

FEEDING WESTCHESTER, INC.

**Financial Statements as of
June 30, 2022
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

February 9, 2023

To the Board of Directors of
Feeding Westchester, Inc.:

Opinion

We have audited the accompanying financial statements of Feeding Westchester, Inc. (New York not-for-profit corporation) (the Organization) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in their net assets and their 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. 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 the Organization 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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INDEPENDENT AUDITOR'S REPORT

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 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* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the financial statements as a whole.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

FEEDING WESTCHESTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 9,610,798
Investments	7,705,362
Accounts receivable, net	70,528
Grants receivable	505,955
Food inventory	1,054,815
Prepaid expenses	<u>365,803</u>

Total current assets 19,313,261

PROPERTY AND EQUIPMENT, net 1,021,290

Total assets \$ 20,334,551

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 1,046,954
Deferred revenue	<u>234,393</u>

Total liabilities 1,281,347

NET ASSETS:

Without donor restrictions	18,488,211
With donor restrictions	<u>564,993</u>

Total net assets 19,053,204

Total liabilities and net assets \$ 20,334,551

The accompanying notes are an integral part of these statements.

FEEDING WESTCHESTER, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:			
Public support:			
Donated food	\$ 13,397,492	\$ -	\$ 13,397,492
Government grants	6,017,435	-	6,017,435
Contributions	<u>12,274,313</u>	<u>668,440</u>	<u>12,942,753</u>
Total public support	<u>31,689,240</u>	<u>668,440</u>	<u>32,357,680</u>
Revenue:			
Shared maintenance fees	91,720	-	91,720
Food program	551,852	-	551,852
Net assets released from restriction	<u>551,727</u>	<u>(551,727)</u>	<u>-</u>
Total revenue	<u>1,195,299</u>	<u>(551,727)</u>	<u>643,572</u>
Total public support and revenue	<u>32,884,539</u>	<u>116,713</u>	<u>33,001,252</u>
EXPENSES:			
Program services	27,236,520	-	27,236,520
Management and general	1,042,270	-	1,042,270
Fundraising	<u>2,813,517</u>	<u>-</u>	<u>2,813,517</u>
Total expenses	<u>31,092,307</u>	<u>-</u>	<u>31,092,307</u>
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	<u>1,792,232</u>	<u>116,713</u>	<u>1,908,945</u>
OTHER ITEMS:			
Other income	35,541	-	35,541
Loss on investments, net	<u>(50,362)</u>	<u>(3,278)</u>	<u>(53,640)</u>
CHANGE IN NET ASSETS	1,777,411	113,435	1,890,846
NET ASSETS - beginning of year	<u>16,710,800</u>	<u>451,558</u>	<u>17,162,358</u>
NET ASSETS - end of year	<u>\$ 18,488,211</u>	<u>\$ 564,993</u>	<u>\$ 19,053,204</u>

The accompanying notes are an integral part of these statements.

FEEDING WESTCHESTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fundraising	Total
Employee salaries	\$ 2,792,796	\$ 371,165	\$ 932,173	\$ 4,096,134
Employee related taxes and benefits	629,640	83,680	210,160	923,480
Consulting services	161,974	369,381	428,006	959,361
Purchased food distributed	5,602,707	-	-	5,602,707
Support to partner agencies	987,420	-	-	987,420
Fundraising direct mail	-	-	771,700	771,700
Rent	388,648	48,581	48,581	485,810
Information technology	328,684	43,682	109,707	482,073
Depreciation and amortization	321,098	40,137	40,137	401,372
Vehicle expenses	270,308	-	-	270,308
Building maintenance and supplies	185,774	23,222	23,222	232,218
Utilities	141,695	17,712	17,712	177,119
Bank charges	7,733	7,733	61,864	77,330
Insurance	49,303	6,552	16,456	72,311
Special events	-	-	64,758	64,758
Printing and postage	-	12,841	51,364	64,205
Telephone	34,330	4,291	4,291	42,912
Recruiting	22,292	2,963	7,441	32,696
Dues and subscriptions	20,733	2,755	6,920	30,408
General office supplies	33,855	4,499	11,299	49,653
Travel costs	12,223	1,624	4,080	17,927
Other program and office expenses	<u>16,280</u>	<u>1,452</u>	<u>3,646</u>	<u>21,378</u>
Total expenses before donated goods	<u>12,007,493</u>	<u>1,042,270</u>	<u>2,813,517</u>	<u>15,863,280</u>
Donated goods distributed	<u>15,229,027</u>	<u>-</u>	<u>-</u>	<u>15,229,027</u>
Total expenses	<u>\$ 27,236,520</u>	<u>\$ 1,042,270</u>	<u>\$ 2,813,517</u>	<u>\$ 31,092,307</u>

The accompanying notes are an integral part of these statements.

FEEDING WESTCHESTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 1,890,846
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation and amortization	401,372
Loss on disposal of property and equipment	(26,238)
Unrealized loss on investments	2,288
Changes in:	
Accounts receivable	(39,569)
Grants receivable	388,378
Food inventory	329,872
Prepaid expenses	(206,116)
Accounts payable and accrued expenses	200,092
Deferred revenue	<u>2,512</u>
Net cash flow from operating activities	<u>2,943,437</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(295,074)
Proceeds from sale of property and equipment	106,829
Purchases of investments	<u>(7,665,966)</u>
Net cash flow from investing activities	<u>(7,854,211)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(4,910,774)
CASH AND EQUIVALENTS - beginning of year	<u>14,521,572</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 9,610,798</u>

The accompanying notes are an integral part of these statements.

FEEDING WESTCHESTER, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. THE ORGANIZATION

Feeding Westchester, Inc. (the “Organization”) was incorporated on October 11, 1988, as a not-for-profit organization. The Organization obtains grants, contributions, and food donations from a wide range of sources. They operate as a distribution center to over three hundred emergency food programs in Westchester County, New York.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

ASU 2020-07, Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard required nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity’s policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Organization adopted ASU 2020-07 as of July 1, 2021. The standard did not have a material impact on the financial statements.

Financial Reporting

The Organization reports its net assets and changes therein in the following classifications:

- Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions.
- Net assets with donor restrictions are net assets whose use by the Organization is limited by donor-imposed restrictions. This includes restrictions that can be fulfilled or removed by actions of the Organization pursuant to the restrictions or by the passage of time.

Cash and cash equivalents

Cash and cash equivalents include bank demand deposit accounts, treasury bills and notes. At times, the balances in demand deposit accounts may exceed federally insured limits. Balances in treasury bills and treasury notes accounts are not federally insured. The Organization has not experienced any losses on cash and cash equivalents and believes it is not exposed to any significant credit risk with respect to cash and equivalents.

Program Service Revenue and Accounts Receivable

The Organization recognizes program service revenue in the period in which the performance obligations defined by the terms of contracts with customers are satisfied. The Organization’s performance obligations fall under its overall mission to develop and operate programs that address the problem of hunger and food insecurity. The Organization’s performance obligations include distributing quality food through community Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Service Revenue and Accounts Receivable (continued)

Program fees revenue are recognized at the amount to which the Organization expects to be entitled. Participating not-for-profit agencies and government grantors fund amounts based on the amount and type of product received. This revenue is included in food program revenue on the accompanying statement of activities and change in net assets. Program services also include revenue related to wholesale distribution of food throughout the community. The performance obligation related to program service fees is satisfied as the food and other goods are distributed.

The Organization determines the transaction price based on the volume and/or weight of food and related goods distributed in each distribution transaction. The Organization expects to collect established net charges. The Organization performs an assessment of a customer's ability to pay for services prior to providing services. Based on this, the Organization has determined that there are no implicit price concessions provided to those the Organization serves.

Because performance obligations are met as program services are provided, there are no service fees allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Program service revenue is charged and collected periodically. Amounts that remain uncollected at the end of a reporting period are recorded as accounts receivable. Amounts for which no payments have been received for several months are considered delinquent and when appropriate collection efforts are exhausted, the account is written-off.

Deferred revenue consists of cash received in advance of program service provision.

Investments

Investments are recorded at fair value, based on quoted market prices.

Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the net assets of the Organization.

Fair Value Measurement - Definition and Hierarchy

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Organization uses various valuation techniques in determining fair value. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The input hierarchy is broken down into three levels based on the reliability of inputs as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement - Definition and Hierarchy (continued)

- Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 – Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, directly, or indirectly.
- Level 3 – Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Purchased Product Inventory

Food that has been purchased by the Organization, which has not been distributed is reported as inventory. This inventory is distributed at no charge, at cost, or at cost plus a small markup to qualified Organizations. All inventory purchased by the Organization is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method (FIFO) method. The Organization also receives donated product for distribution which is further discussed in Note 7.

Property and Equipment

Property and equipment are recorded at cost or at the fair value on the date of donation. The Organization's policy is to capitalize all property and equipment purchases greater than \$2,500 having an estimated useful life in excess of one year. Amortization of the costs of leasehold improvements, vehicles and equipment is provided using the straight-line method over the remaining term of the lease or the estimated useful life of the asset. Depreciation is computed based on the following estimated useful lives:

Leasehold improvements	10 years
Furniture and equipment	3 to 7 years
Vehicles	10 years

Allocation of Certain Expenses

The statement of functional expenses presents expenses by both functional and natural classification. Certain categories of expenses are attributable to one or more program or supporting functions, and these expenses are allocated to the reported functional columns. These expenses include salaries, employee benefits and payroll taxes, depreciation, and occupancy related costs. Employee salaries, fringe benefits and payroll taxes are allocated based on time spent in the various programs in accordance with time and effort reports completed by employees. Depreciation and rent related expenses are allocated based on square footage used.

Noncash Donations

Contributions of noncash assets primarily consists of donated food. The majority of food product that is distributed has been donated. Donated food is recorded by the Organization as both public support when received and program expense when distributed.

A substantial number of volunteers donated 12,658 hours to the Organization's program services during 2022 however, the value of these donated services is not reflected in the financial statements as these services do not meet the criteria for recognition under GAAP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is a not-for-profit corporation and is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

Support to partner agencies

Support to partner agencies include funds received from Feeding America, Inc. to help support local food distribution activities, in furtherance of its mission to feed needy individuals and families. The Organization has identified several local agencies eligible to receive these funds and accordingly, for the year ended June 30, 2022, has distributed approximately \$987,000, and is reported in the accompanying statement of functional expenses as support to partner agencies.

Estimates

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

3. LIQUIDITY

The Organization is substantially supported by grants and contributions without donor restrictions and revenue generated by its operations. In addition, some support is received in the form of restricted contributions from donors. Because a donor restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets reported on the accompanying statement of financial position may not be available for general expenditure within one year of the statement of financial position date.

At June 30, the Organization's financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date are as follows:

Financial assets	\$ 17,892,643
Less: Financial assets unavailable for general expenditures within one year:	
Subject to satisfaction of donor restrictions	<u>(564,993)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,327,650</u>

3. LIQUIDITY (Continued)

The Organization's ability to meet its cash needs is dependent on timely collection of its grants receivable. The Organization's grants receivable are due primarily from government funders, such as New York State, various New York Counties, and third-party payers including the United States Department of Agriculture. Many of these funding arrangements require The Organization to incur costs in advance and then vouch for reimbursement from the contractual government payer after the cash outlay has been made. The Organization employs procedures specifically designed to collect from these payers as quickly as possible. However, timeliness of payment from these payers varies and is sometimes difficult to predict. Should the need for additional cash availability arise, the Organization has a line of credit agreement with a bank that allows for total borrowings of \$200,000 (Note 8). The Organization also engages in significant fundraising efforts and special events to supplement operating cash flow from governmental and third-party funding arrangements.

The Organization's general cash expenditures within one year do not include the amounts reported as donated food income or expense. Donated food represents the estimated value of food received and distributed without cash outlay. Therefore, \$15,229,027 reported as food distribution expense in 2022 represent approximately 49% of total operating expenses and does not represent a cash expenditure. The Organization's operating cash receipts and expenditures within the next year are expected to approximate those reported for 2022.

4. INVESTMENTS AND FAIR VALUE

The Organization's investments consisted of the following at June 30:

Fixed income	\$ 7,501,929
Equity mutual funds	184,610
Common and preferred stock	<u>18,823</u>
	<u>\$ 7,705,362</u>

The Organization's investments are measured at fair value on a recurring basis. Investments are segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value as follows, at June 30, 2022:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total Fair Value</u>
Fixed income	\$ 7,501,929	\$ -	\$ -	\$ 7,501,929
Equity mutual funds	184,610	-	-	184,610
Common and preferred stock	<u>18,823</u>	<u>-</u>	<u>-</u>	<u>18,823</u>
Total Investments	<u>7,705,362</u>	<u>-</u>	<u>-</u>	<u>7,705,362</u>
Cash equivalent - Treasury bills	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>2,500,000</u>
Total investments and cash equivalents	<u>\$ 10,205,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,205,362</u>

5. NATURE, PURPOSE, AND AMOUNT OF RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes at June 30:

Mobile food pantry truck	\$	205,165
Hunger relief systems		313,000
Investment in perpetuity		<u>46,828</u>
	\$	<u>564,993</u>

Net assets with donor restrictions were released from restriction for the following purposes during the years ended June 30:

Mobile food pantry operational costs	\$	154,766
Mobile food pantry truck		141,521
Food Programs		255,440
Income generated by investment in perpetuity		<u>3,278</u>
	\$	<u>555,005</u>

Investment in perpetuity is comprised of cash and cash equivalents and investments as described in Note 4 above. Cash and cash equivalents amount to approximately \$5,000 and the investment component amounts to approximately \$41,000. Investment income generated by the investment in perpetuity has not been restricted by the donor.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

Leasehold improvements	\$	2,345,622
Vehicles		1,242,889
Furniture and equipment		<u>1,075,143</u>
		4,663,654
Less: Accumulated depreciation and amortization		<u>(3,642,364)</u>
	\$	<u>1,021,290</u>

7. INVENTORY

The Organization's inventory consists of purchased food and donated food items. The Organization receives significant quantities of donated food from the United States Department of Agriculture ("USDA"), as part of The Emergency Food Assistance Program. All USDA food received has been valued based on average wholesale value provided by the USDA.

All non-USDA donated food received is valued using the average wholesale value of \$1.92 for the year ended June 30, 2022. This estimated wholesale value is applied based on Feeding America's Product Valuation Survey, subject to agreed-upon procedures from an independent auditor. All donated food is recorded as unrestricted revenue when received and is recorded as an expense when distributed. Purchased food is recorded in inventory at the lower of cost or net realizable value as of June 30, 2022. Cost of purchased food items distributed is determined using the First in-First out (FIFO) method. The Organization's value is determined by taking the ending inventory in pounds and multiplying that amount by a rate of \$1.92 per pound. The rate per pound was estimated by Feeding America as being the average value of one pound of donated food products only. The value of the USDA inventory was \$178,822 at June 30, 2022. USDA food inventory is owned by USDA until distributed by the Organization and, therefore, is not recorded as an asset by the Organization.

Food inventory consists of the following at June 30:

Inventory, donated food	\$ 529,439
Inventory, purchased food	<u>525,376</u>
Total inventory, end of year	<u>\$ 1,054,815</u>

8. FINANCING ARRANGEMENTS

Line of credit

The Organization has available an annually renewable line of credit agreement with a bank in the amount of \$200,000, with interest at the prime rate (4.38% at June 30, 2022) and amounts are collateralized by a general lien on substantially all of the Organization's assets. There were no outstanding borrowings on the line of credit as of June 30, 2022.

9. RETIREMENT PLAN

The Organization maintains a 403(b) plan that provides a retirement savings vehicle for its employees. Employees may defer a portion of their salary up to certain limits. The Organization made a \$171,962 contribution on behalf of the employees for the year ended June 30, 2022 and is included in the accompanying statement of functional expenses as part of employee related taxes and benefits.

10. IN-KIND CONTRIBUTIONS OF DONATED SERVICES

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Organization did not have any contributions of donated services for the year ended June 30, 2022.

11. COMMITMENTS AND CONTINGENCIES

Lease Commitments

On June 30, 2011, the Organization signed a lease for office and warehouse facilities located in Elmsford, New York. The term of the lease is for 10 years and 6 months and the commencement date of the lease is November 1, 2011. Subsequently, the Organization renewed the lease for the existing office and warehouse facilities located in Elmsford, New York on January 28, 2022. During the year, the Organization also agreed to lease two additional spaces located in the same building to expand operations. The commencement date for the additional lease space was July 1, 2022. The term of these new leases shall expire on April 30, 2032.

Expected payments under the lease terms are as follows for the years ending June 30:

2023	\$ 1,021,441
2024	1,030,643
2025	1,076,654
2026	1,085,856
2027	1,131,867
Thereafter	<u>5,801,965</u>
	<u>\$ 11,148,426</u>

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 9, 2023, which is the date the financial statements were available to be issued.

**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**

February 9, 2023

To the Board of Directors of
Feeding Westchester, Inc.:

We have audited, Feeding Westchester, Inc. (the Organization) 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 financial statements of (New York not-for-profit corporation) (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated February 9, 2023.

Report on Internal Control over Financial Reporting

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

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(Continued)

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*

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and noncompliance with which could have a direct and material effect on the 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

February 9, 2023

To the Board of Directors of
Feeding Westchester, Inc.:

Opinion on Each Major Federal Program

We have audited, Feeding Westchester, Inc.'s (the Organization), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program 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 Organization 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 Organization'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 Organization's federal programs.

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(Continued)

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

(Continued)

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 Organization'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 Organization'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 response to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization'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 Organization'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 Organization'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.

(Continued)

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

Report on Internal Control Over Compliance (continued)

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.

FEEDING WESTCHESTER, INC.

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

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor Number	Expenditures of Federal Awards	Expenditures to Subrecipients
U.S. Department of Agriculture:				
Passed through State of New York Office of General Services, Division of Government Donated Foods - Emergency Food Assistance Program (Food Commodities)	10.569	N/A	\$ 4,279,302	\$ 4,279,302
Passed through State of New York Office of General Services, Division of Government Donated Foods - Emergency Food Assistance Program Reach and Resiliency program	10.568	N/A	10,700	-
Passed through State of New York Office of General Services, Division of Government Donated Foods - Emergency Food Assistance Program (Administrative Costs)	10.568	4NY810809	<u>263,029</u>	<u>-</u>
Total Emergency Food Assistance Program Cluster			<u>4,553,031</u>	<u>4,279,302</u>
Passed through State of New York Department of Health - Division of Nutrition/Bureau of Nutrition Risk Reduction Hunger Prevention and Nutrition Assistance Program	10.551	C32853GG (JSY)	78,094	-
Passed through State of New York Department of Agriculture - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	<u>51,840</u>	<u>-</u>
Total Supplemental Nutrition Assistance Program Cluster			<u>129,934</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>4,682,965</u>	<u>4,279,302</u>
U.S. Department of Housing and Urban Development:				
Passed through City of Yonkers Department of Planning and Development COVID-19 Community Development Block Grants/Entitlement Grants	14.218	2021-00000816	<u>185,000</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>185,000</u>	<u>-</u>
U.S. Department of Homeland Security:				
Passed through United Way of America - Emergency Food and Shelter National Board Program	97.024	N/A	<u>187,500</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>187,500</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,055,465</u>	<u>\$ 4,279,302</u>

FEEDING WESTCHESTER, INC.

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

1. GENERAL

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Organization (a New York not-for-profit corporation) under programs of the federal government for the year ended June 30, 2022 and has been prepared in accordance with accounting principles generally accepted in the United States of America. The information in the 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 Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. BASIS OF ACCOUNTING

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.

Amounts included in the Schedule are actual expenditures for the year ended June 30, 2022. Differences between amounts included in the Schedule and amounts reported to funding agencies for these programs result from report timing.

3. FOOD DONATION

Non-monetary assistance is reported on the Schedule at the fair market value of the food commodities received and disbursed under the Emergency Food Assistance Program (Food Commodities), Assistance Listing No. 10.569. The value of the food donated is determined by using a rate of \$1.92 per pound, which is the food-items only unit rate provided by Feeding America, which is a valuation methodology approved by the New York State Bureau of Government Donated Food Distribution for the distribution of USDA donated foods.

4. INDIRECT COST RATE

The Organization has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

FEEDING WESTCHESTER, INC.

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

A. SUMMARY OF AUDITOR'S RESULTS

1. The Independent Auditor's Report expresses an unmodified opinion on whether the financial statements of the Organization (a New York not-for-profit corporation) are presented in accordance with accounting principles generally accepted in the United States of America.
2. No significant deficiencies or material weaknesses related to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Organization, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of each major federal award program are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The Independent Auditor's Report on compliance for the Organization's major federal award program expressed an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance.
7. The following program was tested as a major program:
 - Emergency Food Assistance Program (Food Commodities), Assistance Listing No. 10.569.
 - Emergency Food Assistance Program (Administrative Costs), Assistance Listing No. 10.568.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Organization was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None.