

Financial statements of:

SECOND HARVEST HEARTLAND

Years ended
September 30, 2023 and 2022

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Suite 1600
100 Washington Avenue South
Minneapolis, MN 55401-2192

P 612.332.5500 F 612.332.1529
www.sdkcpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Second Harvest Heartland
7101 Winnetka Avenue N.
Brooklyn Park, MN 55428

Opinion

We have audited the financial statements of Second Harvest Heartland (the Organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, on October 1, 2022, the entity adopted new accounting guidance, Accounting Standards Update No 2016-02, Leases (Topic 842). As a result of the adoption of the new lease guidance, right-of-use assets and lease liabilities were recorded on the statement of financial position. Our opinion is not modified with respect to this matter

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

*Schechter Dokken Kanter
Andrews & Selzer Ltd.*

December 19, 2023
Minneapolis, MN

SECOND HARVEST HEARTLAND

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30

	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>
Assets:			Liabilities and net assets:		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 13,783,562	\$ 5,427,743	Accounts payable	\$ 1,523,819	\$ 2,499,678
Investments:			Fiscal agent payable	2,980	82,835
Operating reserves	17,293,745	15,935,490	Accrued expenses	2,579,583	2,594,798
Strategic initiatives:			Capital leases, current portion		429,878
DEI investment	3,521,093	3,234,000	Operating lease liability	410,637	
Programs	-	1,413,750	Long-term debt, current portion	135,039	129,593
Future capabilities	1,406,869	640,000			
Receivables:			Total current liabilities	4,652,058	5,736,782
Agency and partner	2,324,406	2,387,423			
Grants and contracts	1,386,355	2,300,289	Noncurrent liabilities:		
Pledges, net	737,200	231,840	Long-term debt	3,673,654	3,808,693
Trade and other	89,556	19,433	Noncurrent:		
Inventory	6,695,375	7,162,825	Portion of capital leases		1,054,133
Prepaid expenses and other current assets	950,084	536,558	Operating lease liability	1,399,170	
			Total noncurrent liabilities	5,072,824	4,862,826
Total current assets	48,188,245	39,289,351	Total liabilities	9,724,882	10,599,608
Long-term investments:			Net assets:		
Strategic initiatives:			Without donor restrictions:		
DEI investment	412,296	2,626,698	Operations	61,402,344	53,293,074
Programs	313,750	1,442,285	In-kind inventory	3,838,957	4,234,039
Future capabilities	310,748	1,391,870	Board-designated:		
Board-designated endowment	21,221,405	18,982,616	Endowment	21,221,405	18,982,616
			Strategic initiatives	5,964,756	10,748,603
Property and equipment, net	35,844,907	36,919,041	Total without donor restrictions	92,427,462	87,258,332
Right of use assets, operating	1,807,662		With donor restrictions	5,946,669	2,793,921
			Total net assets	98,374,131	90,052,253
Total noncurrent assets	59,910,768	61,362,510	Total liabilities and net assets	\$ 108,099,013	\$ 100,651,861
Total assets	\$ 108,099,013	\$ 100,651,861			

See notes to financial statements.

SECOND HARVEST HEARTLAND

 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 YEARS ENDED SEPTEMBER 30

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues:						
Program services	\$ 4,008,360		\$ 4,008,360	\$ 5,387,464		\$ 5,387,464
Purchase program	19,683,375		19,683,375	12,419,611		12,419,611
Government contracts	6,093,617		6,093,617	7,735,307		7,735,307
Contributions	42,671,148	\$ 8,357,554	51,028,702	37,821,533	\$ 4,208,214	42,029,747
Special Events, net of expenses of \$464,120 and \$179,450 in 2023 and 2022, respectively	2,925,186		2,925,186	2,592,494		2,592,494
In-Kind donations:						
Product	175,230,674		175,230,674	153,886,339		153,886,339
Services	386,824		386,824	1,139,400		1,139,400
Investment (loss) income	3,564,701		3,564,701	(8,502,263)		(8,502,263)
Miscellaneous income	457,576		457,576	218,607		218,607
	<u>255,021,461</u>	<u>8,357,554</u>	<u>263,379,015</u>	<u>212,698,492</u>	<u>4,208,214</u>	<u>216,906,706</u>
Net assets released from restrictions	<u>5,204,806</u>	<u>(5,204,806)</u>	<u>-</u>	<u>5,615,424</u>	<u>(5,615,424)</u>	<u>-</u>
Total support and revenues	<u>260,226,267</u>	<u>3,152,748</u>	<u>263,379,015</u>	<u>218,313,916</u>	<u>(1,407,210)</u>	<u>216,906,706</u>
Expenses:						
Programs	236,964,327		236,964,327	211,631,283		211,631,283
General & administrative	9,315,184		9,315,184	9,025,898		9,025,898
Fundraising	8,777,626		8,777,626	8,090,700		8,090,700
Total expenses	<u>255,057,137</u>		<u>255,057,137</u>	<u>228,747,881</u>		<u>228,747,881</u>
Change in net assets	5,169,130	3,152,748	8,321,878	(10,433,965)	(1,407,210)	(11,841,175)
Change in net assets, increase (decrease) from operations	5,564,212	3,152,748	8,716,960	(6,494,813)	(1,407,210)	(7,902,023)
In-kind inventory change	<u>(395,082)</u>		<u>(395,082)</u>	<u>(3,939,152)</u>		<u>(3,939,152)</u>
Total change in net assets	5,169,130	3,152,748	8,321,878	(10,433,965)	(1,407,210)	(11,841,175)
Net assets, beginning	<u>87,258,332</u>	<u>2,793,921</u>	<u>90,052,253</u>	<u>97,692,297</u>	<u>4,201,131</u>	<u>101,893,428</u>
Net assets, ending	<u>\$ 92,427,462</u>	<u>\$ 5,946,669</u>	<u>\$ 98,374,131</u>	<u>\$ 87,258,332</u>	<u>\$ 2,793,921</u>	<u>\$ 90,052,253</u>

See notes to financial statements.

SECOND HARVEST HEARTLANDSTATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 8,321,878	\$ (11,841,175)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,669,287	2,227,388
Donated securities	(1,231,612)	(1,545,657)
(Gain) loss on disposal of property and equipment	12,475	(55,400)
Investment (loss) income	(3,789,992)	8,446,637
Capital campaign cash contributions with donor restrictions	-	(455,675)
(Increase) decrease in assets:		
Pledges receivable	(505,360)	745,534
Accounts receivable	(7,106)	(1,588,255)
Inventory	467,450	2,068,691
Prepaid expenses and other current assets	(413,526)	58,390
Grants and contracts receivable, net	913,934	(1,217,123)
Increase (decrease) in liabilities:		
Accounts payable	(1,055,714)	870,612
Accrued expenses	(15,215)	759,041
Net right of use asset and lease liability	2,145	
Net cash provided by (used in) operating activities	<u>4,368,644</u>	<u>(1,526,992)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	15,580,628	77,908,826
Purchase of:		
Property and equipment	(2,091,639)	(846,529)
Investments	(9,372,221)	(73,942,692)
Net cash provided by investing activities	<u>4,116,768</u>	<u>3,119,605</u>
Cash flows from financing activities:		
Payments on capital leases	-	(588,289)
Capital campaign cash contributions	-	455,675
Payments on notes payable	(129,593)	(4,327,714)
Net cash used in financing activities	<u>(129,593)</u>	<u>(4,460,328)</u>

See notes to financial statements.

SECOND HARVEST HEARTLANDSTATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30

	<u>2023</u>	<u>2022</u>
Net decrease in cash	\$ 8,355,819	\$ (2,867,715)
Cash at beginning of year	<u>5,427,743</u>	<u>8,295,458</u>
Cash at end of year	<u>\$ 13,783,562</u>	<u>\$ 5,427,743</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 174,130</u>	<u>\$ 227,059</u>

See notes to financial statements.

	Program Services				Total Program Services	Supporting Services			Total
	Food Bank	Community Outreach	CSFP	Food Sourcing		Management and General	Fundraising	Total Supporting Services	
Wages and temporary services	\$ 3,933,528	\$ 3,371,020	\$ 333,626	\$ 1,755,063	\$ 9,393,237	6,193,202	2,824,924	\$ 9,018,126	\$ 18,411,363
Fringe benefits and payroll taxes	972,662	733,648	84,950	408,197	2,199,457	1,172,161	621,342	1,793,503	3,992,960
Professional fees	220,900	262,571	1,469	3,402	488,342	657,041	1,266,037	1,923,078	2,411,420
In-kind professional fees	54,390	35,268	5,265	4,680	99,603	228,489	31,133	259,622	359,225
Occupancy	859,650	86,082	20,589	23,564	989,885	176,075	61,268	237,343	1,227,228
Vehicles operation	1,465,972	61,860	36,322	427,060	1,991,214	16,365	-	16,365	2,007,579
Procurement	55,983	38,502	-	6,529,862	6,624,347	-	132,470	132,470	6,756,817
Equipment	676,099	1,063,726	41,690	145,658	1,927,173	156,436	278,393	434,829	2,362,002
Supplies	141,883	163,600	20,069	11,544	337,096	109,991	303,359	413,350	750,446
Meeting, travel and staff development	40,439	96,101	3,749	34,787	175,076	160,151	60,784	220,935	396,011
Promotions and marketing	-	77,660	2,428	-	80,088	192,108	569,445	761,553	841,641
Special events expense	-	-	-	-	-	-	464,120	464,120	464,120
Direct mail	-	-	-	-	-	18,864	2,519,819	2,538,683	2,538,683
Cluster/network fees	-	-	-	-	-	23,985	-	23,985	23,985
Agency assistance	-	3,243,636	673	146,000	3,390,309	77,391	120	77,511	3,467,820
In-kind distributed*	170,658,354	-	4,967,399	-	175,625,753	-	-	-	175,625,753
Cost of purchased product disbursed	32,014,523	-	-	-	32,014,523	-	-	-	32,014,523
Other	-	-	-	-	-	14,110	-	14,110	14,110
Depreciation and amortization	1,262,726	124,708	16,722	82,514	1,486,670	92,148	90,469	182,617	1,669,287
Bad debts	-	-	-	-	-	12,154	-	12,154	12,154
Interest	116,784	13,745	4,774	6,251	141,554	14,513	18,063	32,576	174,130
	212,473,893	9,372,127	5,539,725	9,578,582	236,964,327	9,315,184	9,241,746	18,556,930	255,521,257
Less:									
Special events direct expenses	-	-	-	-	-	-	464,120	464,120	464,120
	<u>\$ 212,473,893</u>	<u>\$ 9,372,127</u>	<u>\$ 5,539,725</u>	<u>\$ 9,578,582</u>	<u>\$ 236,964,327</u>	<u>\$ 9,315,184</u>	<u>\$ 8,777,626</u>	<u>\$ 18,092,810</u>	<u>\$ 255,057,137</u>

*Food Bank In-kind distributed includes Food Rescue product.

SECOND HARVEST HEARTLAND

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	Program Services				Total Program Services	Supporting Services			
	Food Bank	Community Outreach	CSFP	Food Sourcing		Management and General	Fundraising	Total Supporting Services	Total
Wages and temporary services	\$ 3,082,936	\$ 2,407,369	\$ 400,259	\$ 1,671,350	\$ 7,561,914	\$ 5,337,657	\$ 2,512,573	\$ 7,850,230	\$ 15,412,144
Fringe benefits and payroll taxes	743,366	529,060	84,281	364,863	1,721,570	1,215,093	513,901	1,728,994	3,450,564
Professional fees	172,859	249,720	180	1,887	424,646	718,511	1,260,190	1,978,701	2,403,347
In-kind professional fees	3,120	64,084	9,360	1,950	78,514	1,038,634	22,253	1,060,887	1,139,401
Occupancy	786,126	86,604	102,330	24,878	999,938	189,571	97,455	287,026	1,286,964
Vehicles operation	877,919	41,204	23,861	266,492	1,209,476	7,740	-	7,740	1,217,216
Procurement	262,483	2,227	18,090	7,557,431	7,840,231	-	111,344	111,344	7,951,575
Equipment	665,277	395,206	67,039	208,122	1,335,644	132	335,666	335,798	1,671,442
Supplies	81,254	245,092	18,299	8,800	353,445	82,171	185,190	267,361	620,806
Meeting, travel and staff development	15,549	100,351	5,702	28,580	150,182	148,908	36,544	185,452	335,634
Promotions and marketing	-	142,106	2,291	-	144,397	103,195	308,133	411,328	555,725
Special events expense	-	-	-	-	-	-	179,450	179,450	179,450
Direct mail	-	-	-	-	-	13,560	2,546,374	2,559,934	2,559,934
Cluster/network fees	-	-	-	-	-	31,980	-	31,980	31,980
Agency assistance	-	2,772,836	5,600	14,580	2,793,016	-	125	125	2,793,141
In-kind distributed*	152,753,738	4	5,015,033	-	157,768,775	-	-	-	157,768,775
Cost of purchased product disbursed	19,455,741	7,586,079	7,219	-	27,049,039	-	-	-	27,049,039
Other	56	137	-	11,665	11,858	24,968	1,469	26,437	38,295
Depreciation and amortization	1,565,355	124,526	38,136	273,468	2,001,485	83,337	142,566	225,903	2,227,388
Bad debts	-	-	-	-	-	7,452	-	7,452	7,452
Interest	138,508	12,735	914	34,996	187,153	22,989	16,917	39,906	227,059
	<u>180,604,287</u>	<u>14,759,340</u>	<u>5,798,594</u>	<u>10,469,062</u>	<u>211,631,283</u>	<u>9,025,898</u>	<u>8,270,150</u>	<u>17,296,048</u>	<u>228,927,331</u>
Less:									
Special events direct expenses	-	-	-	-	-	-	179,450	179,450	179,450
	<u>\$ 180,604,287</u>	<u>\$ 14,759,340</u>	<u>\$ 5,798,594</u>	<u>\$ 10,469,062</u>	<u>\$ 211,631,283</u>	<u>\$ 9,025,898</u>	<u>\$ 8,090,700</u>	<u>\$ 17,116,598</u>	<u>\$ 228,747,881</u>

*Food Bank In-kind distributed includes Food Rescue product.

1. Summary of significant accounting policies:

Nature of activities:

Second Harvest Heartland (the Organization) is a Minnesota nonprofit organization with a mission of ending hunger together. The Organization obtains, stores and distributes donated and purchased food to approximately 1,100 food programs and directly to people facing food insecurity in Minnesota and Western Wisconsin. The Organization is a member of Feeding America, an association of more than 200 food banks serving the entire country. Through partnerships with public agencies and other nonprofit organizations, the Organization assists in the administration of government programs: The Emergency Food Assistance Program (TEFAP), the Commodity Supplemental Food Program (CSFP) and Farm to Food Shelf. Partnerships with the health care industry to improve food security and health outcomes continue to evolve and expand. The Organization also administers a food rescue program with grocery and hospitality partners and provides food to member agencies (food shelf programs) and other programs that address hunger. In addition, the Organization leads the Midwest Food Hub (formerly the Midwest Region Produce Cooperative), through which it sources millions of pounds of fresh produce each year and delivers it to cooperative members. Financial funding for the Organization comes from general contributions, grants and transportation and storage fees charged to member agencies. Non-financial funding comes from donations of food.

Fiscal Year 2023 saw another dramatic increase in demand for Second Harvest Heartland's hunger-relief work. Inflation, the expiration of many COVID emergency benefits, and ongoing volatility in gas and grocery prices were barriers to families keeping their fridges full. With hunger rates in Minnesota on the rise, the Organization worked closely with food shelf partners across the region to meet record demand.

Hunger isn't just an urban or suburban issue. In Minnesota, half of all people experiencing food insecurity live outside the seven-county metro area. Hunger is also pervasive in Minnesota's communities of color due to systemic racial disparities that exist in access to food. Second Harvest Heartland is working hard to source the foods families know and love, despite challenges brought on by the increased demand.

Use of estimates:

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates include in-kind donated food inventory, receipts and distributions and in-kind donated services.

1. Summary of significant accounting policies (continued):

Revenue recognition:

The Organization records the following exchange transaction revenue in its statements of activities:

Sponsorship and event registration revenue collected in advance of the related event are deferred and recognized as revenue at the point in time at which the event takes place. Registrations are refundable if the event is cancelled. The performance obligation is hosting the event for registered attendees.

Purchased product revenue is recognized at the point in time at which purchased product is shipped or distributed to partner agencies. Revenue is collected by the end of the month following the date of shipment or distribution. The performance obligation is the transfer of the goods.

Contributions and grants:

All grants and contributions are considered to be without donor restrictions and available for use unless specifically restricted by the donor.

Grant revenue is then recognized when applicable expenses are incurred, which is considered the condition for recognition of revenue. As a condition of receiving certain grants, the Organization is obligated to arrange certain obligations dependent on that grant.

Grants and contributions with restrictions from non-government sources are recorded as revenue when received and/or pledged. Amounts are released as donor restrictions are satisfied or as restrictions expire. If a restriction expires in the same fiscal year in which the contribution was recognized, the contribution is reported as an increase in net assets without donor restriction.

As of September 30, 2023, and 2022, the Organization has conditional grants with remaining commitments of \$2,522,870 and \$3,176,811, respectively. These remaining funds are conditional upon incurring eligible expenditures. Conditional promises to give are recognized in the financial statements when the conditions have been met. The conditions remaining at September 30, 2023 are all expected to be met in fiscal year 2024.

Some grant agreements include required outcomes or reporting, however these requirements do not constitute a barrier or condition which must be met prior to revenue recognition.

Unconditional contributions without donor restrictions are recognized as revenue when received and/or pledged.

1. Summary of significant accounting policies (continued):

Net assets:

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Organization presents its net assets without donor restrictions in two categories: operations and in-kind inventory. The in-kind inventory category is the accumulated effect that in-kind activity has on ending inventory, while the operations amount is the accumulated effect of change in net assets excluding the in-kind inventory activity. The governing board has designated, from net assets without donor restrictions, net assets for strategic initiatives and a board-designated endowment.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At the end of fiscal years 2023 and 2022, the Organization did not have any net assets with donor restrictions in perpetuity.

Functional allocation of expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and change in net assets. Expenses that relate to more than one program or function have been allocated based on the best estimates of management. Salary expenditures and related benefits are allocated directly to the appropriate departments based on time records. Occupancy and depreciation/interest charges are allocated based on a combination of square footage (for warehouse space) and FTEs (for office space). Supplies & technology and management/admin expenses are allocated to various departments based on FTEs at the end of each month. Communications and advocacy expenses are allocated based on estimates of content of communications materials.

1. Summary of significant accounting policies (continued):

Received product:

The Organization reports contributions of food over which it has control as in-kind donations without donor restriction. Public donations of food and food obtained through USDA commodity programs (TEFAP and CSFP) are valued based on a weighted average wholesale value per pound. This valuation is determined using a report provided annually by Feeding America based on an annual study. Food received is used in the Organization’s programming. During fiscal years 2023 and 2022, the Organization received 143,649,000 and 126,928,000 pounds of food, respectively. The Organization reported in-kind donations for donated food, along with purchased product valued at cost, as follows:

	2023	
	<u>Pounds</u>	<u>Dollars</u>
Donated product	97,363,000	\$ 158,625,000
TEFAP	6,034,000	12,351,000
CSFP	<u>1,744,000</u>	<u>4,255,000</u>
In-kind donations	105,141,000	175,231,000
Purchased	30,859,000	26,049,000
In-kind donations as agent	<u>7,649,000</u>	<u>14,852,000</u>
Total received	<u>143,649,000</u>	<u>\$ 216,132,000</u>
	 2022	
	<u>Pounds</u>	<u>Dollars</u>
Donated product	89,879,000	\$ 138,669,000
TEFAP	5,663,000	10,685,000
CSFP	<u>1,892,000</u>	<u>4,532,000</u>
In-kind donations	97,434,000	153,886,000
Purchased	22,924,000	22,301,000
In-kind donations as agent	<u>6,570,000</u>	<u>14,371,000</u>
Total received	<u>126,928,000</u>	<u>\$ 190,558,000</u>

1. Summary of significant accounting policies (continued):

The Organization acts as an agent for five other Feeding America Food Banks with locations in Minnesota. Per contractual arrangements, the Organization re-distributes certain products to these other Feeding America locations.

Distributed product:

During fiscal years 2023 and 2022, the Organization distributed 141,290,000 and 124,920,000 pounds of food, respectively, to member agencies and partners. The following reflects all of the Organization's distributions (including purchased product, but excluding waste) during fiscal years 2023 and 2022:

	2023	
	<u>Pounds</u>	<u>Dollars</u>
Donated product	95,458,000	\$ 155,901,000
TEFAP	5,847,000	11,927,000
CSFP	<u>2,105,000</u>	<u>5,011,000</u>
In-kind distributions, net of revaluation and waste	103,410,000	172,839,000
Purchased	30,431,000	26,143,000
In-kind distributions as agent	<u>7,449,000</u>	<u>14,457,000</u>
Total distributions	<u>141,290,000</u>	<u>\$ 213,439,000</u>
	2022	
	<u>Pounds</u>	<u>Dollars</u>
Donated product	87,564,000	\$ 136,747,000
TEFAP	6,757,000	12,820,000
CSFP	<u>2,217,000</u>	<u>4,948,000</u>
In-kind distributions, net of revaluation and waste	96,538,000	154,515,000
Purchased	21,584,000	20,411,000
In-kind distributions as agent	<u>6,798,000</u>	<u>15,019,000</u>
Total distributions	<u>124,920,000</u>	<u>\$ 189,945,000</u>

SECOND HARVEST HEARTLANDNOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 20221. Summary of significant accounting policies (continued):

Contributed services:

The Organization received donated in-kind skilled professional services for various initiatives during fiscal years 2023 and 2022 as follows:

Type of contributions for beneficiaries	Valuation	2023	2022
Network optimization and supply chain consulting	Combination of industry standards and consultant-identified billable rates	\$ 59,475	\$ 325,410
Data and analytics consulting	Combination of industry standards and consultant-identified billable rates	82,755	555,551
Other professional services, including diversity, human resources, marketing, and general consulting	Combination of industry standards and consultant-identified billable rates	<u>206,994</u>	<u>258,439</u>
		<u>\$ 349,224</u>	<u>\$ 1,139,400</u>

The majority of in-kind professional services were used in programs and in management during the years ended September 30, 2023 and 2022, respectively.

Additionally, volunteers have donated significant amounts of their time to enhancing the Organization's activities. The number of hours of service were 53,303 and 53,747 in 2023 and 2022, respectively. The value of these donated services is estimated to be \$1,832,008 and \$1,737,641 in 2023 and 2022, respectively, however the amount is not reflected in the accompanying financial statements as they are non-specialized services.

Cash and cash equivalents:

Cash and cash equivalents include interest bearing money market accounts and any debt securities with an original maturity of three months or less. The Organization maintains its cash and cash equivalents with various financial institutions. At times, these balances may exceed federally insured limits. The Organization has not experienced a loss as a result of these deposits.

Investments:

Investments in marketable securities with readily determinable fair value and all investments in debt securities are valued at their fair values in the statement of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Certain amounts of investments have been designated by the board for strategic initiatives and a board-designated endowment.

1. Summary of significant accounting policies (continued):**Strategic investments:**

During 2021 the Organization, along with its board, developed a plan of strategic investments to further its mission over the next five years. The plan totaled over \$14.2 million and covers three main areas:

- DEI Investment, which includes culturally specific food and meals, agency grants, and research and marketing to create awareness;
- Programs, which includes developing a food resource center, enhancing service delivery equity, and expanding cluster collaboration;
- Future Capabilities, which includes HITRUST information security and deploying data and analytics.

At September 30, 2023, approximately \$6.0 million remained designated for the above initiatives.

Fair value measurements:

The Organization's investments are reported using a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets, for which prices are available at the measurement date.

Level 2 - Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

1. Summary of significant accounting policies (continued):**Adoption of new accounting standard, leases:**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Leases (ASC 842). The lease standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities. The Organization adopted the requirements of the guidance effective October 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption. There was no cumulative effect adjustment related to the adoption of the standard.

Lease disclosures for the year ended September 30, 2022 are made under prior lease guidance in FASB ASC 840. The Organization has not elected to adopt the package of practical expedients available in the year of adoption to forgo assessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. Therefore, all existing leases at October 1, 2022 were re-assessed under the new lease standard.

Inventory:

Inventory is valued on a first-in, first-out basis. Public donations of food and food obtained through USDA commodity programs (TEFAP and CFSP) are valued based on a weighted average wholesale price per pound. This valuation is determined using a report provided annually by Feeding America based on an annual study. Purchased food is valued based on actual cost. Inventory is shown net of any inventory on-hand that is allocated to Feeding America entities for which the Organization is only acting as an agent.

Property and equipment:

Property and equipment are stated at cost. Contributed property and equipment are recorded at fair value at the date of donation. Depreciation is provided over the estimated useful lives of the assets by the straight-line method. The Organization capitalizes all property and equipment over \$5,000. Asset lives are as follows:

Buildings	40 years
Building improvements	10-25 years
Equipment	3-10 years
Autos and trucks	3-10 years

Computer software:

The Organization capitalizes the costs of obtaining or developing internal use software including directly related payroll costs and amortizes those costs over a period of three years, beginning when the software is ready for its intended use.

1. Summary of significant accounting policies (continued):**Trade receivable and bad debt:**

Trade receivables are stated at original invoice amount less an estimate for doubtful receivables based on management's review of all outstanding amounts and historical experience. Accounts receivable are written-off when deemed uncollectible. Recoveries of accounts previously written-off are recorded when received. The allowance for doubtful accounts was \$2,923 and \$9,091 as of September 30, 2023 and 2022, respectively. The Organization transacts with its member agencies on open credit and such accounts receivable are uncollateralized. The maximum loss that would be incurred if a member agency failed to pay amounts owed would be limited to the recorded amount due after any allowances provided.

An account is considered past due if the balance is outstanding for more than 60 days.

Grants receivable:

Grants receivable are stated at the estimated net realizable value after provision for doubtful accounts. There was no allowance related to grants receivable at September 30, 2023 and 2022. Grants receivable at September 30, 2023 and 2022 are due in less than one year.

Leases:

The Organization leases trucks and trailers and determines if an arrangement is a lease at inception. Right of Use (ROU) assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses an estimate of its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Organization has elected to separate lease and non-lease components for vehicle leases and therefore the operating lease ROU assets exclude non-lease costs. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses incurred and these leases are not included as lease liabilities or ROU assets on the consolidated statements of financial position.

Income taxes:

The Organization is exempt, as a public charity, from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes. However, income from certain activities not directly related to the Organization's tax-exempt purpose could result in taxable income.

The Organization has evaluated its tax positions for uncertainty and has no unrecognized tax matters that are required to be disclosed.

Advertising costs:

Advertising costs are expensed as incurred. Total advertising expense was \$3,123,702 and \$2,856,418 for the years ended September 30, 2023 and 2022, respectively.

SECOND HARVEST HEARTLANDNOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 20221. Summary of significant accounting policies (continued):

Reclassifications:

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent events:

The Organization evaluated for subsequent events through December 19, 2023, the date the financial statements were available for issuance.

2. Liquidity:

The following represents the Organization's financial assets at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 13,783,562	\$ 5,427,743
Investments	22,221,707	21,223,240
Receivables:		
Agency and partner, net	2,324,406	2,387,423
Grants and contracts	1,386,355	2,300,289
Pledges, current portion, net	737,200	231,840
Trade and other	89,556	19,433
Total financial assets	<u>40,542,786</u>	<u>31,589,968</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	5,946,670	2,793,921
Less net assets with purpose restrictions to be met in less than a year	<u>(737,200)</u>	<u>(231,840)</u>
	<u>5,209,470</u>	<u>2,562,081</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 35,333,316</u>	<u>\$ 29,027,887</u>

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all funding sources and expenditures related to operations and capital improvements.

2. Liquidity (continued):

Financial assets include the following and generally are expected to be managed as defined below:

- Operating cash – maintain 30 to 45 days of cash operating expense.
- Investments – excess operating reserves to be managed in accordance with investment policy.
- Investments – for restricted purposes (i.e.: Capital Campaign) – to be managed in accordance with investment policy and donor wishes with respect to timing of expenditure.
- Accounts receivable – provide 30 to 45 days of credit to agencies.
- Contracts receivable – per contract terms.
- Pledges receivable – per pledge agreement terms.
- Prepaid expenses – minimize based on financial value and contractual terms.
- Donated stock – liquidate as soon as practical and in accordance with gift receipt policy.

Funding and management of liquidity and investment returns may be facilitated by the following:

- Accounts payable – payment according to vendor terms to avoid finance charges.
- Short-term debt/Line of credit – maintain a line of credit based on short-term financial exposure.
- Long-term debt – obtain based on Board authorized financial plan.
- Restricted assets – maintain based on restricted expenditure timeframe.

Our board-designated endowment is subject to an annual spending rate of 5% percent as described in Note 12 and totaled \$21,221,405 at September 30, 2023. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board’s annual budget approval and appropriation), these amounts could be made available if necessary.

3. Fair value measurements:

The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of September 30, 2023 and 2022.

	2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 17,605,108			\$ 17,605,108
Fixed income	16,550,862			16,550,862
Cash	3,250,774			3,250,774
Alternatives	<u>7,073,162</u>			<u>7,073,162</u>
	<u>\$ 44,479,906</u>			<u>\$ 44,479,906</u>

SECOND HARVEST HEARTLANDNOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 20223. Fair value measurements (continued):

	<u>2022</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Equities	\$ 14,767,687			\$ 14,767,687
Fixed income	22,799,527			22,799,527
Cash	7,756,391			7,756,391
Alternatives	<u>343,104</u>			<u>343,104</u>
	<u>\$ 45,666,709</u>			<u>\$ 45,666,709</u>

4. Inventory:

Ending inventory is comprised of the following:

	<u>2023</u>	<u>2022</u>
Donated	\$ 2,261,524	\$ 2,388,958
TEFAP	596,968	151,825
CSFP	980,466	1,693,256
Purchased	<u>2,856,417</u>	<u>2,928,786</u>
	<u>\$ 6,695,375</u>	<u>\$ 7,162,825</u>

5. Pledges and capital campaign pledges receivable:

Unconditional promises to give are recorded as pledges receivable and revenue of the appropriate net asset category.

Unconditional promises to give, net of allowance, at September 30 are as follows:

	<u>2023</u>	<u>2022</u>
Promises without donor restriction	\$ -	\$ 231,840
Promises with donor restriction	<u>737,200</u>	<u>-</u>
Pledges and capital campaign pledges receivable	<u>\$ 737,200</u>	<u>\$ 231,840</u>
Amounts due in less than one year	\$ 737,200	\$ 231,840

SECOND HARVEST HEARTLANDNOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 20226. Property and equipment:

	<u>2023</u>	<u>2022</u>
Building	\$ 11,120,902	\$ 11,120,902
Building improvements	23,592,100	21,993,967
Office equipment and software	3,323,273	3,227,129
Warehouse equipment	2,418,553	2,291,875
Autos and trucks	3,921,886	6,338,736
Land	<u>2,470,000</u>	<u>2,470,000</u>
	46,846,714	47,442,609
Less accumulated depreciation and amortization	<u>11,001,807</u>	<u>10,523,568</u>
	<u>\$ 35,844,907</u>	<u>\$ 36,919,041</u>

7. Long-term debt:

	<u>2023</u>	<u>2022</u>
Mortgage payable interest at 2.45% over the business day yield on 5-year Interest Rate Swaps. Interest accrues and is due monthly through March 1, 2022. Beginning April 1, 2022, monthly installments of principal and interest in order to fully amortize outstanding principal due for 20 years from February 11, 2019 are due. All unpaid principal and interest is due February 1, 2027. Mortgage is collateralized by building and accessories.	\$ 3,808,693	\$ 3,938,286
Less current portion	<u>135,039</u>	<u>129,593</u>
	<u>\$ 3,673,654</u>	<u>\$ 3,808,693</u>

Future maturities of long-term debt are as follows:

<u>Year ending September 30</u>	<u>Amount</u>
2024	\$ 135,039
2025	141,673
2026	148,141
2027	3,383,840

8. Operating leases:

The Organization has various lease agreements for trucks and trailers with expiration dates through October 13, 2030. The following tables provide quantitative information concerning the Organization's leases for the year ended September 30, 2023:

Total rent expense in connection with truck and trailer rental was \$378,072 for the year ended September 30, 2023.

Other information:

Right-of-Use Assets obtained in exchange for operating lease liabilities	\$ 2,119,494
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Weighted average:

Remaining lease term	4.83 years or 58 months
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Discount rate	<u>6.19%</u>
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The Organization classified the total undiscounted lease payments that are due in the next twelve months as current. Maturity analysis of annual undiscounted cash flows for lease liabilities as of September 30, 2023 is as follows:

<u>Year ended September 30</u>	<u>Amount</u>
2024	\$ 511,617
2025	462,316
2026	320,837
2027	274,647
2028	227,708
Thereafter	<u>345,319</u>
Total lease payments	2,142,444
Less imputed interest	<u>(332,637)</u>
Present value of lease liabilities	<u>\$ 1,809,807</u>

The Organization also leases equipment through short-term leases. Total short-term lease expense for the year ended September 30, 2023 was \$497,471. Total equipment rental expense for the year ended and 2022 was \$131,978.

The Organization also leased space to carry out organization objectives through September 1, 2022. In addition to minimum base rental payments, the Organization was required to pay its proportional share of real estate taxes and operating expenses. Rent expense was \$196,681 for the year ended September 30, 2022.

9. Capital leases:

The Organization had leases which were recorded as capital leases for the year ended September 30, 2022. The trucks and trailers were recorded at fair value on the lease commitment date. Amortization of capitalized leases was reported with depreciation expense. At October 1, 2022, the Organization opted to evaluate the agreements according to the new lease standard and the leases did not meet the threshold of a finance lease and are recorded as right-of-use assets and lease liabilities under operating leases as of September 30, 2023.

The cost and accumulated amortization related to assets held under capital leases were as follows as of September 30, 2022:

Equipment cost	\$ 4,332,353
Less accumulated amortization	<u>2,355,489</u>
	<u>\$ 1,976,864</u>

10. Lease-use agreement:

The Brooklyn Park food bank facility renovation was partially funded by \$18 million of a General Obligation Grant from the State of Minnesota (State) to the City of Brooklyn Park (City).

Access to grant funds by the organization to complete the food bank facility required ownership of the food bank facility by the City. On February 11, 2019 the Organization leased the land and food bank facility to the City for 37.5 years resulting in constructive ownership as required by State regulations. No amounts are due under this lease. The term of the lease-use agreement is 15 years.

The Organization has two renewal options (15 years and 7.5 years). In the event that the lease-use is not renewed or the agreement is terminated early, the City has the option to buy the facility or sell the facility. Proceeds from the sale of the facility must be used to repay State bond funding, outstanding debt and Organization improvements to the facility. No amounts are due under this lease-use agreement.

11. Endowment :

Second Harvest Heartland has established a Board-designated endowment fund, called Endowment for a Hunger-Free Future. The purpose of this endowment is to fight hunger now and lay the groundwork for a stronger Minnesota that’s ready for new challenges. The funds will help feed the community, strengthen food shelves and other hunger-relief agencies and address the racial hunger divide. Each year the Board can authorize up to 5% of the market value of the Endowment for any purpose consistent with the purpose of the endowment. The balance of the endowment fund is considered a long-term asset and is included in Board-designated unrestricted net assets.

11. Endowment (continued):

The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date of gift of donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. The endowment fund is not donor-restricted. The Organization's investment policy indicates the following factors, if relevant, must be considered in managing and investing the endowment:

- General economic conditions;
- The possible effect of inflation or deflation;
- The expected tax consequences, if any, of investment decisions or strategies;
- The role that each investment or course of action plays within the overall investment portfolio of the fund;
- The expected total return from income and the appreciation of investments;
- Other resources of Second Harvest Heartland;
- The needs of Second Harvest Heartland and the Fund to make distributions and to preserve capital; and
- The asset's special relationship or special value, if any, to the charitable purposes of Second Harvest Heartland.

The composition of the Organization's endowment fund by type for the years ended September 30 is as follows:

	<u>2023</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Total endowment funds, board-designated	<u>\$ 21,221,405</u>	<u>\$ -</u>	<u>\$ 21,221,405</u>
	<u>2022</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Total endowment funds, board-designated	<u>\$ 18,982,616</u>	<u>\$ -</u>	<u>\$ 18,982,616</u>

The Organization has adopted investment and spending policies for the endowment that attempt to achieve a balanced return of current income and growth of principal. The goal over the investment horizon shall be to meet or exceed the market index selected by the finance committee and maintain an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark selected. The endowment's return objective is its primary concern. To satisfy the current income and growth of principal objective, the investment portfolio is structured with a balanced investment objective with targets of 50-70% equity, 10-30% fixed income, and 10-30% alternatives. In order to achieve objectives, the endowment fund could tolerate a maximum loss of 20% over any one year period.

SECOND HARVEST HEARTLANDNOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 202211. Endowment (continued):

The Organization has adopted an endowment policy to determine the amount to spend from the endowment. Each year, with Board approval, up to 5% of the market value of the Endowment may be expended for the charitable purposes of the Organization.

Changes in endowment funds are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds, board designated, October 1, 2021	\$ 22,197,246	\$ -	\$ 22,197,246
Board designation for endowment addition	1,000,000	-	1,000,000
Change in investment value	<u>(4,214,630)</u>	<u>-</u>	<u>(4,214,630)</u>
Endowment funds, board designated, September 30, 2022	18,982,616	-	18,982,616
Board designation for endowment addition	250,548	-	250,548
Change in investment value	<u>1,988,241</u>	<u>-</u>	<u>1,988,241</u>
Endowment funds, board designated, September 30, 2023	<u>\$ 21,221,405</u>	<u>\$ -</u>	<u>\$ 21,221,405</u>

12. Net assets with donor restrictions:

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

	<u>2023</u>	<u>2022</u>
Minnesota Central Kitchen	\$ 1,108,593	\$ 826,437
Child Hunger	850,000	-
Equipment	520,859	660,729
Other programming and fundraising	1,357,845	1,306,755
SNAP	<u>2,109,372</u>	<u>49,000</u>
	<u>\$ 5,946,669</u>	<u>\$ 2,842,921</u>

SECOND HARVEST HEARTLANDNOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**13. Net assets released from restriction:**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	<u>2023</u>	<u>2022</u>
Minnesota Central Kitchen	\$ 755,344	\$ 2,446,819
Capital Campaign	-	1,326,898
Child Nutrition	11,000	283,855
Equipment	619,870	46,738
Other programming and fundraising	1,878,964	1,511,114
SNAP	1,939,628	71,000
Food Rx	-	26,147
	<u>\$ 5,204,806</u>	<u>\$ 5,712,571</u>

14. Fiscal agent:

During the years ending September 30, 2023 and 2022, the Organization received cash from donors for which it is acting as a fiscal agent, which were not fully disbursed at September 30, 2023 and 2022. As such, these funds have been treated as current liabilities in the accompanying financial statements.

The Organization has received food donations that are, by contract, allocated to other food banks. Amounts of inventory on-site that were so allocated were \$520,856 and \$168,932 for September 30, 2023 and 2022, respectively. These amounts were not included in the final inventory as presented on the statement of financial position.

15. Retirement plan:

The Organization has a defined contribution 403(b) thrift plan, in which employees are eligible to participate on the first of the month following 30 days of employment. The Organization contributes 4% of the employees' annual salaries to the Plan regardless of whether the employees contribute any of their pretax wages to the Plan. The Organization also matches 50% of employees' contributions up to 4% of the employees' annual salaries. The employees vest at a rate of 25% per year and are fully vested after four years in the plan. The Organization's employer contributions were \$818,146 and \$655,801 to the for the years ended September 30, 2023 and 2022, respectively.