

GREATER PITTSBURGH COMMUNITY FOOD BANK
Duquesne, Pennsylvania

Consolidated Financial Statements
and
Reporting Under *Government Auditing Standards*
and Uniform Guidance
For the year ended June 30, 2022
and Independent Auditor's Report Thereon



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Greater Pittsburgh Community Food Bank
Duquesne, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the Greater Pittsburgh Community Food Bank (Food Bank) (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statement of activities and changes in net assets for the year ended June 30, 2022, and the consolidated statements of functional expenses and cash flows for the years ended June 30, 2022 and 2021, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Food Bank as of June 30, 2022 and 2021, and the changes in its net assets for the year ended June 30, 2022 and its functional expenses and cash flows for the years ended June 30, 2022 and 2021 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 generally accepted auditing standards 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 consolidated 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 consolidated 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 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 Food Bank's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 15, 2021. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2022, on our consideration of the Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the Food Bank's internal control over financial reporting and compliance.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
December 5, 2022

GREATER PITTSBURGH COMMUNITY FOOD BANK

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 10,731,228	\$ 33,627,165
Receivables, net	3,610,592	3,541,841
Investments	24,636,277	13,773,619
New market tax credit leverage loan receivable	15,104,000	15,104,000
Inventory	3,600,294	5,201,870
Prepaid expenses	129,080	81,006
Fixed assets, net	22,571,251	14,393,054
Land	332,699	332,699
	<hr/>	<hr/>
Total Assets	<u>\$ 80,715,421</u>	<u>\$ 86,055,254</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,005,487	\$ 1,370,146
Accrued liabilities	2,730,916	3,187,203
Refundable advances	2,394,209	3,659,366
Lease liabilities	534,641	731,994
Long-term debt, net	-	2,936,814
New market tax credit loans, net	21,565,775	21,562,394
	<hr/>	<hr/>
Total Liabilities	29,231,028	33,447,917
NET ASSETS		
Without donor restrictions	46,203,408	44,871,495
With donor restrictions:		
Grants and programs	2,830,286	3,127,102
Comprehensive campaign	2,450,699	4,608,740
	<hr/>	<hr/>
Total Net Assets	51,484,393	52,607,337
	<hr/>	<hr/>
Total Liabilities And Net Assets	<u>\$ 80,715,421</u>	<u>\$ 86,055,254</u>

See notes to consolidated financial statements.

GREATER PITTSBURGH COMMUNITY FOOD BANK

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022
(with comparative totals for the year ended June 30, 2021)

	Without Restrictions	With Donor Restrictions			Totals	
	General Operating Fund	Grants and Programs	Comprehensive Campaign	Total With Restrictions	2022	2021
PUBLIC SUPPORT AND REVENUE						
Public support:						
Donated food	\$30,522,740	-	-	-	\$30,522,740	\$24,110,879
Foundations	4,335,157	\$ 1,366,245	\$ 567,500	\$ 1,933,745	6,268,902	12,151,223
Individuals	11,448,870	807,905	6,225	814,130	12,263,000	15,906,290
Corporations	3,299,784	331,617	262,500	594,117	3,893,901	6,682,258
Organizational donations	1,140,840	285,440	-	285,440	1,426,280	3,001,200
Government grants	-	14,098,351	-	14,098,351	14,098,351	21,730,395
Total Public Support	50,747,391	16,889,558	836,225	17,725,783	68,473,174	83,582,245
Revenue:						
Wholesale food sales	1,981,991	-	-	-	1,981,991	2,095,181
Shared maintenance	89,599	-	-	-	89,599	78,674
Special events	31,466	-	-	-	31,466	-
Transportation services	76,113	-	-	-	76,113	57,792
Investment income, net	405,045	3,856	-	3,856	408,901	269,680
Net realized and unrealized (losses) gains on investments	(685,382)	(27,519)	-	(27,519)	(712,901)	1,180,638
Miscellaneous income	140,005	-	-	-	140,005	59,841
(Loss) Gain on disposal	(37,872)	-	-	-	(37,872)	318
Membership dues	11,900	-	-	-	11,900	12,348
Total Revenue	2,012,865	(23,663)	-	(23,663)	1,989,202	3,754,472
Net assets released from program restrictions	20,156,977	(17,162,711)	(2,994,266)	(20,156,977)	-	-
Total Public Support And Revenue	72,917,233	(296,816)	(2,158,041)	(2,454,857)	70,462,376	87,336,717
FUNCTIONAL EXPENSES						
Program services	66,074,612	-	-	-	66,074,612	66,822,821
Supporting services	2,453,676	-	-	-	2,453,676	1,974,100
Fundraising	3,057,032	-	-	-	3,057,032	2,815,402
Total Functional Expenses	71,585,320	-	-	-	71,585,320	71,612,323
Changes in Net Assets	1,331,913	(296,816)	(2,158,041)	(2,454,857)	(1,122,944)	15,724,394
NET ASSETS						
Beginning of year	44,871,495	3,127,102	4,608,740	7,735,842	52,607,337	36,882,943
End of year	<u>\$46,203,408</u>	<u>\$ 2,830,286</u>	<u>\$ 2,450,699</u>	<u>\$ 5,280,985</u>	<u>\$51,484,393</u>	<u>\$52,607,337</u>

See notes to consolidated financial statements.

GREATER PITTSBURGH COMMUNITY FOOD BANK

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services				
	Food Distribution	Network Outreach	Community Outreach and Education	Community Impact	Total Program Services
Donated food distributed	\$41,488,666	-	-	-	\$41,488,666
Cost of purchased food	9,901,528	-	-	-	9,901,528
Salaries and wages	3,468,689	\$ 954,416	\$ 458,438	\$1,243,223	6,124,766
Payroll taxes	275,048	76,972	36,622	97,966	486,608
Employee benefits	911,123	198,755	85,589	230,306	1,425,773
Professional services	50,506	12,420	15,163	192,522	270,611
Fees for service	358,027	13,798	12,229	17,490	401,544
Supplies	368,119	10,965	13,570	767,014	1,159,668
Technology expense	268,156	85,223	43,886	161,717	558,982
Printing and postage	25,942	10,571	4,970	91,477	132,960
Advertising	46,380	34,787	46,388	59,205	186,760
Freight and vehicles	750,191	207	413	4,410	755,221
Occupancy	546,458	18,431	8,820	27,634	601,343
Travel, meetings, membership	55,024	21,389	10,951	31,734	119,098
Agency support	66,619	1,088,889	4,064	321,462	1,481,034
Interest	28,457	4,214	2,026	5,491	40,188
Miscellaneous	5,159	208	108	641	6,116
Total Functional Expenses Before Depreciation and Amortization	58,614,092	2,531,245	743,237	3,252,292	65,140,866
Depreciation and amortization	785,798	39,527	20,582	87,839	933,746
Total Functional Expenses	<u>\$59,399,890</u>	<u>\$2,570,772</u>	<u>\$ 763,819</u>	<u>\$3,340,131</u>	<u>\$66,074,612</u>

Supporting Services	Fund- Raising	Total
-	-	\$41,488,666
-	-	9,901,528
\$1,424,602	\$ 931,415	8,480,783
110,179	72,702	669,489
328,677	196,705	1,951,155
169,511	278,477	718,599
82,506	1,029,109	1,513,159
21,206	14,114	1,194,988
80,106	96,318	735,406
12,454	88,573	233,987
64,824	202,760	454,344
69	-	755,290
23,484	14,616	639,443
67,022	30,163	216,283
6,542	60,465	1,548,041
6,492	4,113	50,793
18,813	12,389	37,318
2,416,487	3,031,919	70,589,272
37,189	25,113	996,048
<u>\$2,453,676</u>	<u>\$3,057,032</u>	<u>\$71,585,320</u>

See notes to consolidated financial statements.

GREATER PITTSBURGH COMMUNITY FOOD BANK

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				
	Food Distribution	Network Outreach	Community Outreach and Education	Community Impact	Total Program Services
Donated food distributed	\$39,657,856	-	-	-	\$39,657,856
Cost of purchased food	10,255,339	-	-	-	10,255,339
Salaries and wages	3,738,297	\$ 982,612	\$ 520,361	\$1,257,722	6,498,992
Payroll taxes	268,633	76,462	41,559	94,404	481,058
Employee benefits	883,470	197,272	91,743	230,685	1,403,170
Professional services	45,071	7,850	9,158	77,867	139,946
Fees for service	427,801	5,572	2,978	6,994	443,345
Supplies	355,106	15,279	5,831	972,503	1,348,719
Technology expense	255,957	66,418	36,394	119,961	478,730
Printing and postage	17,918	8,178	1,301	71,208	98,605
Advertising	68,391	44,097	58,796	31,378	202,662
Freight and vehicles	472,294	231	46	2,540	475,111
Occupancy	420,000	25,010	4,321	36,506	485,837
Travel, meetings, membership	30,100	7,725	5,303	18,529	61,657
Agency support	130,386	3,348,318	3,000	549,129	4,030,833
Interest	44,120	7,189	3,808	9,203	64,320
Miscellaneous	2,245	10	10	101	2,366
Total Functional Expenses Before Depreciation and Amortization	57,072,984	4,792,223	784,609	3,478,730	66,128,546
Depreciation and amortization	621,526	18,676	13,217	40,856	694,275
Total Functional Expenses	<u>\$57,694,510</u>	<u>\$4,810,899</u>	<u>\$ 797,826</u>	<u>\$3,519,586</u>	<u>\$66,822,821</u>

Supporting Services	Fund- Raising	Total
-	-	\$39,657,856
-	-	10,255,339
\$1,179,410	\$ 897,744	8,576,146
86,592	70,705	638,355
283,777	166,575	1,853,522
103,934	267,743	511,623
20,181	1,093,427	1,556,953
13,645	5,268	1,367,632
74,405	88,073	641,208
9,740	59,814	168,159
74,066	59,757	336,485
46	46	475,203
41,569	11,983	539,389
30,350	15,020	107,027
8,181	19,214	4,058,228
8,888	6,568	79,776
13,322	28,003	43,691
1,948,106	2,789,940	70,866,592
25,994	25,462	745,731
<u>\$1,974,100</u>	<u>\$2,815,402</u>	<u>\$71,612,323</u>

See notes to consolidated financial statements.

GREATER PITTSBURGH COMMUNITY FOOD BANK

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,122,944)	\$ 15,724,394
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Donated inventory, net change	168,497	150,441
Depreciation and amortization	996,048	745,731
Amortization of deferred financing costs, included in interest expense	37,163	-
Loss (gain) on disposal of equipment	37,872	(318)
Net unrealized losses (gains) on investments	636,566	(1,155,079)
Allowance for doubtful accounts	(4,505)	3,513
Inventory allowance	244,470	-
Changes in assets and liabilities:		
Receivables	(64,246)	302,359
Purchased inventory	600,707	2,575,330
Prepaid expenses	(48,074)	(3,386)
Accounts payable	635,341	134,366
Accrued liabilities	(611,341)	769,244
Refundable advances, net of change in government commodity inventory	(677,255)	778,433
Deferred grant revenue	-	(1,459,800)
Net Cash Provided By Operating Activities	<u>828,299</u>	<u>18,565,228</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(8,972,191)	(9,440,937)
Purchases of investments	(11,499,224)	(5,921,354)
Payments on new market tax credit leverage loan receivable	-	(15,104,000)
Proceeds on sale of equipment	-	4,500
Net Cash Used In Investing Activities	<u>(20,471,415)</u>	<u>(30,461,791)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on lease liabilities	(282,225)	(267,402)
Proceeds from long-term debt	-	9,200,000
Proceeds from new market tax credit loans	-	21,680,000
Payments on long-term debt	(2,970,596)	(6,229,404)
Payments of loan origination fees	-	(151,388)
Net Cash (Used In) Provided By Financing Activities	<u>(3,252,821)</u>	<u>24,231,806</u>
 Net (Decrease) Increase In Cash, Cash Equivalents and Restricted Cash	 (22,895,937)	 12,335,243
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>33,627,165</u>	<u>21,291,922</u>
End of year	<u><u>\$ 10,731,228</u></u>	<u><u>\$ 33,627,165</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 51,000</u>	<u>\$ 80,000</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES

As of June 30, 2022 and 2021, the government commodity inventory approximated \$1,848,000 and \$2,436,000, respectively, and is recorded as refundable advances.

As of June 30, 2022 and 2021, the Company had payable approximately \$155,000 and \$1,060,000, respectively of fixed asset purchases.

In 2022, the Company financed the purchase of fixed assets under financing leases totaling approximately \$85,000.

See notes to consolidated financial statements.

GREATER PITTSBURGH COMMUNITY FOOD BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - ORGANIZATION

The Greater Pittsburgh Community Food Bank (Food Bank) is a nonprofit hunger relief organization that distributes donated, purchased and prepared foods through a network of over 1,000 agencies, partners and programs throughout 11 counties. The Food Bank supports the nutritional needs of southwestern Pennsylvania through research, education, advocacy and strategic partnerships. During the year ended June 30, 2022, the Food Bank provided access to over 42 million nutritious meals (unaudited). The Food Bank is a member of Feeding America, a national hunger relief organization and network of food banks.

In 2021, the Food Bank established the GPCFB Support Corporation (Support Corporation) as a nonprofit organization to hold the Food Bank's fixed assets and Qualified Low-Income Community Investment (QLICI) loans. This transaction took place for the renovation and expansion of its facility in Duquesne, Pennsylvania (Project). Note 3 provides further information on this transaction. The Food Bank is the sole voting member of the Support Corporation and facility for its exclusive benefit and use; therefore, the Support Corporation is consolidated into the financial statements of the Food Bank.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation - The consolidated financial statements include the accounts of the Greater Pittsburgh Community Food Bank and the GPCFB Support Corporation (collectively referred to as the Organization). Significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The average wholesale per-pound value of food-only items, as determined by Feeding America (See Note 5) and the U.S. Department of Agriculture commodity index, provides the basis for contributions of donated food and donated food distributed for the years ended June 30, 2022 and 2021, and donated food inventory at June 30, 2022 and 2021, which represent significant components of the consolidated financial statements.

Net Assets - The Food Bank classifies resources for accounting and reporting purposes into separate net asset classes based on the absence or existence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into similar categories. A description of the Food Bank's net asset categories is as follows:

Without Donor Restrictions - Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions or stipulations as to purpose or use. The governing board has designated from net assets without donor restrictions, net assets for the Feed the Future Fund, an operating reserve (See Note 4), capital reserve (See Note 4), Strategic Innovation Fund (See Note 4) and board-designated endowment (See Note 17).

GREATER PITTSBURGH COMMUNITY FOOD BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

With Donor Restrictions - Net assets with donor restrictions are net assets subject to donor-or grantor-imposed restrictions or stipulations that may or will be met either by actions of the Food Bank or the passage of time.

The Food Bank reports gifts of cash and other assets as restricted support if they are received with donor-imposed restrictions 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, donor-restricted net assets are reclassified to without donor restriction net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Donated Food and Services - The Food Bank receives a substantial amount of donated food from local and regional processors, distributors, retailers, farms and government agencies. Donated food received and distributed by the Food Bank has been reflected in the accompanying consolidated financial statements at the average wholesale per pound value of food-only items as determined annually by Feeding America or the U.S. Department of Agriculture commodity index. (See Note 5.) The Food Bank pays a value-added processing charge on certain donated food, which approximated \$2,953,000 and \$1,612,000 for the years ended June 30, 2022 and 2021, respectively. These amounts are included within the cost of donated food distributed on the consolidated statements of functional expenses.

The Food Bank occasionally receives certain donated professional services, which are valued by the donors based on rates commensurate with the type of services performed. These services are reflected in the accompanying consolidated financial statements as both revenue and expense, which were not significant for the years ended June 30, 2022 and 2021, respectively.

Inventory - The inventory of the Food Bank consists of food and other grocery products that are valued at the lower of cost (on first-in, first-out basis) except for donated food, which is reflected at average wholesale value as determined by Feeding America or U.S. Department of Agriculture commodity index, or net realizable value. A separate inventory is maintained for goods purchased with state grant program funds. Net realizable value is determined based on sales transactions at or near the consolidated statement of financial position date. The Food Bank evaluates perishable products on a continuing basis for spoilage and records the loss of inventory when spoilage occurs, which totaled approximately \$1,023,000 and \$1,067,000 during the years ended June 30, 2022 and 2021, respectively, and is reflected as a component of the cost of donated food distributed on the consolidated statements of functional expenses.

Revenue Recognition - The Food Bank follows the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 606, Revenue from Contracts with Customers (Topic 606), under which revenue is recognized in accordance with a five-step model that includes: identifying the contracts with customers; identifying the separate performance obligations; determining the transaction price; allocating the transaction price to the separate performance obligations; and recognizing revenue when (or as) each performance obligation is satisfied.

GREATER PITTSBURGH COMMUNITY FOOD BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Food Bank generates revenue from individual contracts with customers, primarily through food sales and related fees revenue. The provisions of Topic 606 are applied by the Food Bank on an individual contract basis. As a practical expedient, the Food Bank applies this Topic to a portfolio of contracts with similar characteristics for the fee for service revenue stream. The Food Bank expects that the effects of applying this guidance to the portfolios would not significantly differ from applying the guidance to the individual contracts within the portfolio.

The Food Bank's operating revenue is generated and received through the following sources:

The Food Bank receives revenue through donated food, which is recorded as an in-kind contribution. Revenues from food sales and related fees that are reported in the fiscal year in which the food is delivered are included in wholesale food sales within the accompanying consolidated statements of activities. The Food Bank generally charges a shared maintenance fee for each pound of donated product shipped to member agencies and affiliated food banks to support the Food Bank's operational expenses.

The Food Bank applies the practical expedient in FASB ASC 606-10-50-14 and, therefore, does not disclose further information about remaining performance obligations that have original expected durations of one year or less. There was no revenue recognized during the years ended June 30, 2022 and 2021 from performance obligations that were satisfied or partially satisfied in prior periods.

Public support consists of grants and donations from governments, corporations, foundations, individuals, other organizations and fundraising activities.

Major Contributors - Total public support and revenue for the year ended June 30, 2022 includes food donations made by two corporations that represent approximately 24% of total public support and revenue. No corporation represented greater than 10% of total public support and revenue for the year ended June 30, 2021.

Cash and Cash Equivalents - The Food Bank maintains its cash balances in local financial institutions, which may at times exceed federally insured amounts. The Food Bank has not experienced any losses on such accounts. The Food Bank considers all investments with a purchased maturity of three months or less to be cash equivalents.

Receivables - Receivables represent amounts due from agencies, foundations, partner distribution organizations and government funding sources for services performed and products distributed by the Food Bank. Provisions are made for estimated uncollectible unconditional promises to give based on historical collection experience, a review of the current status of unconditional promises to give and judgment. Decisions to charge off receivables are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. It is reasonably possible that the Food Bank's estimate of the allowance for doubtful accounts will change. (See Note 6.)

Fair Value Measurement - The Food Bank defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. Disclosures are required that categorize assets and liabilities measured at fair value into three different levels, depending on the assumptions used in the valuation. (See Note 13.)

GREATER PITTSBURGH COMMUNITY FOOD BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - Investments are carried at fair value with unrealized gains and losses included in the consolidated statement of activities and changes in net assets. Investment income, including interest and dividends, and realized and unrealized gains (losses) on investments are reported as increases or decreases in net assets without donor restriction unless a donor or law restrict their use. Investments received by gift are recorded at fair value on the date of donation. Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, changes in value will occur in the near term, and it is reasonably possible that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Fixed Assets - Fixed assets are recorded at the lower of cost or fair value. Depreciation is provided on the straight-line method over estimated useful lives. Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred. A gain or loss resulting from the retirement or other disposition of assets is included in total public support and revenue.

Management reviews the carrying amount of fixed assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts might not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the related estimated fair value, based on appraisals or other methods to estimate fair value. No impairment loss was recognized in either 2022 or 2021.

Refundable Advances - Refundable advances consist of program service fees, government grants and government commodities inventories that are received in advance of the expenditure or distribution to which they relate through program completion or donor stipulation.

Advertising Costs - The Food Bank uses advertising to promote its mission and educational programs in the southwestern Pennsylvania region. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2022 and 2021 was approximately \$454,000 and \$336,000, respectively.

Income Taxes - The Food Bank and the Support Corporation are exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and are not a private foundation under Section 509 of the IRC. Accordingly, no provision for income taxes is recorded in the consolidated financial statements. The Food Bank's consolidated statements of financial position at June 30, 2022 and 2021 do not include any liabilities associated with uncertain tax positions; further, the Food Bank has no unrecognized tax benefits. The Food Bank's policy is to record interest and penalties related to unrecognized tax benefits as a component of income tax expense, if incurred or assessed. The Food Bank is no longer subject to examination of its tax returns for years before 2019.

Subsequent Events - Subsequent events are defined as events or transactions that occur after the balance sheet date but before the consolidated financial statements are issued or are available to be issued. Management has considered subsequent events through December 5, 2022, the date on which the consolidated financial statements were available to be issued.

GREATER PITTSBURGH COMMUNITY FOOD BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements - In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets, which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 is effective for annual periods beginning after June 15, 2021. The Food Bank adopted this ASU during the year ended June 30, 2022, and it did not have a significant impact on the consolidated financial statements.

Recent Accounting Pronouncements - In March 2020, the FASB issued ASU No. 2020-04 Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference the London InterBank Offered Rate (LIBOR) or another rate that is expected to be discontinued. ASU 2020-04 is effective as of March 12, 2020 through December 31, 2022. The Food Bank is currently assessing the impact that ASU 2020-04 will have on its consolidated financial statements and related disclosures.

NOTE 3 - NEW MARKET TAX CREDIT LOANS AND LEVERAGED LOAN RECEIVABLE

The Food Bank entered into a fixed-price contract of \$15,158,000 with Massaro Corporation for the renovation and expansion of its facility in Duquesne, Pennsylvania (Project). Massaro is the general contractor on the Project. Groundbreaking occurred in September 2020.

The New Market Tax Credit (NMTC) program was established by Congress in 2000 to attract investment capital to low income communities by permitting investors to receive tax credit incentives in exchange for making equity investments in certified Community Development Entities (CDEs). Under this program, certain commercial banks and other investors are able to subsidize eligible projects that meet the NMTC Program requirements. The Food Bank determined that financing under the NMTC program would provide an attractive source of funding for the Project, ultimately providing \$5,120,000 of additional capital to the Project.

In October 2020, the Food Bank entered into transactions with two CDEs under the NMTC program for construction, renovation and equipping the headquarters facility. The Food Bank formed the Support Corporation, a new not-for-profit corporation that is controlled by the Food Bank, to facilitate the transaction.

The Food Bank and CDEs loaned funds to the Support Corporation for use in this renovation and construction project. The Food Bank's \$15,104,000 in NMTC leveraged loans to the Support Corporation helped the Support Corporation receive approximately \$21,680,000 in funds after transactions costs and fees.

A \$10,000,000 line of credit, secured by certain assets of the Food Bank, was obtained from PNC Bank in September 2020 to fund a portion of the NMTC transaction. The Food Bank initially borrowed \$9,200,000 under this credit facility in October 2020 and combined with an initial \$5,904,000 of funds raised through the Comprehensive Campaign, made a \$15,104,000 investment in the Project through the Support Corporation. During 2021, a portion of this loan was repaid and the outstanding balance at June 30, 2021 was approximately \$2,937,000, net of loan origination fees of approximately \$33,000. The loan bore interest at daily London Interbank Offered Rate (LIBOR) plus 1.25% (1.289% at June 30, 2021) and was initially payable in 36 monthly payments of approximately \$83,000 plus interest starting in October 2022, with interest-only payments required from July 2021 to October 2022. This loan was fully repaid in September 2021.

GREATER PITTSBURGH COMMUNITY FOOD BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 3 - NEW MARKET TAX CREDIT LOANS AND LEVERAGED LOAN RECEIVABLE (Continued)

PNC CDE 109, LLC (PNC) and RDP 37 LLC (RDP), collectively known as CDEs, provided NMTC loans to the Support Corporation to finance the renovation. These loans were made in conjunction with the NMTC leveraged loan from the Food Bank.

The CDEs received allocations of NMTC pursuant to Section 45D of the IRC in order to assist eligible businesses in making investments in certain low income communities. The availability of NMTC allowed PNC New Markets Investments Partners, LLC (PNC NMTC) to invest \$7,176,000 in the GPCFB Investment Fund, LLC (Investment Fund). The Food Bank also made a NMTC leveraged loan of \$15,104,000 from the proceeds of the PNC Bank Loan of \$9,200,000 and the Food Bank equity of \$5,904,000. In addition, there was a transfer of building and land owned of approximately \$2,088,000 to the Support Corporation. The Investment Fund used the combined amount to make equity contributions of \$16,000,000 to RDP and \$6,000,000 to PNC. The CDEs, in turn, used the contributions to make the NMTC loans to the Support Corporation. The NMTC loans are secured by the assignment of pledge receivables, Open End Mortgage, leases and rents, interest in leasehold improvements, cash accounts and a guarantee by the Food Bank.

The NMTC loans mature on December 31, 2054; and the principal is payable in quarterly installments, commencing March 5, 2028. Interest is payable quarterly, commencing December 5, 2020 at the following interest rates:

	<u>Principal Amounts</u>	<u>Interest Rates</u>
PNC	\$ 6,000,000	1.142%
RDP	<u>15,680,000</u>	1.142%
Total new market tax credit loans	21,680,000	
Less: Loan origination fees	<u>(114,225)</u>	
	<u>\$ 21,565,775</u>	

The Food Bank expects to receive quarterly interest payments of 1% on the NMTC leveraged loans from the Investment Fund from December 15, 2020 through December 31, 2027. The NMTC leveraged loans mature on June 30, 2049, and principal is payable in quarterly installments, commencing March 15, 2028. Amounts received from the Investment Fund as payment on the NMTC leveraged loans will be used to make interest payments on the NMTC loans.

In 2027, PNC NMTC has a right and put option, but not an obligation, for a period of 120 days, to require the Food Bank to purchase all of PNC New Markets Investment Partners, LLC's interest in the Investment Fund for a put exercise price of \$1,000 plus the closing costs. If the put is not exercised, then the Food Bank has the right to purchase PNC New Markets Investment Partners, LLC's interest in the Investment Fund (call option) at an amount equal to the fair market value of PNC New Markets Investment Partners, LLC's interest in the Investment Fund.

GREATER PITTSBURGH COMMUNITY FOOD BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Food Bank is substantially supported by contributions and donations with and without donor restrictions. The Food Bank must maintain sufficient resources to meet the obligations in support of its mission and programs. There are, however, certain financial assets that may not be available for general expenditures within one year due to donor restrictions. As part of the Food Bank's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities and other obligations become due. As of June 30, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditure, such as for operating expenses, including food distribution, advocacy and education, were as follows:

	<u>2022</u>	<u>2021</u>
Total financial assets:		
Cash and cash equivalents	\$ 10,731,228	\$ 33,627,165
Receivables	3,610,592	3,541,841
Investments without Board designations	4,999,733	-
Less: Cash and cash equivalents for the Support Corporation	(3,590,829)	(12,452,088)
Less: Financial assets with donor restrictions	<u>(2,450,699)</u>	<u>(4,608,740)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,300,025</u>	<u>\$ 20,108,178</u>

In addition, the Food Bank's board of trustees (Board) has designated a portion of its resources without donor restriction for operations and other purposes. These funds are invested for long-term capital appreciation and current income but remain available and may be spent at the discretion of the Board. At June 30, 2022 and 2021, approximately \$14,637,000 and \$8,252,000 was designated by the Board for operating reserves into the Feed the Future Fund, respectively. Annually, the Food Bank may request a withdrawal of up to 4% of the funds equal to the average market value of the most recent three fiscal year-ends, or as otherwise approved by the Board. The withdrawal must be approved by the Board; however, the Food Bank has not requested such withdrawal.

At June 30, 2022 and 2021, approximately \$4,831,000 and \$5,000,000 was designated by the Board for the Strategic Innovation Fund, respectively. Annually, the Food Bank may request a withdrawal of up to 10% of the funds equal to the average market value of the most recent three fiscal year-ends, or as otherwise approved by the Board. The withdrawal must be approved by the Board; however, the Food Bank has not requested such withdrawal.

Other invested assets are part of the Food Bank's endowment. (See Note 17.)

The Food Bank also had approximately \$2,830,000 and \$3,127,000 at June 30, 2022 and 2021, respectively, related to grants and programs that are consistent and will be used within the Food Bank's general mission, which were excluded from financial assets with donor restrictions above.

The Food Bank also maintains a \$2,000,000 line of credit with a bank which is available in the event of unanticipated liquidity needs. The line was not drawn upon in fiscal years 2022 and 2021. (Note 15.)

Additionally, as a member of Feeding America, the Food Bank is required to maintain a three-month operating reserve or demonstrate positive working capital in each of the two preceding fiscal years. (See Note 5.) As of June 30, 2022 and 2021, the Food Bank met both of these criteria.

GREATER PITTSBURGH COMMUNITY FOOD BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 - FEEDING AMERICA AFFILIATION

The Food Bank is a member of Feeding America, the nation's leading domestic hunger relief charity and national network of food banks. In accordance with the financial stability requirement of Feeding America, member food banks are required to maintain a three-month operating reserve in case of emergency situations or demonstrated positive working capital, which is defined by Feeding America as current assets less current liabilities, excluding inventory, in each of the two preceding fiscal years. The Food Bank has demonstrated positive working capital in both the years ended June 30, 2022 and 2021 and, therefore, is not required to establish an operating reserve to meet the Feeding America monitoring requirement.

NOTE 6 - RECEIVABLES

The Food Bank's receivables at June 30 consist of the following:

		<u>2022</u>		<u>2021</u>
Grants receivable	\$	678,114	\$	972,055
Amounts due from agencies		300,585		182,323
Contributions receivable		2,644,057		2,402,757
Miscellaneous		<u>6,859</u>		<u>8,234</u>
		3,629,615		3,565,369
Less - Allowance for contributions receivable		<u>(19,023)</u>		<u>(23,528)</u>
	\$	<u><u>3,610,592</u></u>	\$	<u><u>3,541,841</u></u>

Contributions receivable as of June 30, 2022 consist of approximately \$1,640,000 due in less than one year, approximately \$904,000 due in one to five years, and approximately \$100,000 due in more than five years. The remaining receivables of approximately \$963,000 are due in less than one year.

NOTE 7 - INVESTMENTS

Investments at June 30 consist of the following:

	Fair Value Hierarchy (Note 13)	<u>2022</u>		<u>2021</u>	
		<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash	1	\$ 12,183,049	\$ 12,183,049	\$ 5,746,192	\$ 5,746,192
Treasury bonds	2	792,325	792,697	-	-
Corporate bonds	2	1,502,998	1,640,554	998,113	940,460
Municipal bonds	2	1,086,095	1,132,415	841,258	808,439
Common stocks	1	<u>9,071,810</u>	<u>7,714,648</u>	<u>6,188,056</u>	<u>4,469,048</u>
		<u><u>\$ 24,636,277</u></u>	<u><u>\$ 23,463,363</u></u>	<u><u>\$ 13,773,619</u></u>	<u><u>\$ 11,964,139</u></u>

GREATER PITTSBURGH COMMUNITY FOOD BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 - INVESTMENTS (Continued)

Investment income and fees for the years ended June 30 is composed of the following:

	<u>2022</u>	<u>2021</u>
Interest	\$ 303,317	\$ 220,826
Dividends	165,908	86,751
Fees	<u>(60,324)</u>	<u>(37,897)</u>
	<u>\$ 408,901</u>	<u>\$ 269,680</u>

Net realized and unrealized (losses) gains on investments for the years ended June 30 are composed of the following:

	<u>2022</u>	<u>2021</u>
Net realized (losses) gains	\$ (76,335)	\$ 25,559
Net unrealized (losses) gains	<u>(636,566)</u>	<u>1,155,079</u>
	<u>\$ (712,901)</u>	<u>\$ 1,180,638</u>

NOTE 8 - INVENTORY

Inventory at June 30 consists of the following:

	<u>2022</u>	<u>2021</u>
Purchased and state food purchased inventory	\$ 1,539,694	\$ 2,140,401
Government commodities - donated	1,848,338	2,436,240
Donated inventory	456,732	625,229
Inventory reserve	<u>(244,470)</u>	<u>-</u>
	<u>\$ 3,600,294</u>	<u>\$ 5,201,870</u>

GREATER PITTSBURGH COMMUNITY FOOD BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 - FIXED ASSETS

Fixed assets at June 30 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 27,402,679	\$ 7,708,231
Motor vehicles	982,879	1,071,247
Finance lease right-of-use motor vehicles	1,141,457	1,141,457
Warehouse equipment	804,544	804,544
Office equipment	1,385,226	1,266,916
Finance lease right-of-use office equipment	164,007	79,135
Finance lease right-of-use building	<u>249,582</u>	<u>249,582</u>
	32,130,374	12,321,112
Less - Accumulated depreciation and amortization	<u>9,980,628</u>	<u>8,995,066</u>
	22,149,746	3,326,046
Construction-in-progress	<u>421,505</u>	<u>11,067,008</u>
	<u>\$ 22,571,251</u>	<u>\$ 14,393,054</u>

Through the continued efforts of the Comprehensive Campaign (Grow Share Thrive), the Food Bank will expand access to more nutritious food for more families in more places, with a focus on those with the highest needs. As part of this campaign, the Food Bank will improve and expand their facility by approximately 30,000 square feet.

In a prior year, the Food Bank adopted ASU 2016-02, Leases (Topic 842), which provides practical expedients for an entity's ongoing accounting. The Food Bank has elected the short-term lease recognition exemption for motor vehicle and office equipment leases. This means, for those leases that qualify, the Food Bank will not recognize right-of-use assets or lease liabilities. The Food Bank has elected the practical expedient to not separate lease and non-lease components for leases of motor vehicles and office equipment.

Finance lease costs for the years ended June 30, 2022 and 2021 are comprised of amortization of the right-of-use assets (motor vehicles, office equipment and building) of approximately \$271,000 and \$264,000, respectively, and interest on the lease liability of approximately \$15,000 and \$20,000, respectively. The weighted-average remaining lease term for the Food Bank's finance leases were three years, and weighted-average discount rate is 5.25% and 4.51% as of June 30, 2022 and 2021, respectively.

GREATER PITTSBURGH COMMUNITY FOOD BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 - FIXED ASSETS (Continued)

The approximate aggregate amounts due under finance leases due subsequent to June 30, 2022 are as follows:

Year Ending June 30	Total
2023	\$ 213,000
2024	213,000
2025	104,000
2026	18,000
2027	8,000
	<u>556,000</u>
Less: Amounts representing interest	<u>(21,000)</u>
Total lease liability	\$ <u>535,000</u>

NOTE 10 - NET ASSETS AND RELEASE OF RESTRICTED ASSETS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors and grantors for the year ended June 30, 2022 are as follows:

Subject to expenditure for specified purpose:

Grants and programs:

Distribution of government commodities	\$ 8,738,739	
Comprehensive Campaign	2,994,266	
Donations with restrictions	1,187,329	
Richard King Mellon Foundation	731,681	
Allegheny County Block Grant	689,103	
KDKA Turkey Funds	619,655	
Pennsylvania Agriculture Surplus System	456,922	
Child and adult care food program	434,394	
Jack Buncher Foundation	414,364	
Summer food service program	410,602	
Summer Food/School Breakfast Program	398,840	
Other grants and programs	247,819	
Emergency Food & Shelter Programs	223,161	
City of Pittsburgh Block Grant	213,955	
Supplemental Nutrition Assistance Prog	155,125	
Allegheny County Service Block Grant	<u>12,500</u>	\$ 17,928,455

State food:

Food purchases	2,089,675	
Administrative funds	<u>138,847</u>	<u>2,228,522</u>
		\$ <u>20,156,977</u>

GREATER PITTSBURGH COMMUNITY FOOD BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10 - NET ASSETS AND RELEASE OF RESTRICTED ASSETS (Continued)

The Food Bank has recorded net assets based on use restrictions imposed by donors and grantors. These funds have originated from past and present grants and programs for the purpose of providing long-term and short-term stability of the organization. Nets assets with donor restrictions are comprised of grant, program and state grant funds for which the organization has not yet met the donor or grantor-imposed restriction.

NOTE 11 - RETIREMENT PLAN

The Food Bank has a defined contribution (money purchase) plan under Section 403(b) of the IRC covering eligible employees. Participants may contribute up to 100% of their pretax eligible compensation, subject to certain limitations under the IRC. In addition, discretionary plan contributions are made on behalf of eligible employees as a percentage of the participants' eligible salary. Employer contributions related to the discretionary plan contribution, which were approved by the Board, approximated \$351,000 and \$441,000 for the years ended June 30, 2022 and 2021, respectively, and were distributed to employees during fiscal years 2023 and 2022. The plan also includes a discretionary matching component and included a match of 3% of eligible wages for both 2022 and 2021. Employer contributions related to the discretionary matching component approximated \$223,000 and \$212,000 for the years ended June 30, 2022 and 2021, respectively.

NOTE 12 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based primarily on an analysis of personnel time on the related activities and square footage of the building. All other expenses are allocated based on actual usage.

NOTE 13 - FAIR VALUE MEASUREMENT

The Food Bank discloses the category of assets and liabilities measured at fair value into three different levels, depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement.

The fair value hierarchy is defined as follows:

Level 1 - Valuations are based on unadjusted quoted prices in an active market for identical assets or liabilities.

Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

GREATER PITTSBURGH COMMUNITY FOOD BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 13 - FAIR VALUE MEASUREMENT (Continued)

Level 3 - Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect the administration's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

The Food Bank deems that the carrying amount of cash and cash equivalents, receivables, prepaid expenses, accounts payable, accrued liabilities and refundable advances approximate their fair value due to the short-term nature of these assets and liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis is as follows:

Cash - Carrying value approximates fair value due to the short-term nature of the financial instrument.

Municipal, corporate and treasury bonds - Fair values are valued using pricing models maximizing the use of observable inputs for similar securities as provided by a third party. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar instruments, municipal and corporate bond instruments are valued under a discounted cash flows 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 or a broker quote if available. Management has classified its investment in municipal, corporate and treasury bonds as a Level 2 investment within the fair value hierarchy. (See Note 7.)

Common stocks - Valued at the closing price reported on the active market on which the individual securities are traded. (See Note 7.)

The preceding methods might produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Further, although the Food Bank believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. When available, the Food Bank measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. There were no transfers between fair value hierarchy levels in 2022 or 2021.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The Food Bank's financial and program records are subject to audit by appropriate government authorities in accordance with the terms of the various grant awards and contracts. The government authorities are authorized to review expenditures and to make adjustments. Any normal recurring changes arising from audit after the close of the fiscal year are reflected in subsequent years.

GREATER PITTSBURGH COMMUNITY FOOD BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

The Food Bank is subject to certain legal proceedings and claims relating to matters arising in the ordinary course of its operations. In accordance with FASB ASC 450, Contingencies, a reserve for estimated losses is recorded when the amount is probable and can be reasonably estimated. The Food Bank believes that the ultimate outcome of any matter currently pending against the Food Bank will not materially affect the consolidated financial position or cash flows of the Food Bank.

NOTE 15 - LINE OF CREDIT

In October 2019, the Food Bank entered into a line-of-credit agreement with a bank with maximum borrowings available of \$2,000,000. The agreement is collateralized by certain assets of the Food Bank, bears interest at the LIBOR (1.58% at June 30, 2022) plus 1.25%, maturing in September 2023. There were no outstanding borrowings at June 30, 2022 and 2021.

NOTE 16 - DEFERRED GRANT REVENUE

The Food Bank was a recipient of a Paycheck Protection Program (PPP) loan with a local bank of approximately \$1,459,000 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, that was reflected as deferred grant revenue as of June 30, 2020. Under program terms, PPP loans are forgiven and recognized as grant revenue if loan proceeds are used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following the receipt of the loan. The Food Bank was notified in January 2021 that the entire loan was forgiven, including any interest. This forgiveness is recognized as income within government grants public support revenue in the accompanying consolidated statement of activities and changes in net assets during the year ended June 30, 2021.

NOTE 17 - ENDOWMENT

The Food Bank's endowment consisted of a Board-designated investment fund established for perpetual support of the organization's mission. During the year ended June 30, 2022, the Food Bank's Board of Directors approved the termination of the endowment fund. The remaining funds were transferred to the Feed the Future Fund during the year ended June 30, 2022. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Food Bank to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

GREATER PITTSBURGH COMMUNITY FOOD BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 17 - ENDOWMENT (Continued)

The following represents the change in the Board-designated endowment fund for the years ended June 30:

Endowment net assets, June 30, 2020	\$	274,000
Investment return:		
Investment income		6,000
Net realized and unrealized gains		<u>54,000</u>
		60,000
Withdrawals		(11,000)
Investment management fees		<u>(2,000)</u>
		(13,000)
Endowment net assets, June 30, 2021		321,000
Investment return:		
Investment income		6,000
Net realized and unrealized losses		<u>(71,000)</u>
		(65,000)
Investment management fees		(2,000)
Withdrawals		(6,000)
Transfer		<u>(248,000)</u>
		(256,000)
Endowment net assets, June 30, 2022	\$	<u><u>-</u></u>

Return Objectives and Risk Parameters - The principal objective of the investment policy is to provide a secure source of income to support operations and new initiatives on an ongoing basis. Investments are managed for total return to provide, in addition to current income for operations, growth of principal modestly greater than inflation.

Spending Policy and Investment Objectives Related to Spending Policy - During the fiscal year ended June 30, 2022, the Food Bank elected to draw 2% from the endowment funds related to calendar years ending 2022 and 2021, which was not significant.

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REPORTING UNDER *GOVERNMENT AUDITING STANDARDS* AND UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Greater Pittsburgh Community Food Bank
Duquesne, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Greater Pittsburgh Community Food Bank (Food Bank) (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 5, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Food Bank's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Food Bank's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Food Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
December 5, 2022

GREATER PITTSBURGH COMMUNITY FOOD BANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal/Pass-Through Grantor Program or Cluster Title	Contract and Pass- through Entity Identifying Number	Federal Assistance Listing Number	Amount Expended
Food Distribution-Cluster:			
United States Department of Agriculture (USDA) Programs:			
Pass-Through Pennsylvania Department of Agriculture:			
Emergency Food Assistance Program (Food Commodities)	ME44187402	10.569	\$ 5,057,242
Pass-Through Lawrence County:			
Emergency Food Assistance Program (Food Commodities)	N/A	10.569	25,447
Pass-Through Hunger-Free Pennsylvania:			
Emergency Food Assistance Program (Food Commodities)	N/A	10.569	1,653,397
Pass-Through Allegheny County:			
Emergency Food Assistance Program (Food Commodities)	N/A	10.569	708,395
Pass-Through Washington County:			
Emergency Food Assistance Program (Food Commodities)	N/A	10.569	121,502
			<u>7,565,983</u>
Pass-Through Lawrence County:			
Emergency Food Assistance Program (TEFAP) (Administrative Costs)	N/A	10.568	24,143
Pass-Through Washington County:			
Emergency Food Assistance Program (TEFAP) (Administrative Costs)	N/A	10.568	28,026
Pass-Through Hunger-Free Pennsylvania:			
Emergency Food Assistance Program (Administrative Costs)	N/A	10.568	76,620
Emergency Food Assistance Program (Administrative Costs)	N/A	10.568	254,225
Pass-Through Allegheny County:			
Emergency Food Assistance Program (TEFAP) (Administrative Costs)	N/A	10.568	221,249
Pass-Through Pennsylvania Department of Agriculture:			
BBB - Emergency Food Assistance Program (TEFAP) (Administrative Costs)	N/A	10.568	185,189
COSUP - Emergency Food Assistance Program (TEFAP) (Administrative Costs)	N/A	10.568	376,494
			<u>1,165,946</u>
Total USDA Programs			<u>8,731,929</u>
Total Food Distribution Cluster			8,731,929
Other Federal Financial Assistance:			
CDGB - Entitlement Grants Cluster:			
United States Department of Housing and Urban Development Programs:			
Pass-Through Allegheny County Department of Development:			
Community Development Block Grants/Entitlement Grants	263560	14.218	299,103
Community Development Block Grants/Entitlement Grants	262484	14.218	300,000
Community Development Block Grants/Entitlement Grants	262018	14.218	40,000
Community Development Block Grants/Entitlement Grants	262482	14.218	50,000
Pass-Through City of Pittsburgh:			
Community Development Block Grants/Entitlement Grants	53428	14.218	98,955
Community Development Block Grants/Entitlement Grants	54017	14.218	115,000
			<u>903,058</u>
Total CDGB - Entitlement Grants Cluster			903,058
United States Department of Health and Human Services:			
Pass-Through Allegheny County:			
Community Services Block Grant	51987	93.569	12,500
			<u>12,500</u>
Subtotal			9,647,487

The accompanying notes are an integral part of this schedule.

GREATER PITTSBURGH COMMUNITY FOOD BANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

(Continued)

Federal/Pass-Through Grantor Program or Cluster Title	Contract and Pass- through Entity Identifying Number	Federal Assistance Listing Number	Amount Expended
Balance forward			\$ 9,647,487
United States Department of Homeland Security: Pass-Through Allegheny County: Emergency Food and Shelter National Board Program	Phase 38	97.024	<u>223,161</u>
			223,161
United States Department of Agriculture Programs: Pass-Through Pennsylvania Department of Agriculture: Emergency Food Assistance Program (Trade Mitigation)	ME44187402	10.178	6,810
Pass-Through Pennsylvania Department of Human Services State Administration Matching Grants for the Supplemental Nutrition Assistance Program	4100088750	10.561	6,883
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	4100088750	10.561	37,775
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	4100088747	10.561	8,698
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	4100088747	10.561	44,351
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	4100088733	10.561	7,322
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	4100088733	10.561	<u>50,096</u>
			155,125
Pass-Through Pennsylvania Department of Education Child and Adult Care Food Program	300-02-005-8	10.558	434,394
Summer Food Service Program for Children	300-02-005-8	10.559	<u>410,602</u>
Total Other Federal Financial Assistance			<u>2,145,650</u>
Total Expenditures of Federal Awards			<u><u>\$10,877,579</u></u>

The accompanying notes are an integral part of this schedule.

GREATER PITTSBURGH COMMUNITY FOOD BANK

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Greater Pittsburgh Community Food Bank (Food Bank) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Food Bank, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Food Bank.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 - INDIRECT COST RATE

The Food Bank has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Greater Pittsburgh Community Food Bank
Duquesne, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Greater Pittsburgh Community Food Bank's (Food Bank) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Food Bank's major federal programs for the year ended June 30, 2022. The Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June, 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Food Bank's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Food Bank's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Food Bank's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Food Bank's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Food Bank's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Food Bank's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
December 5, 2022

GREATER PITTSBURGH COMMUNITY FOOD BANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of report the auditor issued on whether the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X no

Significant deficiency(ies) identified?

_____ Yes X none reported

Noncompliance material to financial statements notes

_____ Yes X no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditor's report on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

Assistance Listing Numbers

10.569/10.568

Name of Federal Program or Cluster

Food Distribution Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

GREATER PITTSBURGH COMMUNITY FOOD BANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, grant agreements and abuse related to the financial statements for which *Government Auditing Standards* require reporting.

There were no findings noted in the current year that are required to be reported in accordance with *Government Auditing Standards*.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by 2 CFR 200.516(a) (significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs and material abuse.)

There were no findings noted in the current year that are required to be reported in accordance with 2 CFR 200.516(a).

The independent auditor's report on compliance should be read with this schedule.

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