

Good Shepherd Food Bank of Maine and Subsidiary

Consolidated Financial Statements,
Other Financial Information
and Supplementary Information

*For the Years Ended June 30, 2023 and 2022
With Independent Auditors' Report*

Baker Newman & Noyes LLC
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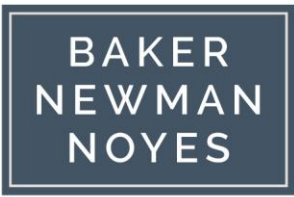
GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS, OTHER FINANCIAL INFORMATION AND SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Good Shepherd Food Bank of Maine and Subsidiary

Opinion

We have audited the consolidated financial statements of Good Shepherd Food Bank of Maine and subsidiary (the Company), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and 2022, and the results of their operations and their 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). 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 Company 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 Company's ability to continue as a going concern within one year after the date the financial statements are issued or 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 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, 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 Company'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 Company'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.

Emphasis of Matter

As discussed in Notes 2 and 12 to the financial statements, in 2023, the Company has changed its method of accounting for leases, effective July 1, 2022, due to the adoption of Accounting Standards Codification Topic 842, *Leases*. Our conclusion is not modified with respect to this matter.

The Board of Directors
Good Shepherd Food Bank of Maine and Subsidiary

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating and other supplementary information is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating and other supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Baker Newman & Noyes LLC

Portland, Maine
October 25, 2023

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents - unrestricted	\$ 2,970,838	\$ 6,077,618
Cash and cash equivalents - donor restricted	749,559	1,324,125
Certificates of deposit	758,660	752,479
Pledges receivable, current portion	1,137,504	1,249,283
Accounts receivable – agency/customer fees (net of allowance)	923,102	626,494
Accounts receivable – USDA	270,377	375,998
Accounts receivable – other	51,814	73,658
Grants receivable, current portion	–	40,000
Inventory – purchased product	1,301,021	1,395,059
Inventory – donated product	2,359,272	1,968,850
Inventory – USDA commodities	2,853,596	3,534,639
Prepaid expenses	<u>924,530</u>	<u>598,135</u>
Total current assets	14,300,273	18,016,338
Property, plant and equipment, net	14,746,108	12,032,319
Other assets:		
Other assets	54,035	54,035
Pledges receivable, net of current portion	1,293,266	1,790,450
Investments	9,348,028	16,276,717
Investments – board designated	8,089,686	6,009,436
Right-of-use assets	<u>1,117,642</u>	<u>–</u>
Total other assets	<u>19,902,657</u>	<u>24,130,638</u>
Total assets	<u>\$48,949,038</u>	<u>\$54,179,295</u>

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Current liabilities:		
Accounts payable	\$ 782,973	\$ 651,318
Agency designations payable	120,416	235,725
Accrued expenses	52,238	34,646
Accrued salaries and wages	341,452	238,693
Accrued compensated absences	364,265	331,279
Current portion of operating lease liability	<u>315,382</u>	<u>—</u>
Total current liabilities	1,976,726	1,491,661
Long-term liabilities:		
Operating lease liability	<u>802,260</u>	<u>—</u>
Total liabilities	2,778,986	1,491,661
Net assets:		
Without donor restrictions		
Board designated – endowment	8,383,843	6,303,593
Operations	<u>34,491,358</u>	<u>41,889,971</u>
Total without donor restrictions	42,875,201	48,193,564
With donor restrictions	<u>3,294,851</u>	<u>4,494,070</u>
Total net assets	46,170,052	52,687,634
Total liabilities and net assets	<u>\$48,949,038</u>	<u>\$54,179,295</u>

See accompanying notes.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	2023			2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support:						
Donated product	\$58,407,235	\$ –	\$58,407,235	\$56,657,023	\$ –	\$56,657,023
Contributions	10,379,013	1,249,205	11,628,218	12,649,542	1,236,848	13,886,390
Product and program income	3,563,747	–	3,563,747	1,773,309	–	1,773,309
Grants	1,727,778	1,396,921	3,124,699	1,003,148	1,840,929	2,844,077
USDA	1,046,080	–	1,046,080	584,532	–	584,532
Government support revenue	986,765	1,085,931	2,072,696	873,437	341,526	1,214,963
Special events	16,775	–	16,775	296,142	–	296,142
In-kind contributions	835,800	–	835,800	172,200	–	172,200
Other revenue	16,150	–	16,150	57,473	–	57,473
Investment return (loss)	151,767	–	151,767	(2,396,068)	–	(2,396,068)
Interest and dividends	581,385	–	581,385	266,608	–	266,608
Net assets released from restrictions	<u>4,931,276</u>	<u>(4,931,276)</u>	<u>–</u>	<u>2,340,884</u>	<u>(2,340,884)</u>	<u>–</u>
Revenues, gains and other support	<u>82,643,771</u>	<u>(1,199,219)</u>	<u>81,444,552</u>	<u>74,278,230</u>	<u>1,078,419</u>	<u>75,356,649</u>
Expenses:						
Program services:						
Product distribution	78,368,124	–	78,368,124	70,286,260	–	70,286,260
Root cause solutions	4,473,646	–	4,473,646	2,439,932	–	2,439,932
Supporting services:						
General and administrative	1,954,748	–	1,954,748	1,751,376	–	1,751,376
Fundraising	<u>3,165,616</u>	<u>–</u>	<u>3,165,616</u>	<u>2,518,194</u>	<u>–</u>	<u>2,518,194</u>
Total expenses	<u>87,962,134</u>	<u>–</u>	<u>87,962,134</u>	<u>76,995,762</u>	<u>–</u>	<u>76,995,762</u>
Change in net assets	(5,318,363)	(1,199,219)	(6,517,582)	(2,717,532)	1,078,419	(1,639,113)
Net assets at beginning of year	<u>48,193,564</u>	<u>4,494,070</u>	<u>52,687,634</u>	<u>50,911,096</u>	<u>3,415,651</u>	<u>54,326,747</u>
Net assets at end of year	<u>\$42,875,201</u>	<u>\$ 3,294,851</u>	<u>\$46,170,052</u>	<u>\$48,193,564</u>	<u>\$ 4,494,070</u>	<u>\$52,687,634</u>

See accompanying notes.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2023 and 2022

	2023				
	Program Services		Support Services		Total
	Product Distribution	Root Cause Solutions	General and Administrative	Fundraising	
Expenses:					
Donated product distributed	58,697,856	\$ -	\$ -	\$ -	\$ 58,697,856
Product purchased	10,732,656	338,357	-	-	11,071,013
Program food and supply costs	156,067	351,129	5,860	-	513,056
Direct agency support	1,608,849	1,326,000	-	-	2,934,849
Gift card expense	-	71,975	-	-	71,975
Salaries	3,718,631	1,112,853	983,079	1,162,164	6,976,727
Employee benefits	705,981	183,898	234,343	210,460	1,334,682
Payroll taxes employer expense	274,656	82,722	72,328	83,886	513,592
Workers' compensation insurance	104,719	2,637	3,217	2,827	113,400
Contracted services	168,104	213,679	233,854	443,520	1,059,157
Professional fees	-	6,935	56,720	-	63,655
Direct mail printing and processing	-	-	-	959,025	959,025
Special events	-	51	-	15,954	16,005
Advertising, publicity and fundraising supplies	-	73,700	86,370	37,457	197,527
Vehicle expense	510,883	88	498	-	511,469
Postage	26	5,158	8,083	6,400	19,667
Utilities	183,095	1,907	1,907	3,814	190,723
Building maintenance	182,499	-	-	-	182,499
Warehouse supplies, equipment and maintenance	121,539	175	-	-	121,714
Occupancy – other rental	7,193	30,112	7,528	26,348	71,181
Telephone and communications	81,391	17,337	16,942	19,667	135,337
Computer supplies	375,230	78,651	78,105	90,667	622,653
Trash removal	62,268	-	-	-	62,268
Travel, conferences and meetings	81,666	65,170	34,183	16,988	198,007
Liability and vehicle insurance	54,925	8,290	7,323	8,657	79,195
Office supplies and expense	22,920	5,899	3,042	6,287	38,148
Feeding America Fees	-	-	17,235	-	17,235
Miscellaneous	12,846	23,691	49,472	8,045	94,054
Total expenses before depreciation	<u>77,864,000</u>	<u>4,000,414</u>	<u>1,900,089</u>	<u>3,102,166</u>	<u>86,866,669</u>
Depreciation	<u>504,124</u>	<u>473,232</u>	<u>54,659</u>	<u>63,450</u>	<u>1,095,465</u>
Total expenses	<u>\$ 78,368,124</u>	<u>\$ 4,473,646</u>	<u>\$ 1,954,748</u>	<u>\$ 3,165,616</u>	<u>\$ 87,962,134</u>

	2022				
	Program Services		Support Services		Total
	Product Distribution	Root Cause Solutions	General and Administrative	Fundraising	
Expenses:					
Donated product distributed	\$ 55,426,053	\$ –	\$ –	\$ –	\$ 55,426,053
Product purchased	5,112,183	–	–	–	5,112,183
Program food and supply costs	111,045	30,914	–	–	141,959
Direct agency support	2,895,538	1,140,900	–	–	4,036,438
Gift card expense	–	63,680	–	–	63,680
Salaries	3,282,171	741,941	900,793	1,031,106	5,956,011
Employee benefits	628,018	121,736	218,076	181,237	1,149,067
Payroll taxes employer expense	244,329	54,143	64,060	75,905	438,437
Workers' compensation insurance	80,802	1,915	2,996	2,977	88,690
Contracted services	427,180	64,935	170,051	214,795	876,961
Professional fees	22,022	–	47,294	5,218	74,534
Direct mail printing and processing	–	–	–	731,949	731,949
Special events	–	–	–	7,356	7,356
Advertising, publicity and fundraising supplies	61,684	947	67,126	23,296	153,053
Vehicle expense	463,753	–	–	–	463,753
Postage	337	2,559	8,914	7,573	19,383
Utilities	134,576	1,402	1,402	2,804	140,184
Building maintenance	144,294	–	–	–	144,294
Warehouse supplies, equipment and maintenance	130,995	–	–	–	130,995
Occupancy – other rental	26,367	28,516	7,129	24,951	86,963
Telephone and communications	54,691	13,915	22,781	11,276	102,663
Computer supplies	353,087	63,662	79,087	81,892	577,728
Trash removal	52,122	–	–	–	52,122
Travel, conferences and meetings	57,889	12,719	23,486	5,998	100,092
Liability and vehicle insurance	53,824	7,834	15,707	10,887	88,252
Office supplies and expense	21,632	4,088	3,558	10,115	39,393
Feeding America Fees	–	–	13,788	–	13,788
Miscellaneous	18,524	36,289	45,701	27,324	127,838
Total expenses before depreciation	<u>69,803,116</u>	<u>2,392,095</u>	<u>1,691,949</u>	<u>2,456,659</u>	<u>76,343,819</u>
Depreciation	<u>483,144</u>	<u>47,837</u>	<u>59,427</u>	<u>61,535</u>	<u>651,943</u>
Total expenses	<u>\$ 70,286,260</u>	<u>\$ 2,439,932</u>	<u>\$ 1,751,376</u>	<u>\$ 2,518,194</u>	<u>\$ 76,995,762</u>

See accompanying notes.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (6,517,582)	\$ (1,639,113)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,095,465	651,943
Realized and unrealized (gain) loss on investments	(589,058)	2,200,279
Restricted contributions and grants	(3,732,057)	(3,419,303)
Change in value of donated inventory	290,621	(1,230,970)
(Increase) decrease in:		
Pledges receivable	608,963	(382,824)
Accounts receivable – agency/customer fees	(296,608)	(367,042)
Accounts receivable - USDA	105,621	(51,724)
Accounts receivable – other	21,844	104,007
Inventory – purchased product	94,038	(458,880)
Prepaid expenses	(326,395)	(150,163)
Other assets	–	(48,005)
Increase (decrease) in:		
Accounts payable	131,655	334,421
Agency designations payable	(115,309)	(101,275)
Accrued expenses	17,592	7,608
Accrued salaries and wages	102,759	67,404
Accrued compensated absences	32,986	36,550
Net cash used by operating activities	<u>(9,075,465)</u>	<u>(4,447,087)</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,809,254)	(3,856,424)
Change in certificates of deposit	(6,181)	(2,374)
Purchase of investment	(1,562,503)	(32,990,753)
Proceeds from sales of investments	7,000,000	33,520,142
Change in beneficial interest in assets held by others	–	975,361
Net cash provided (used) by investing activities	<u>1,622,062</u>	<u>(2,354,048)</u>
Cash flows from financing activities:		
Restricted contributions and grants	<u>3,772,057</u>	<u>3,379,303</u>
Net cash provided by financing activities	<u>3,772,057</u>	<u>3,379,303</u>
Net change in cash and cash equivalents	(3,681,346)	(3,421,832)
Cash, cash equivalents and restricted cash, beginning of year	<u>7,401,743</u>	<u>10,823,575</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 3,720,397</u>	<u>\$ 7,401,743</u>

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Supplemental schedule of the effect of donated product inventory on change in net assets:		
Donated product revenue received:		
Donated product	\$ 47,758,056	\$ 42,888,928
USDA CSFP	3,483,332	3,907,277
USDA TEFAP	<u>7,165,847</u>	<u>9,860,818</u>
Total donated product revenue	58,407,235	56,657,023
Donated product expense for product distributed:		
Donated product	43,335,942	39,042,642
USDA CSFP	3,410,480	3,783,652
USDA TEFAP	7,938,457	8,858,415
Nondistributable product	<u>4,012,977</u>	<u>3,741,344</u>
Total donated product expense	<u>58,697,856</u>	<u>55,426,053</u>
Effect of donated product inventory on change in net assets	\$ <u>(290,621)</u>	\$ <u>1,230,970</u>
Inventory – donated product and USDA commodities, beginning of year	\$ 5,503,489	\$ 4,272,519
Effect of change in donated project inventory	<u>(290,621)</u>	<u>1,230,970</u>
Inventory – donated product and USDA commodities, end of year	\$ <u>5,212,868</u>	\$ <u>5,503,489</u>

As noted in the notes to the financial statements, the Food Bank has adopted Feeding America's "Product Valuation Survey Methodology" to value products donated and distributed, which are noncash transactions included in the consolidated statements of activities. The effect of these transactions impact the change in net assets from operations and are included in the overall change in net assets. The effects are as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Change in net assets	\$ (6,517,582)	\$ (1,639,113)
Change from donated product inventory	<u>290,621</u>	<u>(1,230,970)</u>
Change in net assets from operations	\$ <u>(6,226,961)</u>	\$ <u>(2,870,083)</u>

See accompanying notes.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

1. Description of Organization

Good Shepherd Food Bank of Maine (GSFB) was organized November 22, 1981 as a Maine corporation exempt from income tax under Internal Revenue Code Section 501(c)(3). As the largest hunger relief organization in Maine, GSFB provides for Mainers facing hunger by distributing nutritious food to more than 600 partner agencies across the state, including food pantries, meal sites, shelters, schools, senior centers, and youth programs. Together with its network, GSFB leads a statewide effort to combat the root causes of hunger by engaging in advocacy, nutrition education, and strategic partnerships. Together with its network of partner agencies, GSFB distributes over 33 million meals annually to families, children, and seniors in need throughout Maine.

Harvesting Good (HG), a for-profit entity, was organized April 17, 2020 as a Maine benefit corporation. HG processes and sells local vegetables with the intent to improve access to nutritious food for people in need while strengthening regional food systems. Harvesting Good has been consolidated in the accompanying consolidated financial statements for the years ended June 30, 2023 and 2022.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements of GSFB and subsidiary (collectively, GSFB) have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

GSFB is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions. This includes a board restricted endowment to support sustained delivery of GSFB's programs.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of GSFB, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of GSFB and its wholly owned subsidiary, Harvesting Good (collectively, the Company). Significant intercompany balances and transactions have been eliminated from the consolidated financial statements.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

For purposes of the consolidated statements of cash flows, GSFb considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$2,970,838	\$6,077,618
Restricted cash	<u>749,559</u>	<u>1,324,125</u>
	<u>\$3,720,397</u>	<u>\$7,401,743</u>

At June 30, 2023 and 2022, restricted cash is to be used for support of various programs.

Concentration of Credit Risk

GSFB maintains its cash balances and certificates of deposit at several financial institutions which, at times, may exceed federal insured limits. GSFb has not experienced any losses on such accounts and does not believe it is exposed to any significant credit risks on its cash and certificates of deposit accounts.

Investments

Investments are stated at fair value. Gains and losses on investments are computed on the specific identification basis. Investment income and realized and unrealized gains/losses are included in revenue without donor restrictions unless restricted by donor or law. In addition, investment returns from net assets with donor restrictions are classified as restricted until appropriated for expenditures.

Investments, in general, are exposed to various risks, such as interest rate, credit, liquidity and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and activities.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Investment Return

Investment return is reported in the consolidated statements of activities and consists of realized and unrealized investment gains and losses, less investment expenses.

Accounts Receivable

Accounts receivable due from non-profit agencies and organizations are stated at the amount management expects to collect from balances outstanding at year end. Management provides for uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At June 30, 2023 and 2022, GSFb recorded allowance for doubtful accounts of \$3,419 and \$1,919, respectively.

Revenue Recognition

The majority of GSFb's revenue is derived from grants and contributions for which revenue is recognized in accordance with Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. GSFb accounts for product and program income in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*.

Performance obligations associated with program and product income are typically satisfied when the product is shipped to or received by the customer under the terms of delivery. Customers are generally invoiced shortly after product is delivered, with payment generally due within a month of the invoice date.

Substantially all of GSFb's performance obligations are satisfied as of a point in time. Therefore, there is little judgment in determining when control transfers for GSFb's revenue streams as described above. The transaction price for sales generally equals the amount billed to the customer for the product delivered during the accounting period.

Pledges Receivable

Unconditional promises to give are included in the consolidated financial statements as pledges receivable and support for the appropriate net asset category subject to a discount, for multi-year pledges, when a donor makes a promise that is unconditional. GSFb evaluates its pledges receivable for collectability on a periodic basis and established an allowance of \$24,929 and \$30,822 as of June 30, 2023 and 2022, respectively.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Restricted and Unrestricted Support

Contributions and grants received or donor promises to give are recorded as with or without donor restrictions, depending on the existence or nature of any donor restriction. Contributions made to GSFb are considered available for unrestricted use unless specifically restricted by the donor. In the case of contributions to GSFb's endowment fund, the gift or promise to give is reflected in the consolidated statements of activities as increasing net assets with donor restrictions to be held in perpetuity. All other donor restricted support is reported as an increase in net assets with donor restrictions for a specific purpose. When a restriction expires, such as when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Product and Program Income

GSFB charges partner agencies a maintenance fee, capped at \$.16 per pound, to offset a portion of handling and redistribution costs in connection with donated product. GSFb also purchases product from wholesalers, farms, and other providers. This product is distributed for free, at cost, or at a reduced price subsidized by cash donations. Both shared maintenance fees and purchased product sales proceeds are included in product and program income.

Inventory

Inventories consist of three categories: food and product which is purchased for resale or no-cost distribution by GSFb, food and product which is donated, and government surplus food which is warehoused on behalf of the government by GSFb for redistribution. Inventory values for purchased products are stated at the lower of cost or net realizable value. Donated inventory items are valued at the estimated average wholesale value of one pound of donated product as outlined in the "Product Valuation Survey Methodology," prepared by Feeding America. For the years ended June 30, 2023 and 2022, the value per pound of donated product was \$1.93 and \$1.92, respectively, and the value of USDA commodities was \$1.57 and \$1.53, respectively. The adopted per pound change increased the ending value of the inventory by approximately \$85,000 and \$260,000 as of June 30, 2023 and 2022, respectively. During fiscal years 2023 and 2022, approximately 40.4 and 35.1 million pounds of donated and purchased food was distributed to program recipients, respectively.

Property, Plant and Equipment

GSFB capitalizes all property, plant and equipment with a cost of \$2,500 if purchased, and a fair value of \$2,500 at date of donation if received by contribution. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The cost of maintenance and repairs is expensed as incurred, whereas significant renewals and betterments are capitalized.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Volunteer Hours and Donated Services

GSFB receives without charge a variety of services consisting of personal time that is used for the benefit of GSFB's food and product distribution program. The value of this contributed time is not reflected in the accompanying consolidated financial statements since the services do not require specialized skills. Volunteers donated 13,755 and 14,833 hours with an estimated value of \$437,409 and \$444,248, respectively for the years ended June 30, 2023 and 2022. The value was computed using an hourly rate of \$31.80 and \$29.95 based on the Independent Sector's value of volunteer time for the State of Maine for 2023 and 2022, respectively. Volunteers play a significant role in the handling and distribution of product, in addition to other mission-focused activities. GSFB also received skilled donated services which are recorded within in-kind contributions and program expenses in the consolidated statements of activities that totaled \$835,800 and \$172,200, respectively for the years ended June 30, 2023 and 2022. Donated skilled services are valued at the standard hourly rates charged for these services.

All donated services and assets were utilized by GSFB's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

Advertising Costs

Advertising costs are charged to expense as incurred.

Income Tax Status

GSFB is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law and, therefore, has made no provision for income taxes in the accompanying consolidated financial statements.

Tax-exempt organizations could be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items including unrelated business income or tax status. Under guidance issued by the FASB, assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position.

GSFB has evaluated the positions taken on its filed tax returns. GSFB has concluded no uncertain income tax positions exist at June 30, 2023.

HG is a taxable entity subject to federal and state taxation. Income taxes are recorded based upon the assets and liabilities method as prescribed by the Accounting Standards Codification (ASC) Topic for Income Tax. HG believes that it has appropriate support for the income tax positions taken and to be taken on tax returns, and that their accruals for tax liabilities are adequate for all open tax years based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter. HG has concluded there are no significant uncertain tax positions requiring disclosure and there is no material liability for unrecognized tax benefits.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

HG has incurred operating losses during the years ending June 30, 2023 and 2022. As a result of the losses, HG has a tax net operating loss (NOL) that may be carried forward to future years. Due to the uncertainty surrounding HG's ability to use the NOL prospectively, no accounting impact for the NOL was recognized as the NOL was fully reserved.

Functional Allocation of Expenses

The costs of providing various programs have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among program services, fundraising and general and administrative based on employees' time and effort.

Spending Policies

GAAP provides guidance on classifying the net assets associated with board designated and donor-restricted endowment funds held by organizations that are subject to an enacted version of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. UPMIFA was adopted by the State of Maine in 2009. GSFb makes the following disclosures related to this guidance and adoption of UPMIFA:

GSFB has adopted a spending policy, approved by the Board of Directors, which allows for distributions of up to 4% of the market value of the donor and Board restricted endowment funds on an annual basis, calculated on a three year rolling average. Distributions from the Board restricted endowment may be made at any time at the discretion of GSFb Board of Directors.

The Board of Directors interpreted UPMIFA as requiring the preservation of the fair value of the endowed gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, GSFb considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. GSFb has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Leases

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires that lease arrangements longer than twelve months result in an entity recognizing an asset and liability. The pronouncement is effective for GSFb beginning July 1, 2022.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

At inception of a contract, GSFb determines whether that contract is or contains a lease. GSFb determines whether a contract contains a lease by assessing whether there is an identified asset and whether the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration. GSFb has control of the asset if it has the right to direct the use of the asset and obtains substantially all of the economic benefits from the use of the asset throughout the period of use.

As a practical expedient, GSFb does not recognize a lease asset or lease liability for leases with a lease term of 12 months or less. In the determination of the lease term, the Company considers the existence of extension or termination options and the probability of those options being exercised.

Right-of-use assets represent GSFb's right to use an underlying asset during the lease term and lease liabilities represent GSFb's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the commencement date, based on the net present value of fixed lease payments over the lease term. GSFb's lease terms include options to extend or terminate the lease when it is reasonably certain that the options will be exercised.

As a practical expedient, the Company uses the risk free rate as of the lease commencement date, per the U.S. Treasury Department, to determine the discount rate used in the present value of future cash payment calculation.

Operating lease expense is recognized on a straight-line basis over the lease term.

Subsequent Events

Events occurring after the statement of financial position date are evaluated by management to determine whether such events should be recognized or disclosed in the consolidated financial statements. Management has evaluated subsequent events through October 25, 2023 which is the date the consolidated financial statements were available to be issued.

3. Unemployment Deposit

Under a special election to self-insure unemployment claims in lieu of making unemployment tax payments, GSFb was required under Maine Employment Security Law to deposit funds equal to five percent of taxable wages for the four completed calendar quarters immediately preceding the effective date of the election. A certificate of deposit in the amount of \$5,000 was deposited for this purpose and is included with certificates of deposit in the statement of financial position. Due to increases in payroll, GSFb was subsequently required to obtain a surety bond with the Maine Department of Labor through Hanover Insurance Company in the amount of \$38,000. No direct reimbursements were made to the Bureau of Unemployment for the years ended June 30, 2023 or 2022.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

4. Pledges Receivable

GFSB is receiving pledges (unconditional promises to give) in support of ongoing operations. Management has recorded the pledges at fair value, which was determined to be the amount of the pledge less an allowance for uncollectible pledges and has presented them in the consolidated statements of financial position as a current asset or other asset based on when the receipt of the pledge is expected.

Pledges receivable consisted of the following amounts at June 30:

	<u>2023</u>	<u>2022</u>
Due in one year	\$1,137,504	\$1,249,283
Due in two to five years	1,536,753	2,015,716
Less net present value discount	(218,558)	(194,444)
Less allowance on pledges receivable	<u>(24,929)</u>	<u>(30,822)</u>
	<u>\$2,430,770</u>	<u>\$3,039,733</u>

5. Property, Plant and Equipment

Property, plant and equipment consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 455,094	\$ 448,194
Buildings and improvements	13,595,973	9,679,933
Office equipment	361,309	356,559
Warehouse equipment	4,295,973	1,649,082
Computer equipment	815,337	810,737
Vehicles	738,466	664,703
Construction in progress	<u>344,077</u>	<u>3,187,766</u>
	20,606,229	16,796,974
Less accumulated depreciation	<u>(5,860,121)</u>	<u>(4,764,655)</u>
	<u>\$14,746,108</u>	<u>\$12,032,319</u>

Based on estimated useful lives shown below, depreciation expense was as follows at June 30:

		<u>2023</u>	<u>2022</u>
Building and improvements	39 years	\$ 479,960	\$291,631
Office equipment	5 – 7 years	44,291	56,177
Warehouse equipment	5 – 10 years	374,785	110,228
Computer equipment	5 years	147,502	148,176
Vehicles	5 – 10 years	35,819	32,884
Land improvements	15 years	<u>13,108</u>	<u>12,847</u>
		<u>\$1,095,465</u>	<u>\$651,943</u>

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

6. **Beneficial Interest in Assets Held by Others**

In January 2007, GSFb transferred funds to the Maine Community Foundation (the "Foundation") to establish an endowment fund with GSFb named as beneficiary. The transferred funds were accounted for in accordance with ASC 958-605-25, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, which requires that if a community foundation accepts a contribution from a not-for-profit organization and the foundation agrees to accept a transfer of those assets, the return on investment of those assets, or both to the not-for-profit organization, then these contributions must be presented as a liability on the foundation's financial statements. The agency fund was reported by the Foundation as an asset on its statements of financial position offset by a corresponding liability. GSFb, as the not-for-profit that transferred the funds, continued to report an asset on its statement of financial position. Under terms of the agency agreement, a percentage of the market value of the fund ("annual spending policy") was paid and distributed to GSFb as requested. GSFb could withdraw all or a portion of the original amount transferred, any appreciation on those transferred assets, or both, provided that a majority of the governing boards of GSFb and the Foundation approved of the withdrawal. During year ending June 30, 2022, GSFb transferred all endowment funds from the Foundation to a qualified custodian and accounts are managed by an investment manager.

7. **Investments**

GSFB investments include amounts held for future operations and endowment funds restricted for special purposes. Investments consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Cash equivalents	\$ 4,339,221	\$ 5,123,980
Corporate bonds	853,622	858,155
Equity securities	5,619,023	4,068,072
Exchange traded funds and mutual funds – fixed income	3,700,812	11,423,797
U.S. Treasuries	<u>2,925,036</u>	<u>812,149</u>
Ending balance	<u>\$17,437,714</u>	<u>\$22,286,153</u>

8. **Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

8. Fair Value Measurements (Continued)

The three levels of the fair value hierarchy under FASB ASC 820, *Fair Value Measurements*, are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that GSFB has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are unobservable inputs for the asset or liability.

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Cash equivalents: Recorded at cost, plus accrued interest, which approximates fair value

Corporate bonds: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flow approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Equity securities: The fair value of marketable equity securities are principally based on quoted market prices.

Exchange traded funds: Valued at the last sale price or official closing price on the exchange or system on which they are principally traded.

Mutual funds: Valued at their net asset value (NAV) at year end. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

U.S. Treasury notes: Valued at the closing price reported in the active market in which the security is traded. These investments are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Certificates of deposit: The carrying amounts reported in the consolidated statement of financial position approximate fair values because of the short maturities of those instruments.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

8. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, GSFb's assets at fair value as of June 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2023</u>				
Cash equivalents	\$ 4,339,221	\$ –	\$ –	\$ 4,339,221
Corporate bonds	–	853,622	–	853,622
Equity securities	5,619,023	–	–	5,619,023
Exchange traded and mutual funds	1,982,704	–	–	1,982,704
Mutual funds	1,718,108	–	–	1,718,108
U.S. Treasuries	–	2,925,036	–	2,925,036
Certificate of deposit	<u>–</u>	<u>758,660</u>	<u>–</u>	<u>758,660</u>
	<u>\$13,659,056</u>	<u>\$4,537,318</u>	<u>\$–</u>	<u>\$18,196,374</u>
<u>2022</u>				
Cash equivalents	\$ 5,123,980	\$ –	\$ –	\$ 5,123,980
Corporate bonds	–	858,155	–	858,155
Equity securities	4,068,072	–	–	4,068,072
Exchange traded and mutual funds	7,970,169	–	–	7,970,169
Mutual funds	3,453,628	–	–	3,453,628
U.S. Treasuries	–	812,149	–	812,149
Certificate of deposit	<u>–</u>	<u>752,479</u>	<u>–</u>	<u>752,479</u>
	<u>\$20,615,849</u>	<u>\$2,422,783</u>	<u>\$–</u>	<u>\$23,038,632</u>

9. Line of Credit and Long-Term Debt

GSFB has available a line of credit with a local financial institution in the amount of \$400,000 for short-term working capital needs with interest at the Wall Street Prime Rate, 8.50% at June 30, 2023. Advances are secured by a first security interest in all business assets. As of June 30, 2023 and 2022, there was no outstanding balance on the line of credit.

10. Net Assets

The balance in net assets with donor restrictions represents assets available for future program expenses restricted by the donor and not yet expended. Net assets with donor restrictions at June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Purpose restriction:		
Cooking Matters	\$ 53,250	\$ 38,425
Endowment income	57,012	49,612
Support future operations	2,392,355	3,039,734
Other restrictions	<u>749,559</u>	<u>1,324,124</u>
	3,252,176	4,451,895

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

10. Net Assets (Continued)

	<u>2023</u>	<u>2022</u>
Perpetual in nature:		
Purchase endowment	\$ 24,050	\$ 24,050
Marchetti endowment	13,125	13,125
Other endowment	<u>5,500</u>	<u>5,000</u>
	<u>42,675</u>	<u>42,175</u>
	<u>\$3,294,851</u>	<u>\$4,494,070</u>

Purchase Endowment: Amounts donated to GSFb for the purpose of purchasing resale products to help provide balanced nutrition to the hungry. The assets are permanently set aside with the income to be used for these purposes.

Other Endowments: These funds were established for the purpose of providing the agency with interest income to be used at the Board's discretion. The principal corpus is to remain intact.

The changes in GSFb's endowment funds by net asset category for the years ended June 30, 2023 and 2022 are as follows:

	<u>Board Restricted</u>	<u>Purpose Restriction</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Changes in endowment net assets:				
Endowment net assets, July 1, 2021	\$5,866,281	\$ 66,905	\$42,175	\$5,975,361
Net depreciation	(940,738)	(13,649)	-	(954,387)
Appropriation for expenditure	-	(3,644)	-	(3,644)
Contributions	<u>1,378,050</u>	<u>-</u>	<u>-</u>	<u>1,378,050</u>
Endowment net assets, June 30, 2022	6,303,593	49,612	42,175	6,395,380
Net appreciation	812,403	7,400	-	819,803
Contributions	<u>1,267,847</u>	<u>-</u>	<u>500</u>	<u>1,268,347</u>
Endowment net assets, June 30, 2023	<u>\$8,383,843</u>	<u>\$ 57,012</u>	<u>\$42,675</u>	<u>\$8,483,530</u>

11. Retirement Plan

GSFB sponsors a 403(b) retirement plan whereby participating employees may contribute up to the maximum allowed by the Internal Revenue Service. Effective January 1, 2021, GSFb matches 100% of employee retirement contributions up to 6% of the employee's salary. Total matching contributions by GSFb for the years ended June 30, 2023 and 2022 were \$338,684 and \$291,491, respectively.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

12. Operating Leases

ASC 842 became effective for GSFB on July 1, 2022 and was adopted using the modified retrospective method for all leases that had commenced as of the effective date, along with certain available practical expedients. GSFB elected to adopt the package of practical expedients permitted under the transition guidance within the new standard. The practical expedient package applied to leases that commenced prior to the effective date of the new standard and permits a reporting entity not to: i) reassess whether any expired or existing contracts are or contain leases, ii) reassess the historical lease classification for any expired or existing leases, and iii) reassess initial direct costs for any existing leases. The reporting results for fiscal year 2023 reflect the application of ASC 842 guidance while the historical results for fiscal year 2022 were prepared under the guidance of ASC 840. The adoption of the new standard did not have a significant impact upon the GSFB statements of activities and cash flows. The adoption of the new standard resulted in the following impact to the statement of financial position: the recording of right-of-use assets and corresponding lease liabilities pertaining to GSFB operating leases on the statement of financial position.

GSFB utilizes operating leases for the use of certain office space, vehicles and trailers. The components of lease assets and liabilities for the year ended June 30, 2023 are as follows:

Assets:

Right-of-use assets	<u>\$1,117,642</u>
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Liabilities:

Lease liabilities	<u>\$1,117,642</u>
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The components of lease cost and rent expense for the year ended June 30, 2023 are as follows:

Operating lease expense	<u>\$ 293,309</u>
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Lease term and discount rate are as follows at June 30, 2023:

Weighted-average remaining lease term in years	5.08
Weighted-average discount rate	4.39%

Future minimum operating lease payments under operating obligations at June 30, 2023 are as follows:

2024	\$ 320,546
2025	247,532
2026	196,321
2027	157,769
2028	121,117
Thereafter	<u>178,982</u>
Total lease payments	1,222,267
Less imputed interest	<u>(104,625)</u>
Total lease payments	<u>\$1,117,642</u>

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

12. Operating Leases (Continued)

As of June 30, 2022, future minimum lease payments prepared under the previous guidance of ASC 840 were as follows:

2023	\$239,081
2024	191,655
2025	167,693
2026	114,550
2027	60,286

13. Liquidity and Availability

Financial assets available for general expenditure within one year of the statement of financial position date consist of the following at June 30, 2023:

Cash and cash equivalents	\$2,970,838
Certificates of deposit	758,660
Pledges receivable, current portion	1,137,504
Accounts receivable	<u>1,245,293</u>
	<u>\$6,112,295</u>

To manage liquidity, GSFb maintains sufficient cash and cash equivalent balances to support daily operations throughout the year. By policy, GSFb maintains unrestricted cash and cash equivalents in the range of three to six months of total expenses, excluding those expenses supported by restricted funds, and excluding the value of donated product distributed, including required minimum payments on long-term debt, as determined by the board-approved budget for the current fiscal year.

GSFB also has certain board designated assets, which are available for general expenditure within one year in the normal course of operations. However, it is GSFb's policy to only expend a maximum of 4% of these assets in any given year. Accordingly, these assets have been excluded from the quantitative information above. GSFb has other assets whose use is limited for donor restricted purposes. These assets are fully described in Note 10. In addition, GSFb maintains a line of credit in the amount of \$400,000 (see Note 9).

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS

	<u>Good Shepherd</u> <u>Food Bank</u>	<u>Harvesting</u> <u>Good</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents - unrestricted	\$ 2,618,201	\$ 352,637	\$ –	\$ 2,970,838
Cash and cash equivalents - donor restricted	749,559	–	–	749,559
Certificates of deposit	758,660	–	–	758,660
Pledges receivable, current portion	1,137,504	–	–	1,137,504
Accounts receivable – agency/customer fees (net of allowance)	873,528	49,574	–	923,102
Accounts receivable – USDA	270,377	–	–	270,377
Accounts receivable – other	51,814	–	–	51,814
Inventory – purchased product	1,051,675	249,346	–	1,301,021
Inventory – donated product	2,359,272	–	–	2,359,272
Inventory – USDA commodities	2,853,596	–	–	2,853,596
Prepaid expenses	371,726	552,804	–	924,530
Due from related parties	<u>446,943</u>	<u>68,052</u>	<u>(514,995)</u>	<u>–</u>
Total current assets	13,542,855	1,272,413	(514,995)	14,300,273
Property, plant and equipment, net	9,311,434	5,434,674	–	14,746,108
Loans receivable	1,500,000	–	(1,500,000)	–
Other assets:				
Other assets	54,035	–	–	54,035
Investment in subsidiary	5,123,931	–	(5,123,931)	–
Pledges receivable, net of current portion	1,293,266	–	–	1,293,266
Investments	9,348,028	–	–	9,348,028
Investments – board designated	8,089,686	–	–	8,089,686
Right-of-use assets	<u>1,117,642</u>	<u>–</u>	<u>–</u>	<u>1,117,642</u>
Total other assets	<u>25,026,588</u>	<u>–</u>	<u>(5,123,931)</u>	<u>19,902,657</u>
Total assets	<u>\$49,380,877</u>	<u>\$6,707,087</u>	<u>\$(7,138,926)</u>	<u>\$48,949,038</u>

LIABILITIES AND NET ASSETS/EQUITY

	<u>Good Shepherd Food Bank</u>	<u>Harvesting Good</u>	<u>Eliminations</u>	<u>Total</u>
Current liabilities:				
Accounts payable	\$ 772,490	\$ 13,454	\$ (2,971)	\$ 782,973
Agency designations payable	120,416	–	–	120,416
Accrued expenses	32,655	19,583	–	52,238
Accrued salaries and wages	341,452	–	–	341,452
Accrued compensated absences	364,265	–	–	364,265
Current portion of operating lease liability	315,382	–	–	315,382
Due to related parties	<u>106,204</u>	<u>405,820</u>	<u>(512,024)</u>	<u>–</u>
Total current liabilities	2,052,864	438,857	(514,995)	1,976,726
Long-term debt	–	1,500,000	(1,500,000)	–
Operating lease liability	<u>802,260</u>	<u>–</u>	<u>–</u>	<u>802,260</u>
Total liabilities	2,855,124	1,938,857	(2,014,995)	2,778,986
Net assets/equity:				
Without donor restrictions				
Board designated – endowment	8,383,843	–	–	8,383,843
Operations	<u>34,847,059</u>	<u>4,768,230</u>	<u>(5,123,931)</u>	<u>34,491,358</u>
Total without donor restrictions	43,230,902	4,768,230	(5,123,931)	42,875,201
With donor restrictions	<u>3,294,851</u>	<u>–</u>	<u>–</u>	<u>3,294,851</u>
Total net assets/equity	46,525,753	4,768,230	(5,123,931)	46,170,052
Total liabilities and net assets/equity	<u>\$49,380,877</u>	<u>\$6,707,087</u>	<u>\$(7,138,926)</u>	<u>\$48,949,038</u>

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	<u>Good Shepherd Food Bank</u>		<u>Harvesting Good</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Eliminations</u>	<u>Total</u>
Revenues, gains and other support:					
Donated product	\$ 58,407,235	\$ –	\$ –	\$ –	\$ 58,407,235
Contributions	10,379,013	1,249,205	–	–	11,628,218
Product and program income	3,514,428	–	49,319	–	3,563,747
Grants	1,701,645	1,396,921	26,133	–	3,124,699
USDA	1,046,080	–	–	–	1,046,080
Government support revenue	135,835	1,085,931	850,930	–	2,072,696
Special events	16,775	–	–	–	16,775
In-kind contributions	835,800	–	–	–	835,800
Other revenue	16,150	–	–	–	16,150
Investment (loss) return	151,767	–	–	–	151,767
Interest and dividends	562,292	–	19,093	–	581,385
Service revenue	44,310	–	–	(44,310)	–
Net assets released from restrictions	<u>4,931,276</u>	<u>(4,931,276)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Revenues, gains and other support	<u>81,742,606</u>	<u>(1,199,219)</u>	<u>945,475</u>	<u>(44,310)</u>	<u>81,444,552</u>
Expenses and losses:					
Program services:					
Product distribution	78,412,434	–	–	(44,310)	78,368,124
Root cause solutions	3,172,469	–	1,301,177	–	4,473,646
Supporting services:					
General and administrative	1,954,749	–	–	(1)	1,954,748
Fundraising	<u>3,165,616</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,165,616</u>
Total expenses and losses	<u>86,705,268</u>	<u>–</u>	<u>1,301,177</u>	<u>(44,311)</u>	<u>87,962,134</u>
Change in net assets/equity	(4,962,662)	(1,199,219)	(355,702)	1	(6,517,582)
Contributed capital	–	–	200,000	(200,000)	–
Net assets/equity at beginning of year	<u>48,193,564</u>	<u>4,494,070</u>	<u>4,923,932</u>	<u>(4,923,932)</u>	<u>52,687,634</u>
Net assets/equity at end of year	<u>\$ 43,230,902</u>	<u>\$ 3,294,851</u>	<u>\$ 4,768,230</u>	<u>\$ (5,123,931)</u>	<u>\$ 46,170,052</u>

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

SCHEDULES OF FINANCIAL POSITION
(Excluding the Effects of Donated Product Activity and Harvesting Good)

June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents - unrestricted	\$ 2,618,201	\$ 4,139,345
Cash and cash equivalents - donor restricted	749,559	1,324,125
Certificates of deposit	758,660	752,479
Pledges receivable, current portion	1,137,504	1,249,283
Accounts receivable – agency/customer fees (net of allowance)	873,528	626,494
Accounts receivable – USDA	270,377	375,998
Accounts receivable – other	51,814	73,658
Grants receivable, current portion	–	40,000
Inventory – purchased product	1,051,675	1,395,059
Prepaid expenses	371,726	315,515
Due from related parties	<u>446,943</u>	<u>127,751</u>
Total current assets	8,329,987	10,419,707
Property, plant and equipment, net	9,311,434	9,021,928
Loans receivable	1,500,000	–
Other assets:		
Other assets	54,035	54,035
Investment in subsidiary	5,123,931	4,923,932
Pledges receivable	1,293,266	1,790,450
Investments	9,348,028	16,276,717
Investments – board designated	8,089,686	6,009,436
Right-of-use asset	<u>1,117,642</u>	<u>–</u>
Total other assets	<u>25,026,588</u>	<u>29,054,570</u>
Total assets	<u>\$44,168,009</u>	<u>\$48,496,205</u>

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Current liabilities:		
Accounts payable	\$ 772,490	\$ 471,717
Agency designations payable	120,416	235,725
Accrued expenses	32,655	34,646
Accrued salaries and wages	341,452	238,693
Accrued compensated absences	364,265	331,279
Current portion of lease liability	315,382	—
Due to related party	<u>106,204</u>	<u>—</u>
Total current liabilities	2,052,864	1,312,060
Long-term liabilities:		
Lease liability, net of current portion	<u>802,260</u>	<u>—</u>
Total liabilities	2,855,124	1,312,060
Net assets:		
Without donor restriction	38,018,034	42,690,075
With donor restrictions	<u>3,294,851</u>	<u>4,494,070</u>
Total net assets	<u>41,312,885</u>	<u>47,184,145</u>
Total liabilities and net assets	<u>\$44,168,009</u>	<u>\$48,496,205</u>

The selected financial information excludes certain activities, which are not intended to be in accordance with accounting principles generally accepted in the United States of America. The excluded activities have no impact on cash management.

GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

SCHEDULES OF ACTIVITIES
(Excluding the Effects of Donated Product Activity and Harvesting Good)

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:						
Contributions	\$10,379,513	\$ 1,248,705	\$11,628,218	\$12,649,542	\$ 1,236,848	\$13,886,390
Product and program income	3,514,428	–	3,514,428	1,773,309	–	1,773,309
Grants	1,701,645	1,396,921	3,098,566	923,727	1,840,929	2,764,656
USDA	1,046,080	–	1,046,080	584,532	–	584,532
Government support revenue	135,835	1,085,931	1,221,766	816,537	341,526	1,158,063
Special events	16,775	–	16,775	296,142	–	296,142
In-kind contributions	835,800	–	835,800	172,200	–	172,200
Other revenue	16,150	–	16,150	(276,001)	–	(276,001)
Investment (loss) return	151,767	–	151,767	(2,396,068)	–	(2,396,068)
Interest and dividends	562,292	–	562,292	261,186	–	261,186
Net assets released from restrictions	<u>4,930,776</u>	<u>(4,930,776)</u>	<u>–</u>	<u>2,340,884</u>	<u>(2,340,884)</u>	<u>–</u>
Revenues, gains and other support	23,291,061	(1,199,219)	22,091,842	17,145,990	1,078,419	18,224,409
Expenses and losses:						
Program services:						
Product distribution	19,670,268	–	19,670,268	14,512,570	–	14,512,570
Root cause solutions	3,172,469	–	3,172,469	2,409,666	–	2,409,666
Supporting services:						
General and administrative	1,954,749	–	1,954,749	1,681,817	–	1,681,817
Fundraising	<u>3,165,616</u>	<u>–</u>	<u>3,165,616</u>	<u>2,490,439</u>	<u>–</u>	<u>2,490,439</u>
Total expenses	<u>27,963,102</u>	<u>–</u>	<u>27,963,102</u>	<u>21,094,492</u>	<u>–</u>	<u>21,094,492</u>
Change in net assets	(4,672,041)	(1,199,219)	(5,871,260)	(3,948,502)	1,078,419	(2,870,083)
Net assets at beginning of year	<u>42,690,075</u>	<u>4,494,070</u>	<u>47,184,145</u>	<u>46,638,577</u>	<u>3,415,651</u>	<u>50,054,228</u>
Net assets at end of year	<u>\$38,018,034</u>	<u>\$ 3,294,851</u>	<u>\$41,312,885</u>	<u>\$42,690,075</u>	<u>\$ 4,494,070</u>	<u>\$47,184,145</u>

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GOOD SHEPHERD FOOD BANK OF MAINE AND SUBSIDIARY

SCHEDULES OF FUNCTIONAL EXPENSES
(Excluding the Effects of Donated Product Activity and Harvesting Good)

Years Ended June 30, 2023 and 2022

	2023				
	Program Services		Support Services		Total
	Product Distribution	Root Cause Solutions	General and Administrative	Fundraising	
Expenses:					
Product purchased	\$ 10,732,656	\$ –	\$ –	\$ –	\$ 10,732,656
Program food and supply costs	156,067	294,889	5,861	–	456,817
Direct agency support	1,608,849	1,326,000	–	–	2,934,849
Gift card expense	–	71,975	–	–	71,975
Salaries	3,718,631	953,880	983,079	1,162,164	6,817,754
Employee benefits	705,981	183,898	234,343	210,460	1,334,682
Payroll taxes employer expense	274,656	73,229	72,328	83,886	504,099
Workers' compensation insurance	104,719	2,292	3,217	2,827	113,055
Contracted services	168,104	5,978	233,854	443,520	851,456
Professional fees	–	2,001	56,720	–	58,721
Direct mail printing and processing	–	–	–	959,025	959,025
Special events	–	51	–	15,954	16,005
Advertising, publicity and fundraising supplies	–	328	86,370	37,457	124,155
Vehicle expense	510,883	88	498	–	511,469
Postage	26	5,158	8,083	6,400	19,667
Utilities	183,095	1,907	1,907	3,814	190,723
Building maintenance	182,499	–	–	–	182,499
Warehouse supplies, equipment and maintenance	121,539	175	–	–	121,714
Occupancy – other rental	7,193	20,405	7,528	26,348	61,474
Telephone and communications	81,391	16,542	16,942	19,667	134,542
Computer supplies	375,230	78,651	78,105	90,667	622,653
Trash removal	62,268	–	–	–	62,268
Travel, conferences and meetings	81,666	52,544	34,183	16,988	185,381
Liability and vehicle insurance	54,925	(2,153)	7,323	8,657	68,752
Office supplies and expense	22,920	5,899	3,042	6,287	38,148
Feeding America Fees	–	–	17,235	–	17,235
Miscellaneous	12,846	23,691	49,472	8,045	94,054
Total expenses before depreciation	<u>19,166,144</u>	<u>3,117,428</u>	<u>1,900,090</u>	<u>3,102,166</u>	<u>27,285,828</u>
Depreciation	<u>504,124</u>	<u>55,041</u>	<u>54,659</u>	<u>63,450</u>	<u>677,274</u>
Total expenses	<u>\$ 19,670,268</u>	<u>\$ 3,172,469</u>	<u>\$ 1,954,749</u>	<u>\$ 3,165,616</u>	<u>\$ 27,963,102</u>

	2022				
	Program Services		Support Services		Total
	Product Distribution	Root Cause Solutions	General and Administrative	Fundraising	
Expenses:					
Product purchased	\$ 5,112,183	\$ –	\$ –	\$ –	\$ 5,112,183
Program food and supply costs	111,044	30,914	–	–	141,958
Direct agency support	2,895,538	1,140,900	–	–	4,036,438
Gift card expense	–	63,680	–	–	63,680
Salaries	3,062,137	741,941	900,793	1,031,106	5,735,977
Employee benefits	628,018	121,736	218,076	181,237	1,149,067
Payroll taxes employer expense	244,329	54,143	64,060	75,905	438,437
Workers' compensation insurance	80,802	1,915	2,996	2,977	88,690
Contracted services	233,375	64,935	170,051	214,795	683,156
Professional fees	22,022	–	47,294	5,218	74,534
Direct mail printing and processing	–	–	–	731,949	731,949
Special events	–	–	–	7,356	7,356
Advertising, publicity and fundraising supplies	61,684	947	5,748	23,296	91,675
Vehicle expense	463,753	–	–	–	463,753
Postage	337	2,559	8,914	7,573	19,383
Utilities	140,184	–	–	–	140,184
Building maintenance	144,294	–	–	–	144,294
Warehouse supplies, equipment and maintenance	130,995	–	–	–	130,995
Occupancy – other rental	86,963	–	–	–	86,963
Telephone and communications	54,691	13,915	22,781	11,276	102,663
Computer supplies	353,087	63,662	79,087	81,892	577,728
Trash removal	52,122	–	–	–	52,122
Travel, conferences and meetings	57,889	12,719	23,486	5,998	100,092
Liability and vehicle insurance	53,824	7,834	15,707	10,887	88,252
Office supplies and expense	21,632	4,088	3,558	10,115	39,393
Feeding America Fees	–	–	13,788	–	13,788
Miscellaneous	18,523	35,941	46,051	27,324	127,839
Total expenses before depreciation	<u>14,029,426</u>	<u>2,361,829</u>	<u>1,622,390</u>	<u>2,428,904</u>	<u>20,442,549</u>
Depreciation	<u>483,144</u>	<u>47,837</u>	<u>59,427</u>	<u>61,535</u>	<u>651,943</u>
Total expenses	<u>\$ 14,512,570</u>	<u>\$ 2,409,666</u>	<u>\$ 1,681,817</u>	<u>\$ 2,490,439</u>	<u>\$ 21,094,492</u>

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