



Financial Statements  
June 30, 2022

# Utah Food Bank

(With Summarized Comparative Information for 2021)

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## Independent Auditor's Report

The Board of Directors  
Utah Food Bank  
Salt Lake City, Utah

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Utah Food Bank, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Utah Food Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Utah Food Bank's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Utah Food Bank'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 Utah Food Bank'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.

### ***Report on Summarized Comparative Information***

We have previously audited the 2021 financial statements of Utah Food Bank, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2023, on our consideration of Utah Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Utah Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Utah Food Bank's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Salt Lake City, Utah  
February 10, 2023

Utah Food Bank  
Statement of Financial Position  
June 30, 2022

(with summarized comparative financial information for 2021)

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 39,617,487	\$ 31,579,604
Operating investments	813,656	503,441
Accounts receivable		
Government contracts	2,058,522	1,827,301
Promises to give	40,400	3,710
Other	68,832	68,394
Food inventory	4,659,859	5,472,814
Prepaid expenses and deposits	76,579	7,321,069
Right-of-use assets, net	214,852	286,470
Land, building and equipment, net of accumulated depreciation	28,474,315	10,350,989
Total Assets	\$ 76,024,502	\$ 57,413,792
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 943,169	\$ 221,878
Accrued liabilities	1,414,121	1,305,798
Finance leases	224,270	295,075
Total liabilities	2,581,560	1,822,751
<b>Net Assets</b>		
Without donor restrictions		
Designated		
Food inventory	4,659,859	5,472,814
Property and equipment, net of related debt	28,464,897	10,203,576
Undesignated	39,845,028	39,337,008
Total net assets without donor restrictions	72,969,784	55,013,398
With donor restrictions	473,158	577,643
Total net assets	73,442,942	55,591,041
	\$ 76,024,502	\$ 57,413,792

Utah Food Bank  
Statement of Activities  
Year Ended June 30, 2022

(with summarized comparative financial information for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Public Support and Revenues				
In-Kind Support				
Food	\$ 119,758,477	\$ -	\$ 119,758,477	\$ 116,923,511
Other supplies and equipment	140,229	-	140,229	111,620
Total in-kind support	<u>119,898,706</u>	<u>-</u>	<u>119,898,706</u>	<u>117,035,131</u>
Direct Contributions				
Special events	309,204	-	309,204	278,202
Less cost of direct benefit to donors	<u>(166,041)</u>	<u>-</u>	<u>(166,041)</u>	<u>(102,922)</u>
Net special events revenue	143,163	-	143,163	175,280
Contributions	27,130,933	473,158	27,604,091	25,034,844
Grants	3,152,404	-	3,152,404	7,767,172
United Way	25,157	-	25,157	28,406
Net assets released from restrictions	<u>577,643</u>	<u>(577,643)</u>	<u>-</u>	<u>-</u>
Total direct contributions	<u>31,029,300</u>	<u>(104,485)</u>	<u>30,924,815</u>	<u>33,005,702</u>
Revenues				
Government contracts	4,032,477	-	4,032,477	4,211,691
Net investment return	(158,223)	-	(158,223)	50,490
Forgiveness of Paycheck Protection Program loan	-	-	-	1,181,739
Other	<u>214,256</u>	<u>-</u>	<u>214,256</u>	<u>43,691</u>
Total revenues	<u>4,088,510</u>	<u>-</u>	<u>4,088,510</u>	<u>5,487,611</u>
Total public support and revenues	<u>155,016,516</u>	<u>(104,485)</u>	<u>154,912,031</u>	<u>155,528,444</u>
Program Expenses				
Statewide food distribution	128,906,224	-	128,906,224	125,241,980
Direct food programs	<u>3,135,287</u>	<u>-</u>	<u>3,135,287</u>	<u>3,347,363</u>
Total program expenses	<u>132,041,511</u>	<u>-</u>	<u>132,041,511</u>	<u>128,589,343</u>
Support Expenses				
Development	2,118,988	-	2,118,988	2,035,900
Management and general	<u>2,899,631</u>	<u>-</u>	<u>2,899,631</u>	<u>2,457,583</u>
Total support expenses	<u>5,018,619</u>	<u>-</u>	<u>5,018,619</u>	<u>4,493,483</u>
Total expenses	<u>137,060,130</u>	<u>-</u>	<u>137,060,130</u>	<u>133,082,826</u>
Change in Net Assets	17,956,386	(104,485)	17,851,901	22,445,618
Net Assets, Beginning of Year	<u>55,013,398</u>	<u>577,643</u>	<u>55,591,041</u>	<u>33,145,423</u>
Net Assets, End of Year	<u>\$ 72,969,784</u>	<u>\$ 473,158</u>	<u>\$ 73,442,942</u>	<u>\$ 55,591,041</u>

See Notes to Financial Statements

**Utah Food Bank**  
Statement of Functional Expenses  
Year Ended June 30, 2022

(with summarized comparative financial information for 2021)

	Statewide Food Distribution	Direct Food Programs	Total Programs	Development	Management and General	Total 2022	Total 2021
Salaries and wages	\$ 3,236,890	\$ 833,737	\$ 4,070,627	\$ 504,607	\$ 1,637,226	\$ 6,212,460	\$ 5,635,304
Payroll taxes and benefits	995,319	246,302	1,241,621	170,438	441,020	1,853,079	1,534,675
Total salaries and related expenses	4,232,209	1,080,039	5,312,248	675,045	2,078,246	8,065,539	7,169,979
Insurance	93,394	11,824	105,218	3,272	21,779	130,269	118,928
Office supplies	4,968	5,342	10,310	771	18,444	29,525	19,692
Postage and printing	4,463	7,710	12,173	66,096	14,321	92,590	99,100
Professional fees	2,784	17,639	20,423	46,009	108,418	174,850	103,032
Project costs	15,891	6,802	22,693	252,907	23,889	299,489	604,109
Direct solicitations	-	-	-	1,108,148	-	1,108,148	1,017,091
Warehouse supplies	234,521	29,526	264,047	-	1,133	265,180	229,900
Vehicle fuel and taxes	443,047	120	443,167	-	152	443,319	285,436
Food transportation	739,783	-	739,783	-	16,265	756,048	1,207,207
Utilities and property taxes	121,627	21,434	143,061	-	23,051	166,112	151,175
Building and equipment rent	55,101	-	55,101	-	3,483	58,584	40,224
Repairs and maintenance	459,095	3,443	462,538	642	9,550	472,730	407,983
Communications	29,010	8,012	37,022	2,076	27,597	66,695	65,418
Travel	10,229	2,471	12,700	1,806	5,572	20,078	11,031
Dues and subscriptions	36,943	1,102	38,045	80,554	201,490	320,089	252,444
Employee training and seminars	6,717	2,525	9,242	273	40,300	49,815	42,563
Financial fees	683	1	684	960	193,168	194,812	319,506
Non-capital equipment purchases	21,070	3,712	24,782	364	44,882	70,028	77,425
Interest expense	5,255	-	5,255	-	-	5,255	16,895
Purchased food	707,723	1,801,622	2,509,345	-	-	2,509,345	3,706,077
In-kind food distribution	120,588,547	-	120,588,547	-	-	120,588,547	116,016,308
In-kind services and supplies	85,798	18,815	104,613	16,207	24,987	145,807	109,348
Total before depreciation and amortization	127,898,858	3,022,139	130,920,997	2,255,130	2,856,727	136,032,854	132,070,871
Depreciation and amortization	1,007,366	113,148	1,120,514	29,899	42,904	1,193,317	1,114,877
Total expenses by function	128,906,224	3,135,287	132,041,511	2,285,029	2,899,631	137,226,171	133,185,748
Less expenses included with revenues on the statement of activities							
Cost of direct benefit to donors	-	-	-	(166,041)	-	(166,041)	(102,922)
Total expenses included in the expense section in the statement of activities	\$ 128,906,224	\$ 3,135,287	\$ 132,041,511	\$ 2,118,988	\$ 2,899,631	\$ 137,060,130	\$ 133,082,826

See Notes to Financial Statements



Utah Food Bank  
Statement of Cash Flows  
Year Ended June 30, 2022

(with summarized comparative financial information for 2021)

	2022	2021
Operating Activities		
Change in net assets	\$ 17,851,901	\$ 22,445,618
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,193,317	1,114,877
Unrealized loss on operating investments	173,017	-
Gain on disposal of equipment	(63,615)	(43,007)
In-kind food support	(119,758,477)	(116,923,511)
In-kind food distribution	120,588,547	116,016,308
Changes in assets and liabilities		
Government contracts receivable	(231,221)	(333,925)
Other receivables	(438)	20,367
Food inventory	(17,115)	(44,467)
Prepaid expenses and deposits	7,244,490	(7,272,955)
Promises to give	(36,690)	(3,710)
Accounts payable	721,291	(121,091)
Accrued liabilities	108,323	126,648
Forgiveness on Paycheck Protection Program loan	-	(1,171,500)
Net Cash from Operating Activities	27,773,330	13,809,652
Investing Activities		
Purchases of operating investments	(1,290,655)	-
Proceeds from sale of operating investments	807,423	5,156,559
Proceeds from sale of equipment	63,615	45,300
Purchase of land, building, and equipment	(19,245,025)	(915,688)
Net Cash from (used for) Investing Activities	(19,664,642)	4,286,171
Financing Activities		
Principal payments on finance leases	(70,805)	(69,404)
Net Cash from (used for) Financing Activities	(70,805)	(69,404)
Net Change in Cash and Cash Equivalents	8,037,883	18,026,419
Cash and Cash Equivalents, Beginning of Year	31,579,604	13,553,185
Cash and Cash Equivalents, End of Year	\$ 39,617,487	\$ 31,579,604
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 5,255	6,656

## **Note 1 - Principal Activity and Significant Accounting Policies**

### **Organization**

Utah Food Bank (the Organization) is a nonprofit organization established in 1904 to provide various community services to other agencies and to individuals in need. Utah Food Bank currently operates from two main facilities – one in Saint George, Utah, and one in Salt Lake City, Utah, which allows the Organization’s efforts to reach individuals throughout the State of Utah. The Organization is governed by an independent, volunteer Board of Directors who oversees the Organization’s operations.

### **Comparative Financial Information**

Financial information for the fiscal year ended June 30, 2021, is included for comparison only and is not complete. The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2021, from which the summarized information was derived. Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Program and Support Services** – Support and program services provided by the Organization are as follows:

**Statewide Food Distribution** – The operations department at the Utah Food Bank is responsible for collecting, storing, and distributing millions of pounds of food each year to partner food pantries and agencies throughout the State of Utah. This includes the Grocery Rescue Program where fresh and perishable food nearing expiration is picked up daily from grocery retailers and immediately taken to food pantries. The operations department is responsible for: buildings, fleet of vehicles, warehouse safety, maintenance, cleanliness, and efficient and accurate movement of product. The department also includes the Organization’s Chief Operating Officer.

**Direct Food Programs** – These include the departments of the Utah Food Bank that are responsible for direct and indirect food distribution service to clients and agencies. These programs include: Mobile School Pantry Program, Community Mobile Program, Food Box Program, Kids Cafe Program, Backpack Program, and agency relations.

**Development** – The development department at Utah Food Bank is responsible for all fundraising, marketing, public relations, food procurement, and volunteer efforts of the Organization.

**Management and General** – Management and general consists of the finance, human resources, and general office support functions of the Organization. The department also houses portions of the Organization’s leadership, most notably the Chief Executive Officer and the Chief Financial Officer.

### **Cash and Cash Equivalents**

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to other long-term purposes are excluded from this definition. In addition, management also considers money market funds to be cash equivalents.

### **Receivables and Credit Policies**

Accounts receivable consist primarily of noninterest-bearing amounts due from government grant contracts. Contract liabilities, when applicable, are reported as deferred revenue in the accompanying statement of financial position. Allowance for uncollectable accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. As amounts are mainly due from recurring government contracts with a historically high rate of collectability, management determined that no allowance was necessary as of June 30, 2022.

### **Operating Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

### **Inventory**

Inventory consists principally of donated food which is valued at a nationally established price consistently applied. The price was \$1.70 per pound for food received from federal programs and \$1.79 per pound for all other food and related items received from July 1, 2021, through December 31, 2021. Beginning on January 1, 2022, and through June 30, 2022, the price was \$1.53 per pound for food received from federal programs and \$1.92 per pound for all other food and related items. The Organization applies these two different prices, depending on the source, because the commodities from the federal programs consist solely of food, while other donations can at times include non-food items.

### **Property and Equipment**

Property and equipment additions over \$5,000 are recorded at cost or, if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years for equipment and ten to forty years for buildings and improvements or, in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

### **Right-of-Use Assets and Finance Leases**

Leases with a term of more than 12 months are recorded as right-of-use assets with a corresponding lease liability recorded at the present value of the future lease payments. See Note 6 for further information. The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized as expenses on a straight-line basis.

### **Contributions and Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, certain net assets that are not expected to be converted to cash. Net assets without donor restrictions that are designated by the board are inventory and property and equipment, net of related debt. The designated balance of property and equipment, net of related debt, includes: land, building, equipment, and right-of-use assets, net of depreciation and amortization, and net of the related lease liabilities.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

### **Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2022, conditional contributions approximating \$8,276,180, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

### **In-Kind Support**

The Organization receives donations from a variety of sources for services and products in the furtherance of its objectives. The in-kind support consists principally of food donated for distribution to food pantries, advertising contributed by the local major media, and goods and service items donated by companies and individuals.

Contributed materials and equipment are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

In addition to the recorded in-kind support, the Organization receives substantial assistance from volunteers who donate significant amounts of their time in program services and food donation campaigns. Time donated for work that does not require a professional or craftsman cannot be recorded on the financial statements. Volunteer hours (unaudited) which fall into this category were 156,267 for the year ended June 30, 2022. For management purposes, unrecorded volunteer hours were tracked at a value of \$27.82 per hour for the year ended June 30, 2022. The value of volunteer hours (unaudited) donated to the Organization was \$4,347,348 for the year ended June 30, 2022.

### **Shipping and Handling Costs**

Transportation costs reimbursed by government agencies are considered to be government contract revenue and related transportation costs are included in program expenses.

### **Functional Allocation of Expenses**

The costs of providing the various programs and services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are directly attributable to a functional category without significant allocation, except for depreciation and amortization on certain building, improvements, and right-to-use assets. Depreciation on the building and certain building improvements are allocated between programs and management and general based on the square footage used by each function.

### **Income Taxes**

The Organization is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under State of Utah tax regulations and, therefore, is not subject to federal or state income taxes in regard to its exempt activities. The Organization has been determined not to be a private foundation under Sections 509(a)(1) and (3).

The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes.

When applicable, the Organization files Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income. The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

### **Financial Instruments and Credit Risk**

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give are limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by the Organization and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

### **Subsequent Events**

Subsequent events have been evaluated through February 10, 2023, the date the financial statements were available to be issued.

### **Adoption of Recent Accounting Guidance**

The Financial Accounting Standards Board (FASB) issued Accounting Standards (ASU) Update 2020-07, Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU seeks to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The amendments to the ASU require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, separate from other forms of contributions. The standard also enhances disclosure requirements in each of the following:

- Disaggregation of the types of nonfinancial asset by category and amount,
- Description of any donor-imposed restrictions,

- Qualitative information about whether the contributions were monetized or utilized,
- If monetized, a policy about monetizing rather than utilizing the asset,
- Disclosure of the valuation techniques and inputs used to arrive at fair value measurement at initial recognition,
- Principal market (or most advantageous market) used to arrive at fair value measure.

The ASU was adopted for the year ended June 30, 2022. The adoption did not have a significant impact on Utah Food Bank's financial statements, with the exception of increased disclosures regarding the valuation.

### Note 2 - Liquidity and Availability

Utah Food Bank operates on a balanced budget and regularly monitors liquidity to meet its operating needs and other contractual commitments while also striving to maximize its mission. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 39,184,729
Accounts receivable	2,127,354
Operating investments	<u>813,656</u>
	<u><u>\$ 42,125,739</u></u>

### Note 3 - Food Inventory

The following table indicates the inventory activity for the year ended June 30, 2022:

	Pounds	Dollars
Beginning food inventory	3,305,546	\$ 5,472,814
Food received (donations and purchases)	68,103,407	122,384,334
Food shipped and other adjustments	<u>(68,723,165)</u>	<u>(123,197,289)</u>
Ending food inventory	<u><u>2,685,788</u></u>	<u><u>\$ 4,659,859</u></u>

Donated inventory was valued at \$1.53 or \$1.92 per pound, depending on the type, as of June 30, 2022. The value per pound is obtained from a study, conducted by a national food donation organization, of the average mix of donated food product categories and wholesaler catalog prices for those food categories. Purchased inventory is valued at the lower of cost or net realizable value determined by the first-in, first-out method.

#### **Note 4 - Fair Value Measurements and Disclosures**

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed 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. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment considering factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

The operating investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values.



The following table presents assets measured at fair value on a recurring basis at June 30, 2022:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Operating investments				
Equity mutual funds	\$ 481,074	\$ 481,074	\$ -	\$ -
Short-term bond mutual funds	332,582	332,582	-	-
	<u>\$ 813,656</u>	<u>\$ 813,656</u>	<u>\$ -</u>	<u>\$ -</u>

#### Fair Value of Financial Instruments Not Required to Be Reported at Fair Value

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and finance leases approximate fair value due to the short-term nature of the items and are considered to fall within Level 1 of the fair value hierarchy. The carrying amount of promises to give due in more than one year is based on the discounted net present value of the expected future cash receipts and approximates fair value.

#### Note 5 - Land, Building and Equipment

The carrying value of land, building and equipment as of June 30, 2022, was as follows:

Land	\$ 10,158,888
Building and improvements	16,348,465
Furniture, vehicles and equipment	<u>10,648,692</u>
Total cost	37,156,045
Less accumulated depreciation	<u>(8,681,730)</u>
Land, building and equipment, net of accumulated depreciation	<u>\$ 28,474,315</u>

The Organization recognized depreciation expense of \$1,121,700 during the year ended June 30, 2022.

#### Note 6 - Leases

The Organization leases vehicles under long-term, non-cancelable finance lease agreements with a term of six years. The leases expire in fiscal year 2025. The Organization included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leases provide for monthly rental payments of \$6,338.

The Organization elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate. The Company has applied the risk-free rate option to the equipment class of assets.

Total lease costs for the year ended June 30, 2022, were as follows:

Finance lease cost	
Interest expense	\$ 5,255
Amortization of right-of-use assets	71,618

The following table summarizes the supplemental cash flow information for the year ended June 30, 2022:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows used for finance leases	\$ 5,255
Financing cash flows used for finance leases	70,805

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

	<u>2022</u>
Weighted-average remaining lease term in years	3.50%
Weighted-average discount rate	0.17%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of June 30, 2022.

Year Ending June 30,	
2023	\$ 76,060
2024	76,060
2025	<u>76,060</u>
 Total lease payments	 228,180
Less interest	<u>(3,910)</u>
 Present value of lease liabilities	 <u><u>\$ 224,270</u></u>

**Note 7 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to the Passage of Time	
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	\$ 40,400
Subject to Expenditure for Specified Purpose	
Food purchases	348,901
Hygiene products	<u>83,857</u>
	<u>\$ 473,158</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor as follows for the year ended June 30, 2022.

Expiration of time restrictions	\$ 26,967
Satisfaction of purpose restrictions	
Food Purchase	<u>550,676</u>
	<u>\$ 577,643</u>

**Note 8 - Employee Benefit Plan**

The Organization has adopted a 403(b) Thrift Plan for its employees whereby employees can contribute a certain percentage of their compensation. The Organization may also contribute to the plan, at the Organization's discretion. The Organization made contributions of \$247,142 for the plan year ended June 30, 2022.

**Note 9 - Related Party Transactions**

During the year ended June 30, 2022, the Organization incurred expenses of \$980,930 for supplies and services provided by entities in which a board member is affiliated, the majority of which was for employee health insurance premiums.