

Healthy Harvest Food Bank, Inc.  
Financial Statements  
June 30, 2021 and 2020



WELLS COLEMAN

5004 Monument Avenue • Richmond, VA 23230

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Healthy Harvest Food Bank, Inc.  
Warsaw, Virginia

We have audited the accompanying financial statements of Healthy Harvest Food Bank, Inc., formerly known as Northern Neck Food Bank (the Food Bank), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Food Bank's preparation and fair presentation of the financial statements 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 Food Bank's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

- Continued -

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthy Harvest Food Bank, Inc., formerly known as Northern Neck Food Bank as of June 30, 2021 and 2020, 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.

A handwritten signature in black ink that reads "Wells Coleman". The signature is written in a cursive style with a large initial "W".

April 27, 2022

**HEALTHY HARVEST FOOD BANK, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2021 and 2020**

**ASSETS**

|                                   | <u>2021</u>             | <u>2020</u>             |
|-----------------------------------|-------------------------|-------------------------|
| <b>Current Assets</b>             |                         |                         |
| Cash and cash equivalents         | \$ 474,468              | \$ 501,332              |
| Accounts receivable               | 8,543                   | 40,477                  |
| Promises to give                  | 8,500                   | 26,000                  |
| Prepaid expenses                  | 14,226                  | 16,375                  |
| Inventory                         | <u>340,458</u>          | <u>250,351</u>          |
| <b>Total current assets</b>       | <u>846,195</u>          | <u>834,535</u>          |
| <br><b>Property and Equipment</b> |                         |                         |
| Land                              | 108,621                 | 108,621                 |
| Building                          | 2,386,598               | 2,369,400               |
| Equipment                         | 414,531                 | 407,505                 |
| Vehicles                          | 290,027                 | 169,647                 |
| Construction in progress          | <u>101,347</u>          | <u>-</u>                |
|                                   | 3,301,124               | 3,055,173               |
| Accumulated depreciation          | <u>(406,316)</u>        | <u>(236,768)</u>        |
| <b>Net property and equipment</b> | <u>2,894,808</u>        | <u>2,818,405</u>        |
| <br><b>Other Assets</b>           |                         |                         |
| Promises to give - noncurrent     | <u>5,991</u>            | <u>11,972</u>           |
| <b>Total other assets</b>         | <u>5,991</u>            | <u>11,972</u>           |
| <br><b>Total Assets</b>           | <br><u>\$ 3,746,994</u> | <br><u>\$ 3,664,912</u> |

See accompanying notes to financial statements.

## LIABILITIES AND NET ASSETS

|   | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|
| <b>Current Liabilities</b>              |                     |                     |
| Construction line of credit             | \$ -                | \$ 1,469,380        |
| Current portion long-term debt          | <b>22,360</b>       | -                   |
| Accounts payable                        | <b>16,695</b>       | -                   |
| Accrued expenses                        | <b>11,149</b>       | 10,450              |
| Payroll liabilities                     | <b>9,731</b>        | 11,652              |
| <b>Total current liabilities</b>        | <b>59,935</b>       | 1,491,482           |
| <b>Notes Payable - Long-Term</b>        | <b>625,583</b>      | 62,700              |
| <b>Total liabilities</b>                | <b>685,518</b>      | 1,554,182           |
| <b>Net Assets</b>                       |                     |                     |
| Without donor restrictions              | <b>2,965,993</b>    | 2,005,418           |
| With donor restrictions                 | <b>95,483</b>       | 105,312             |
| <b>Total net assets</b>                 | <b>3,061,476</b>    | 2,110,730           |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 3,746,994</b> | <b>\$ 3,664,912</b> |

**HEALTHY HARVEST FOOD BANK, INC.**

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2021**

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>               |
|--|---------------------------------------|------------------------------------|----------------------------|
| <b>Support and Revenue</b>             |                                       |                                    |                            |
| Contributions                          | \$ 1,390,504                          | \$ 115,000                         | \$ 1,505,504               |
| Contributions in-kind                  | 4,762,345                             | -                                  | 4,762,345                  |
| Program revenue                        | 169,241                               | -                                  | 169,241                    |
| Interest income                        | 433                                   | -                                  | 433                        |
| PPP loan forgiveness                   | 62,700                                | -                                  | 62,700                     |
| Net assets released from restrictions: |                                       |                                    |                            |
| Satisfaction of purpose restrictions   | 101,348                               | (101,348)                          | -                          |
| Satisfaction of time restrictions      | <u>23,481</u>                         | <u>(23,481)</u>                    | <u>-</u>                   |
| <b>Total support and revenue</b>       | <b><u>6,510,052</u></b>               | <b><u>(9,829)</u></b>              | <b><u>6,500,223</u></b>    |
| <b>Expenses</b>                        |                                       |                                    |                            |
| Program                                | <u>5,286,642</u>                      | <u>-</u>                           | <u>5,286,642</u>           |
| Supporting services expense            |                                       |                                    |                            |
| General and administrative             | 82,521                                | -                                  | 82,521                     |
| Fundraising and development            | <u>131,018</u>                        | <u>-</u>                           | <u>131,018</u>             |
|  | <b><u>213,539</u></b>                 | <b><u>-</u></b>                    | <b><u>213,539</u></b>      |
| <b>Total expenses</b>                  | <b><u>5,500,181</u></b>               | <b><u>-</u></b>                    | <b><u>5,500,181</u></b>    |
| <b>Other Income and (Expense)</b>      |                                       |                                    |                            |
| Interest expense                       | <u>(49,296)</u>                       | <u>-</u>                           | <u>(49,296)</u>            |
| <b>Total other income (expense)</b>    | <b><u>(49,296)</u></b>                | <b><u>-</u></b>                    | <b><u>(49,296)</u></b>     |
| <b>Change in net assets</b>            | <b>960,575</b>                        | <b>(9,829)</b>                     | <b>950,746</b>             |
| <b>Net Assets, beginning of year</b>   | <b><u>2,005,418</u></b>               | <b><u>105,312</u></b>              | <b><u>2,110,730</u></b>    |
| <b>Net Assets, end of year</b>         | <b><u>\$ 2,965,993</u></b>            | <b><u>\$ 95,483</u></b>            | <b><u>\$ 3,061,476</u></b> |

See accompanying notes to financial statements.

**HEALTHY HARVEST FOOD BANK, INC.**

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2020**

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>        |
|--|---------------------------------------|------------------------------------|---------------------|
| <b>Support and Revenue</b>             |                                       |                                    |                     |
| Contributions                          | \$ 632,063                            | \$ 749,339                         | \$ 1,381,402        |
| Contributions in-kind                  | 4,149,632                             | -                                  | 4,149,632           |
| Program revenue                        | 214,429                               | -                                  | 214,429             |
| Interest income                        | 1,351                                 | -                                  | 1,351               |
| Net assets released from restrictions: |                                       |                                    |                     |
| Satisfaction of purpose restrictions   | 779,207                               | (779,207)                          | -                   |
| Satisfaction of time restrictions      | <u>25,499</u>                         | <u>(25,499)</u>                    | <u>-</u>            |
| <b>Total support and revenue</b>       | <u>5,802,181</u>                      | <u>(55,367)</u>                    | <u>5,746,814</u>    |
| <b>Expenses</b>                        |                                       |                                    |                     |
| Program                                | <u>4,514,062</u>                      | <u>-</u>                           | <u>4,514,062</u>    |
| Supporting services expense            |                                       |                                    |                     |
| General and administrative             | 86,511                                | -                                  | 86,511              |
| Fundraising and development            | <u>184,151</u>                        | <u>-</u>                           | <u>184,151</u>      |
|  | <u>270,662</u>                        | <u>-</u>                           | <u>270,662</u>      |
| <b>Total expenses</b>                  | <u>4,784,724</u>                      | <u>-</u>                           | <u>4,784,724</u>    |
| <b>Other Income and (Expense)</b>      |                                       |                                    |                     |
| Loss on sale of property and equipment | (4,062)                               | -                                  | (4,062)             |
| Interest expense                       | <u>(51,899)</u>                       | <u>-</u>                           | <u>(51,899)</u>     |
| <b>Total other income (expense)</b>    | <u>(55,961)</u>                       | <u>-</u>                           | <u>(55,961)</u>     |
| <b>Change in net assets</b>            | 961,496                               | (55,367)                           | 906,129             |
| <b>Net Assets, beginning of year</b>   | <u>1,043,922</u>                      | <u>160,679</u>                     | <u>1,204,601</u>    |
| <b>Net Assets, end of year</b>         | <u>\$ 2,005,418</u>                   | <u>\$ 105,312</u>                  | <u>\$ 2,110,730</u> |

See accompanying notes to financial statements.



HEALTHY HARVEST FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

|                         | <u>Program</u>      | <u>General and<br/>Administrative</u> | <u>Fundraising<br/>and Development</u> | <u>Total</u>        |
|-------------------------|---------------------|---------------------------------------|--|---------------------|
| Payroll and benefits    | \$ 287,922          | \$ 35,497                             | \$ 70,994                              | \$ 394,413          |
| Advertising             | -                   | -                                     | 7,523                                  | 7,523               |
| Depreciation            | 125,466             | 15,259                                | 28,823                                 | 169,548             |
| Direct program expense  | 37,895              | -                                     | -                                      | 37,895              |
| Food                    | 4,706,213           | -                                     | -                                      | 4,706,213           |
| Information technology  | 5,176               | 545                                   | 1,090                                  | 6,811               |
| Insurance               | 4,140               | 504                                   | 951                                    | 5,595               |
| Meals and entertainment | 1,252               | 334                                   | 6,762                                  | 8,348               |
| Office                  | 25,364              | 2,670                                 | 5,340                                  | 33,374              |
| Professional fees       | -                   | 21,425                                | 42                                     | 21,467              |
| Repairs and maintenance | 26,468              | -                                     | -                                      | 26,468              |
| Taxes                   | 22,050              | 4,095                                 | 5,355                                  | 31,500              |
| Travel                  | 1,166               | 142                                   | 267                                    | 1,575               |
| Truck                   | 21,557              | -                                     | -                                      | 21,557              |
| Utilities               | 16,853              | 2,050                                 | 3,871                                  | 22,774              |
| Warehouse               | 5,120               | -                                     | -                                      | 5,120               |
|                         | <u>\$ 5,286,642</u> | <u>\$ 82,521</u>                      | <u>\$ 131,018</u>                      | <u>\$ 5,500,181</u> |

See accompanying notes to financial statements.

**HEALTHY HARVEST FOOD BANK, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the year ended June 30, 2020**

|                          | <u>Program</u>      | <u>General and<br/>Administrative</u> | <u>Fundraising and<br/>Development</u> | <u>Total</u>        |
|--------------------------|---------------------|---------------------------------------|--|---------------------|
| Payroll and benefits     | \$ 255,582          | \$ 31,510                             | \$ 63,020                              | \$ 350,112          |
| Advertising              | -                   | -                                     | 5,217                                  | 5,217               |
| Capital campaign expense | 257                 | -                                     | -                                      | 257                 |
| Depreciation             | 72,002              | 17,085                                | 32,950                                 | 122,037             |
| Direct program expense   | 3,299               | -                                     | -                                      | 3,299               |
| Food                     | 4,079,776           | -                                     | -                                      | 4,079,776           |
| Insurance                | 11,856              | 1,248                                 | 2,496                                  | 15,600              |
| Information technology   | 3,445               | 2,396                                 | 1,648                                  | 7,489               |
| Meals and entertainment  | 1,188               | 317                                   | 6,412                                  | 7,917               |
| Office                   | 6,400               | 2,134                                 | 62,584                                 | 71,118              |
| Professional fees        | -                   | 25,450                                | 50                                     | 25,500              |
| Rent                     | 4,425               | 538                                   | 1,017                                  | 5,980               |
| Repairs and maintenance  | 24,899              | -                                     | -                                      | 24,899              |
| Taxes                    | 18,631              | 3,592                                 | 4,509                                  | 26,732              |
| Travel                   | 214                 | 52                                    | 99                                     | 365                 |
| Truck                    | 15,199              | -                                     | -                                      | 15,199              |
| Utilities                | 9,236               | 2,189                                 | 4,149                                  | 15,574              |
| Warehouse                | 7,653               | -                                     | -                                      | 7,653               |
|                          | <u>\$ 4,514,062</u> | <u>\$ 86,511</u>                      | <u>\$ 184,151</u>                      | <u>\$ 4,784,724</u> |

See accompanying notes to financial statements.

**HEALTHY HARVEST FOOD BANK, INC.**

**STATEMENTS OF CASH FLOWS**

**For the years ended June 30, 2021 and 2020**

|   | <u>2021</u>      | <u>2020</u>        |
|---|------------------|--------------------|
| <b>Cash Flows from Operating Activities</b>   |                  |                    |
| Change in net assets  | \$ 950,746       | \$ 906,129         |
| Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities |                  |                    |
| Depreciation  | 169,548          | 122,037            |
| Loss on sale of assets  | -                | 4,062              |
| PPP loan forgiveness  | (62,700)         | -                  |
| (Increase) decrease in operating assets   |                  |                    |
| Accounts receivable   | 31,934           | (37,308)           |
| Pledges receivable  | 23,481           | 25,480             |
| Inventory   | (90,107)         | (86,751)           |
| Deposits  | -                | 1,200              |
| Prepaid expenses  | 2,149            | (9,155)            |
| Increase (decrease) in operating liabilities  |                  |                    |
| Accounts payable  | 16,695           | (109,803)          |
| Accrued expenses  | 699              | 6,503              |
| Payroll liabilities   | (1,921)          | (1,127)            |
| <b>Net cash and cash equivalents provided by operating activities</b>   | <u>1,040,524</u> | <u>821,267</u>     |
| <b>Cash Flows from Investing Activities</b>   |                  |                    |
| Proceeds from sale of property and equipment  | -                | 18,000             |
| Purchase of property and equipment  | (245,951)        | (1,743,971)        |
| <b>Net cash and cash equivalents used by investing activities</b>   | <u>(245,951)</u> | <u>(1,725,971)</u> |
| <b>Cash Flows from Financing Activities</b>   |                  |                    |
| Repayment of loan   | (821,437)        | (211,620)          |
| Draws on construction line of credit  | -                | 1,382,687          |
| PPP funds received  | -                | 62,700             |
| <b>Net cash and cash equivalents provided (used) by financing activities</b>                                    | <u>(821,437)</u> | <u>1,233,767</u>   |

- Continued -

See accompanying notes to financial statements.

**HEALTHY HARVEST FOOD BANK, INC.**  
**STATEMENTS OF CASH FLOWS - CONTINUED**

For the years ended June 30, 2021 and 2020

|  | <u>2021</u>              | <u>2020</u>              |
|--|--------------------------|--------------------------|
| <b>Increase (decrease) in cash and cash equivalents</b>        | <b>(26,864)</b>          | 329,063                  |
| <b>Cash and Cash Equivalents, beginning of year</b>            | <u><b>501,332</b></u>    | <u>172,269</u>           |
| <b>Cash and Cash Equivalents, end of year</b>                  | <u><b>\$ 474,468</b></u> | <u><b>\$ 501,332</b></u> |
| <b>Supplemental Disclosure of Cash Flow Information</b>        |                          |                          |
| Cash paid for interest   | <b>\$ 49,296</b>         | \$ 52,900                |
| <b>Supplemental Disclosure of Noncash Operating Activities</b> |                          |                          |
| Forgiveness of debt from Paycheck Protection Program (PPP)     | <b>\$ 62,700</b>         | \$ -                     |

**Supplemental Disclosures of Noncash Financing Activities**

During the year ended June 30, 2020, the Food Bank purchased a new vehicle by way of cash payment and trade-in. The Food Bank received trade-in value of \$10,000 on the exchange of a similar asset.

See accompanying notes to financial statements.

## HEALTHY HARVEST FOOD BANK, INC.

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

#### 1. Nature of Organization

Healthy Harvest Food Bank, Inc., formerly known as Northern Neck Food Bank (the Food Bank), a Virginia non-profit corporation, was established in 2010. The Food Bank advocates for new and existing food banks in the Northern Neck area by providing low-cost nutritional food and logistical support in the way of storage, transportation, and distribution. The Food Bank is supported primarily through contributions.

#### 2. Summary of Significant Accounting Policies

*Method of Accounting:* The financial statements of the Food Bank have been prepared on the accrual basis of accounting. Under this accounting method, income is recorded as earned and expenses are recorded as incurred.

*Cash and Cash Equivalents:* Cash and cash equivalents consist of unrestricted demand deposits and all highly liquid debt securities with maturities of three months or less at purchase.

*Receivables:* Bad debts are written off as the receivables are determined to be uncollectible. No allowance for doubtful accounts is considered necessary.

*Promises to Give:* Promises to give are recorded at net realizable value if expected to be collected in one year and at present value of their estimated future cash flows if expected to be collected in more than one year. The discounts on amounts to be collected in more than one year are computed using risk-free interest rates.

*Inventory:* Inventory consists primarily of in-kind donations of food and is valued at estimated fair value based on average value-per-pound of food. The average value-per-pound of food was \$1.79 and \$1.74 at June 30, 2021 and 2020, respectively, and is based upon a study performed by Feeding America to assist food banks in valuing their inventory.

*Property and Equipment:* Property and equipment are recorded at historical cost. Items are depreciated using the straight-line method over the estimated useful lives of assets, which range from 3 to 40 years. Maintenance and repairs are expensed as incurred.

*Net Assets:* Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor-imposed restrictions.
- Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that can be filled by actions of the Food Bank pursuant to those restrictions or that expire by the passage of time. Some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, 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. When restrictions are met in the same period the contribution is received, the contribution is recorded as unrestricted for financial statement purposes.

## HEALTHY HARVEST FOOD BANK, INC.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

#### 2. Summary of Significant Accounting Policies - Continued

*Contributions:* The Food Bank adheres to Financial Accounting Standards Board Accounting Standards Codification 958-605, "Revenue Recognition", whereby contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

*Revenue:* Revenue is measured based on consideration specified in a contract with a customer. The Food Bank recognizes revenue in the period the program is effective.

*Nature of Goods and Services:* The following is a description of principal activities, separated by reportable segments, from which the Food Bank generates its revenue. Reportable segments are shown separately on the statements of activities.

- Program services - the Food Bank provides a la carte product for food pantries, churches, and other organizations. The Food Bank recognizes revenue at the time of transaction. Typically, the product is delivered and billed within the same day and payment is collected within 30 days of the transaction.

*Advertising:* Advertising costs are expensed as incurred.

*Functional Allocation of Expenses:* The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses are reviewed by management and allocated appropriately based on the type and purpose of the expense. Salaries and other overhead expenses are based on estimated allocation percentages determined by staff time spent between program, administrative, and fundraising tasks.

*Income Tax Status:* The Food Bank is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, the financial statements do not reflect a provision for income taxes. The Food Bank is required to file annually a Return of Organization Exempt from Income Tax (Form 990). The Food Bank's tax returns are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

*Use of Estimates:* Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

*Adoption of New Accounting Standard:* In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Food Bank adopted the new standard effective July 1, 2020, the first day of the Food Bank's fiscal year.

The adoption resulted in no changes to beginning net assets. The impact of applying this ASU for the year ended June 30, 2021 primarily resulted in additional policy disclosures relating to revenue recognition.

HEALTHY HARVEST FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

2. Summary of Significant Accounting Policies - Continued

*Reclassification:* Certain accounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on previously reported net income.

*Evaluation of Subsequent Events:* Management has evaluated subsequent events through April 27, 2022, which is the date the financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

|   |                   |
|---|-------------------|
| Cash and cash equivalents   | \$ 474,468        |
| Accounts receivable   | 8,543             |
| Less cash unavailable for general expenditures within one year, due to: |                   |
| Donor-imposed restrictions  | <u>(95,483)</u>   |
|   | <u>\$ 387,528</u> |

As part of the Food Bank's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Promises to Give

Promises to give at June 30, 2021 and 2020 consist of the following:

|                           | <u>2021</u>      | <u>2020</u>      |
|---------------------------|------------------|------------------|
| Due in less than one year | \$ 8,500         | \$ 26,000        |
| Due in one to five years  | <u>5,991</u>     | <u>11,972</u>    |
|                           | <u>\$ 14,491</u> | <u>\$ 37,972</u> |

The current promises to give at June 30, 2021 and 2020 are shown net of an allowance for uncollectible promises of \$0. The noncurrent promises to give are shown net of a discount of \$9 and \$28 at June 30, 2021 and 2020, respectively. The discounts were determined using an interest rate of 0.29%.

5. Concentrations of Credit Risk

Financial instruments that potentially subject the Food Bank to concentrations of credit risk consist principally of cash in excess of FDIC insurance limits and accounts receivable. From time to time, the cash balance may exceed the FDIC insurance limit of \$250,000.

**HEALTHY HARVEST FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**6. Line of Credit**

In April 2019, the Food Bank obtained a line of credit with a financial institution that allows it to borrow up to \$1,104,000 to build a new food bank facility. The line is secured by a construction deed of trust on the property, and expires on April 23, 2027. The credit agreement provides for monthly interest payments on the outstanding balance at a fixed rate of 4.950% beginning in May 2019. The outstanding balance on the line was \$1,100,312 at June 30, 2020. In January 2021, the Food Bank converted the line of credit into a term loan (see Note 7).

In November 2019, the Food Bank obtained a second line of credit with a financial institution that allows it to borrow up to \$453,000 to build a new food bank facility. The line is secured by a construction deed of trust on the property, and expires on April 23, 2027. The credit agreement provides for monthly interest payments on the outstanding balance at a fixed rate of 4.950% beginning in June 2020. The outstanding balance on the line was \$369,068 at June 30, 2020. In January 2021, the Food Bank paid off the remaining balance of the second line of credit.

**7. Notes Payable**

During the year ended June 30, 2020, the Food Bank was granted a loan in the amount of \$62,700, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Food Bank spent all funds received under this loan for qualifying purposes, prepared a forgiveness calculation and submitted an application of forgiveness to its lender. As of June 30, 2021, the Food Bank received notification from the lender and Small Business Administration that the loan had been forgiven and the Food Bank had been relieved of its obligation for the liability. As a result, the Food Bank recognized the outstanding principal balance as income within the statement of activities.

Long-term debt consists of the following as of June 30, 2021 and 2020:

|  | <u>2021</u>              | <u>2020</u>             |
|--|--------------------------|-------------------------|
| Note payable, bank, repayment deferred 16 months, monthly payments beginning September 2021, including interest of 1.0% of loan amount. The loan is unsecured and matures April 7, 2022. | \$ -                     | \$ 62,700               |
| Note payable, bank, \$4,513 due monthly, including interest of 4.95%. Secured by construction deed of trust on real estate. Balloon payment of balance due April 2027.                   | <u>647,943</u>           | <u>-</u>                |
| Current portion  | <u>(22,360)</u>          | <u>-</u>                |
| <b>Long-term portion of notes payable</b>  | <b><u>\$ 625,583</u></b> | <b><u>\$ 62,700</u></b> |



**HEALTHY HARVEST FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2021 and 2020**

**7. Notes Payable - Continued**

Principal repayment requirements in the succeeding five years are as follows:

| <u>Years ending June 30:</u> |                          |
|------------------------------|--------------------------|
| 2022                         | \$ 22,360                |
| 2023                         | 23,270                   |
| 2024                         | 24,220                   |
| 2025                         | 25,210                   |
| 2026                         | 26,235                   |
| Thereafter                   | <u>526,648</u>           |
| <b>Total</b>                 | <b><u>\$ 647,943</u></b> |

**8. Net Assets with Donor Restrictions**

Net assets with donor restrictions as of June 30, 2021 and 2020 are as follows:

|   | <u>Balance</u><br><u>6/30/2020</u> | <u>Receipts</u>          | <u>Released from</u><br><u>Restrictions</u> | <u>Balance</u><br><u>6/30/2021</u> |
|---|------------------------------------|--------------------------|---|------------------------------------|
| <b>Net assets restricted by purpose:</b>        |                                    |                          |   |                                    |
| Aquaponics                                      | \$ 60,000                          | \$ -                     | \$ -  | \$ 60,000                          |
| Back Pack Buddy                                 | 4,340                              | -                        | -   | 4,340                              |
| Gleening  | 3,000                              | -                        | -   | 3,000                              |
| Solar project                                   | <u>-</u>                           | <u>115,000</u>           | <u>101,348</u>                              | <u>13,652</u>                      |
|   | <u>67,340</u>                      | <u>115,000</u>           | <u>101,348</u>                              | <u>80,992</u>                      |
| <b>Net assets restricted by time:</b>           |                                    |                          |   |                                    |
| Promises to give                                | <u>37,972</u>                      | <u>-</u>                 | <u>23,481</u>                               | <u>14,491</u>                      |
| <b>Total Net Assets with Donor Restrictions</b> | <b><u>\$ 105,312</u></b>           | <b><u>\$ 115,000</u></b> | <b><u>\$ 124,829</u></b>                    | <b><u>\$ 95,483</u></b>            |

For the year ended June 30, 2020, \$779,207 was released from restriction by meeting the purpose of the restriction and \$25,499 was released from restriction by meeting time constraints.

**9. Leases**

The Food Bank leased certain commercial property under an operating lease which expired October 2019. Rent expense for the year ended June 30, 2020 totaled \$5,980.

## HEALTHY HARVEST FOOD BANK, INC.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

#### 10. Retirement Plan

The Food Bank offers a Simple IRA plan to all employees earning at least \$5,000 per year. For employees electing to participate, the Food Bank matches their contributions in an amount up to 3% of the participant's compensation with a maximum employer contribution of \$8,000. Employer contributions amounted to \$7,831 and \$7,118 for the years ended June 30, 2021 and 2020, respectively.

#### 11. In-Kind Contributions

The Food Bank recognizes contribution revenue for food inventory received at fair value based on the average value-per-pound of food on the date of the contribution. In-kind contributions of food for the years ended June 30, 2021 and 2020 totaled \$4,762,345 and \$4,149,632, respectively.

#### 12. Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to aid the Food Bank in its general activities. The value of this contributed time is not reflected in these statements since it does not meet the recognition criteria as defined in FASB ASC 958-225-45, *"Accounting for Contributions Received and Contributions Made"*.

#### 13. Major Contributors

The Food Bank receives its in-kind contributions primarily from regional food distributors and governmental agencies. In-kind contributions from two organizations totaled 51% of total revenue for the years ended June 30, 2021 and 2020.

#### 14. Impact of COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of Coronavirus ("the COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Food Bank was able to maintain operations during fiscal year 2021 with increases in contributions and demand. The Food Bank's cash balances are subject to credit risks (see Note 5). As events are rapidly changing, additional impacts may arise that could adversely affect the Food Bank's operations, liquidity, and financial position.

#### 15. Subsequent Events

In July 2021, phase one of the solar power project was completed and operational. At that time, approximately \$120,000 of funds allocated to phase one began to be depreciated over the useful life of the asset.