficial interest in Greater Milwaukee Foundation	<u>5,083,316</u>	<u>-</u>	<u>-</u>	<u>5,083,316</u>
Total	<u>\$ 7,915,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,915,306</u>

# Feeding America Eastern Wisconsin, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Description	Fair Value Measurement at June 30, 2022			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in FAEW Foundation	\$ 2,819,791	\$ -	\$ -	\$ 2,819,791
Beneficial interest in Greater Milwaukee Foundation	4,744,196	-	-	4,744,196
Total	<u>\$ 7,563,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,563,987</u>

The Organization has beneficial interests whose investments are held in various debt and equity securities which are exposed to risks of loss including, but not limited to, interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain securities and the level of uncertainty related to changes in the value of marketable securities, it is at least reasonably possible that changes in the values of the beneficial interests will occur in the near term and that such changes could materially affect the amounts reported in the financial statements in future periods.

Activity related to Level 3 financial instruments measured at fair value on a recurring basis using significant unobservable inputs included distributions received from the Greater Milwaukee Foundation and FAEW Foundation of \$48,209 and \$44,734 during the years ended June 30, 2023 and 2022, respectively, transfers to the Greater Milwaukee Foundation and FAEW Foundation were \$0 and \$4,190,884 during the years ended June 30, 2023 and 2022, and there were no other transfers during 2023 and 2022, respectively.

## 6. Beneficial Interest in Greater Milwaukee Foundation

U.S. GAAP requires that if a community foundation accepts a contribution from an agency and agrees to transfer those assets, the return on investment of those assets, or both back to the agency, then these contributions are presented as a liability (instead of as net assets) on the financial statements of the community foundation and as an asset on the financial statements of the donor. As a result, assets transferred by the Organization to the Greater Milwaukee Foundation, a community foundation, for which the Organization, as donor, is the beneficiary of the transferred assets, have been reflected as an asset on the Organization's statements of financial position.

## 7. Pledges Receivable

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges expected to be collected beyond one year are recorded after discounting the future cash flows to their present value. A discount rate of 5 percent is used. Management estimates an allowance for uncollectible pledges receivable based on its historical losses and an evaluation of past due amounts. Pledges deemed uncollectible by management are written off against the allowance at the time they are determined to be uncollectible. No pledges were deemed uncollectible in 2023 and 2022.

At June 30, 2023 and 2022, \$30,000 and \$189,558 of the total balance, respectively, is donor restricted to be used for specific purposes. The remaining outstanding pledges are to be used for operations.

## Feeding America Eastern Wisconsin, Inc.

### Notes to Financial Statements

June 30, 2023 and 2022

Pledges receivable outstanding at June 30 are as follows:

	<u>2023</u>	<u>2022</u>
In one year or less	\$ 120,000	\$ 264,558
Between one year and five years	15,000	135,000
Less present value discount	<u>(1,191)</u>	<u>(10,191)</u>
Total	<u>\$ 133,809</u>	<u>\$ 389,367</u>

#### 8. Line of Credit

The Organization has an unsecured line of credit of \$500,000. Interest is payable monthly at the Prime Rate less .45 basis points. As of June 30, 2023 and 2022, there were no draws on this line of credit.

#### 9. Deferred Compensation

The Organization had provided two separate deferred compensation agreements to a retired officer of the Organization. The payments due under these agreements totaled \$300,000 and were fully vested on December 31, 2012. During the year ended June 30, 2022, \$13,037 was disbursed, which paid the liability in full.

#### 10. Net Assets

Net assets with donor restrictions at June 30 are available for the following purpose, time and in perpetuity restrictions:

	<u>2023</u>	<u>2022</u>
Food fund	\$ 114,141	\$ 59,441
Inventory, USDA	1,765	20,706
Time restriction	133,809	389,367
Special projects	828,300	997,844
Greater Milwaukee Foundation Fund	<u>354,567</u>	<u>349,176</u>
Total purpose and time restricted	<u>1,432,582</u>	<u>1,816,534</u>
FAEW Foundation	2,831,990	2,819,791
Greater Milwaukee Foundation Fund	<u>942,637</u>	<u>927,179</u>
Total funds held in perpetuity	<u>3,774,627</u>	<u>3,746,970</u>
Total net assets with donor restrictions	<u>\$ 5,207,209</u>	<u>\$ 5,563,504</u>

# Feeding America Eastern Wisconsin, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

## 11. Liquidity

The Organization has the following financial assets available as of June 30 that could be made available within one year of the statement of financial position date to meet general expenditures:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,927,330	\$ 2,226,881
Accounts and grants receivable	3,145,540	1,756,192
Current pledges receivable, less gifts with purpose restrictions (Note 7)	<u>105,000</u>	<u>75,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,177,870</u>	<u>\$ 4,058,073</u>

None of the financial assets are subject to restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. All accounts and grants receivable on the statements of financial position are expected to be received within one year. Current pledges receivable are subject to implied time restrictions, but are expected to also be received within one year.

The Organization's goal is to maintain financial assets on hand to meet 90 days of normal operating expenses, which excludes donated product expense and includes capital acquisition needs and debt service requirements. Based on normal operating expenditures, the Organization prepares a balanced budget annually, with liquidity being a major focus in budget creation. Liquidity is monitored regularly by management and the Board of Directors of the Organization.

In addition to the financial assets available above, the Organization has access to a \$500,000 line of credit which it can draw upon as needed and the Board of Directors could undesignate \$3,786,112 of designated net assets.

## 12. Concentration of Risk

The Organization's cash balances, which are held in federally insured depository institutions, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, the balances may have exceeded this insured amount. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts receivable consist of accounts due mainly from food pantries located in eastern Wisconsin.

## 13. Retirement Plan

The Organization sponsors a 401(k) retirement plan for all eligible employees. The total amount of retirement plan expense for the years ended June 30, 2023 and 2022 was \$73,251 and \$62,341, respectively.

## 14. Leases

The Organization has operating and finance lease agreements for the use of transportation equipment, warehouse equipment, and office equipment. Finance lease obligations are secured by the leased equipment. Remaining lease terms range from 1 to 7 years for finance leases, and 1 to 4 years for operating leases. The discount rate used to determine the present value of lease payments is the risk free rate unless stated in the lease agreement.



## Feeding America Eastern Wisconsin, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

The components of lease cost were as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 20,670	\$ 16,237
Finance lease cost:		
Amortization of right-of-use assets	174,310	129,228
Interest on lease liabilities	<u>63,280</u>	<u>18,119</u>
 Total	 <u>\$ 258,260</u>	 <u>\$ 163,584</u>

Supplemental cash flow information related to leases was as follows:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 20,670	\$ 16,237
Operating cash flows from finance leases	63,280	18,119
Financing cash flows from finance leases	<u>150,623</u>	<u>174,452</u>
 Total	 <u>\$ 234,573</u>	 <u>\$ 208,808</u>

Supplemental statement of financial position information related to leases was as follows:

	<u>2023</u>	<u>2022</u>
Right-of-use assets included in Property and equipment, net on statements of financial position:		
Operating lease right-of-use assets	\$ 40,997	\$ 27,360
Finance lease right-of-use assets	1,830,555	1,649,735
Accumulated depreciation	<u>(946,301)</u>	<u>(771,991)</u>
 Total	 <u>\$ 925,251</u>	 <u>\$ 905,104</u>
 Right-of-use assets obtained in exchange for new finance lease liabilities	 <u>\$ 180,820</u>	 <u>\$ 669,743</u>
 Right-of-use assets obtained in exchange for new operating lease liabilities	 <u>\$ 16,515</u>	 <u>\$ 20,390</u>
 Weighted average remaining lease term:		
Operating leases	4 years	2 years
Finance leases	5 years	6 years
 Weighted average discount rate:		
Operating leases	4.75%	4.75%
Finance leases	7.31%	6.29%

## Feeding America Eastern Wisconsin, Inc.

### Notes to Financial Statements

June 30, 2023 and 2022

The following is a schedule of future minimum lease payments under the finance leases together with the present value of the net minimum lease payments for the years ended after June 30, 2023:

Year ending June 30:		
2024	\$	227,579
2025		221,134
2026		189,677
2027		168,828
2028		148,426
Thereafter		<u>137,293</u>
Total future minimum lease payments		1,092,937
Less interest		<u>(174,731)</u>
Present value of future minimum lease payments		918,206
Less current portion		<u>(169,210)</u>
Long-term finance lease obligation	\$	<u><u>748,996</u></u>

The following is a schedule of future minimum lease payments under the operating leases together with the present value of the net minimum lease payments for the years ended June 30, 2023:

Year ending June 30:		
2024	\$	16,691
2025		15,421
2026		10,146
2027		<u>458</u>
Total future minimum lease payments		42,716
Less interest		<u>(2,759)</u>
Present value of future minimum lease payments		39,957
Less current portion		<u>(15,105)</u>
Long-term operating lease obligation	\$	<u><u>24,852</u></u>

### 15. Related Party Transactions

Bookkeeping and accounting services are performed by the Organization for the FAEW Foundation. There is a service agreement between the FAEW Foundation and the Organization which specifies the services provided and the fee to be paid by the FAEW Foundation. The Organization charged \$10,000 for services provided during the years ended June 30, 2023 and 2022.

## **Feeding America Eastern Wisconsin, Inc.**

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Notes to Financial Statements

June 30, 2023 and 2022

### **16. Contributed Nonfinancial Assets**

Contributed nonfinancial assets are comprised of donated product and product received from the USDA, respectively. Donated product is utilized via distribution to food pantries, as well as via distribution to individual recipients at mobile and school pantries operated by the Organization. USDA product is utilized via distribution to food pantries, although limited to those that are allowed participants under the Organization's Emergency Food Assistance Program agreement with the State of Wisconsin Department of Health Services. Due to the limitation on pantries that the Organization can distribute USDA product to, revenues recognized are restricted until the product is distributed.

Both donated product and USDA product inventory is valued using the average wholesale value of one pound of product as reported by National.

### **17. Contingencies**

#### **Litigation, Claims and Disputes**

Occasionally, the Organization is a defendant in lawsuits arising in the ordinary course of business. Although the outcome of the lawsuits cannot be determined with certainty, management believes the ultimate disposition of such matters will not have a material effect on the Organization's financial statements.

#### **Financial Awards from Grantors**

Financial awards from federal and state governments in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

### **18. Subsequent Events**

The Organization has evaluated subsequent events through October 19, 2023, which is the date that the financial statements were approved and available to be issued, for events requiring disclosures or recording in the financial statements.