

The Food Group
New Hope, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
September 30, 2020 and 2019



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

Certified Public Accountants
7760 France Avenue S. Suite 940 Bloomington Minnesota 55435
952.831.0085 carpenterevert.com

Independent Auditor's Report

Board of Directors
The Food Group
New Hope, Minnesota

We have audited the accompanying financial statements of The Food Group as of September 30, 2020 and 2019, which comprise the statements of financial position and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Food Group as of September 30, 2020 and 2019, 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.

Carpenter, Evert and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
January 27, 2021

THE FOOD GROUP
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 3,737,649	\$ 280,353	\$ 4,018,002	\$ 1,796,968	\$ 10,000	\$ 1,806,968
In-Kind Contributions	7,667,085	-	7,667,085	4,807,578	-	4,807,578
United Way	60,191	-	60,191	99,847	-	99,847
Government Grants	2,237,177	-	2,237,177	1,546,252	-	1,546,252
Sales Revenue	4,631,921	-	4,631,921	3,412,832	-	3,412,832
Special Event Revenue	7,620	-	7,620	184,085	-	184,085
Less: Costs of Direct Benefits to Donors	(7,612)	-	(7,612)	(64,765)	-	(64,765)
Net Revenues from Special Events	8	-	8	119,320	-	119,320
Investment Income	5,331	-	5,331	736	-	736
Miscellaneous	(23,825)	-	(23,825)	13,678	-	13,678
Net Assets Released from Restrictions:						
Satisfaction of Time Restrictions	-	-	-	154,245	(154,245)	-
Satisfaction of Program Restrictions	10,000	(10,000)	-	52,750	(52,750)	-
Total Support and Revenue	18,325,537	270,353	18,595,890	12,004,206	(196,995)	11,807,211
Expense:						
Program Services	17,070,293	-	17,070,293	10,297,874	-	10,297,874
Support Services:						
Management and General	460,467	-	460,467	530,516	-	530,516
Fundraising	622,755	-	622,755	378,341	-	378,341
Total Support Services	1,083,222	-	1,083,222	908,857	-	908,857
Total Expense	18,153,515	-	18,153,515	11,206,731	-	11,206,731
Change in Net Assets from Operations	172,022	270,353	442,375	797,475	(196,995)	600,480
Change in Value of Unemployment Service Trust	-	-	-	101,515	-	101,515
Change in Net Assets	172,022	270,353	442,375	898,990	(196,995)	701,995
Net Assets - Beginning of Year	4,313,428	10,000	4,323,428	3,414,438	206,995	3,621,433
Net Assets - End of Year	\$ 4,485,450	\$ 280,353	\$ 4,765,803	\$ 4,313,428	\$ 10,000	\$ 4,323,428

The accompanying Notes to Financial Statements are an integral part of these statements.

THE FOOD GROUP
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020				2019	
	Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 1,696,225	\$ 132,988	\$ 278,522	\$ 411,510	\$ 2,107,735	\$ 1,832,007
Employee Benefits	222,944	17,479	36,608	54,087	277,031	233,681
Payroll Taxes	134,226	10,524	22,040	32,564	166,790	150,215
Total Personnel Costs	2,053,395	160,991	337,170	498,161	2,551,556	2,215,903
In-Kind Food	7,239,230	-	-	-	7,239,230	4,572,815
Food Costs	6,524,037	4,461	9,818	14,279	6,538,316	2,866,857
Supplies	80,315	55	121	176	80,491	66,264
Professional Fees	291,484	214,224	51,644	265,868	557,352	381,176
Occupancy	313,765	19,282	40,383	59,665	373,430	333,258
Office Expenses	105,130	31,194	119,813	151,007	256,137	202,003
Travel, Transportation and Shipping	215,278	2,020	1,431	3,451	218,729	217,710
Miscellaneous	31,347	8,599	32,202	40,801	72,148	66,987
In-kind Supplies	70,984	-	-	-	70,984	115,513
Staff and Volunteer	18,309	7,997	7,944	15,941	34,250	25,543
Depreciation and Amortization	127,019	11,644	22,229	33,873	160,892	142,702
Total Expense	\$ 17,070,293	\$ 460,467	\$ 622,755	\$ 1,083,222	\$ 18,153,515	\$ 11,206,731

The accompanying Notes to Financial Statements are an integral part of this statement.

THE FOOD GROUP
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Support Services				
	Program Services	Management & General	Fund- raising	Total Support Services	Total All Services
Salaries	\$ 1,487,715	\$ 157,932	\$ 186,360	\$ 344,292	\$ 1,832,007
Employee Benefits	189,765	20,145	23,771	43,916	233,681
Payroll Taxes	121,985	12,950	15,280	28,230	150,215
Total Personnel Costs	1,799,465	191,027	225,411	416,438	2,215,903
In-Kind Food	4,572,815	-	-	-	4,572,815
Food Costs	2,801,874	64,723	260	64,983	2,866,857
Supplies	34,400	13,307	19,280	32,587	66,987
Professional Fees	197,425	173,210	10,541	183,751	381,176
Occupancy	281,360	23,806	28,092	51,898	333,258
Office Expenses	100,100	29,318	72,585	101,903	202,003
Travel, Transportation and Shipping	211,323	4,983	1,404	6,387	217,710
Miscellaneous	66,264	-	-	-	66,264
In-kind Supplies	115,513	-	-	-	115,513
Staff and Volunteer	13,507	8,078	3,958	12,036	25,543
Depreciation and Amortization	103,828	22,064	16,810	38,874	142,702
Total Expense	\$ 10,297,874	\$ 530,516	\$ 378,341	\$ 908,857	\$ 11,206,731

The accompanying Notes to Financial Statements
are an integral part of this statement.

THE FOOD GROUP
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash	\$ 1,046,055	\$ 908,443
Investments	15,332	775
Accounts Receivable	169,192	193,462
Grants Receivable	434,104	160,420
Prepaid Expense	172,396	159,322
Inventory	1,443,774	755,447
Total Current Assets	3,280,853	2,177,869
Property and Equipment - Net	3,585,739	3,618,490
TOTAL ASSETS	\$ 6,866,592	\$ 5,796,359
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Notes Payable - Current	\$ 138,957	\$ 134,148
Capital Lease - Current	108,346	104,481
Accounts Payable	135,407	102,457
Accrued Salaries and Vacation	165,154	124,494
Accrued Expenses	7,639	10,373
Funds Held for Others	12,000	13,000
Deferred Revenue	13,390	13,561
Total Current Liabilities	580,893	502,514
Long-Term Liabilities:		
Capital Lease - Non Current	172,321	280,667
PPP Loan	796,300	-
Notes Payable - Non Current	551,275	689,750
Total Liabilities	2,100,789	1,472,931
Net Assets:		
Without Donor Restrictions	4,485,450	4,313,428
With Donor Restrictions	280,353	10,000
Total Net Assets	4,765,803	4,323,428
TOTAL LIABILITIES AND NET ASSETS	\$ 6,866,592	\$ 5,796,359

The accompanying Notes to Financial Statements
are an integral part of these statements.

THE FOOD GROUP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

<u>Increase (Decrease) in Cash</u>	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 442,375	\$ 701,995
Total Adjustments	<u>(600,409)</u>	<u>263,895</u>
Net Cash Provided (Used) by Operating Activities	(158,034)	965,890
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(276,665)	(398,415)
Purchases of Investments	14,158	14,468
Proceeds from Sale of Contributed Investments	-	15,316
Net Cash (Used) by Investing Activities	<u>(262,507)</u>	<u>(368,631)</u>
Cash Flows from Financing Activities:		
Principal Payments on Notes Payable	(133,666)	(129,091)
Principal Payments on Capital Lease	(104,481)	(100,754)
Proceeds from PPP Loan	<u>796,300</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>558,153</u>	<u>(229,845)</u>
Net Increase in Cash	137,612	367,414
Cash - Beginning of Year	<u>908,443</u>	<u>541,029</u>
Cash - End of Year	<u>\$ 1,046,055</u>	<u>\$ 908,443</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 27,017</u>	<u>\$ 32,020</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

1. Summary of Significant Accounting Policies

Organizational Purpose

The Food Group is a local nonprofit organization focused on using nutritious food to strengthen community. The mission of The Food Group is: Fighting Hunger. Nourishing our Community.

For more than 40 years The Food Group has worked to provide good foods to those who need it most in our community. We focus on local food access, equity, and nutrition issues related to food and hunger in more than 32 counties in Minnesota and Wisconsin.

The Food Group works on both ends of the food system from production to distribution. Working towards building a better local food system for all, we focus on breaking down barriers to growing good food locally and breaking down barriers to getting good food to those who need it most. Our programs include:

Food Shelf Support

We partner with 170 food shelves and meal programs to offer distribution of donated food, fresh produce, bulk purchasing of staple items, TEFAP food distribution, nutrition education, capacity building, and culturally specific food and resources. Food shelf support strengthens our community by ensuring everyone has the nutritious food they need to thrive.

Fare For All

We operate a traveling nutritious grocery store, which makes monthly stops at 37 distribution sites across the Twin Cities and greater MN to offer fresh produce and quality meats. We break down barriers for families seeking to stretch their food purchasing power and achieve self-sufficiency by offering discounts up to 40 percent off retail prices. Fare For All strengthens our community by ensuring everyone can eat healthy and affordable food.

Big River Farms

Our newest program offers organic and sustainable agriculture training for farmers who have historically been underrepresented in farm ownership, including immigrants, people of color, and refugees. Farmers learn to provide food for themselves and their communities. We also create market opportunities for the participating farmers, provide educational programming on sustainable agriculture to youth and community members, and host the annual Emerging Farmers Conference. Big River Farms strengthens our community by building a more sustainable and just food system.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

1. Summary of Significant Accounting Policies (continued):

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to The Food Group, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Net Assets Without Donor Restrictions – Net assets which are not subject to donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as net assets without donor restrictions.

Net Assets With Donor Restrictions – The part of net assets of The Food Group and its resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations

Investments

The Food Group carries its investments at fair value.

Accounts Receivable and Doubtful Accounts

The Food Group extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and The Food Group does not charge interest on accounts receivable balances. The Food Group reviews receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. No allowance for doubtful accounts has been provided as receivables are considered collectable.

Inventory

Inventory consists of canned, frozen and fresh foods and hygiene products used in various programs. Inventory is valued at the average cost, determined on a first-in first-out basis (FIFO).

Property and Equipment

All major expenditures for property and equipment over \$2,500 are capitalized at cost. Depreciation is provided through the use of the straight-line method.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

1. Summary of Significant Accounting Policies (continued):

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as net assets with donor restrictions until the donor-imposed restrictions expire or are fulfilled. Net assets with donor restrictions are reclassified to net assets without donor restrictions in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions except when the receipt and expiration occur in the same period in which case the contribution is shown as net assets without donor restrictions.

Contributions other than cash are recorded at their estimated market value.

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Functional Allocation of Expense

Salaries and related expenses are recorded in programs based on time and activity reports. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Income Tax

The Food Group has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Food group's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Food Group continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, The Food Group annually files a Return of Organization Exempt From Income Tax (Form 990).

Use of Estimates

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

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

1. Summary of Significant Accounting Policies (continued):

Deferred Revenue and Revenue Recognition

Sales are recognized as revenue when the performance obligation of transferring products and providing services are met. Special event income is equal to the fair value of the direct benefit to the donors and the contributions received related to the events.

The following provides information about significant changes in deferred revenue for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Deferred Revenue – Beginning of Year	\$ 13,561	\$ 12,340
Revenue recognized that was included in deferred revenue at the beginning of the year	(13,561)	(12,340)
Increases in deferred revenue due to cash received during the year	<u>13,390</u>	<u>13,561</u>
Deferred Revenue – End of Year	<u>\$ 13,390</u>	<u>\$ 13,561</u>

Reclassifications

Certain amounts in prior year comparative totals have been reclassified to conform with the presentation in the current year financial statements.

New Accounting Pronouncement

The Food Group has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* as management believes the standards improve the usefulness and understandability of The Food Group's financial reporting.

The Food Group has also adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Analysis of various provisions of this standard resulted in no significant changes in the way The Food Group recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Both ASUs have been applied retrospectively for the periods ended September 30, 2020 and 2019, as required.

Subsequent Events

The Food Group has evaluated the effect that subsequent events would have on the financial statements through January 27, 2021, which is the date financial statements were available to be issued.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

2. Significant Concentrations of Credit Risk

The Food Group provides services within Minnesota. Grants and contributions receivable are from local governments or institutions.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At September 30, 2020 and 2019, The Food Group held funds at a local financial institution in excess of federally insured limits.

3. Investments

The Food Group held the following investments as of:

	September 30,			
	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 15,332	\$ 15,332	\$ 775	\$ 775

The Food Group had realized and unrealized gains of \$3,997 and \$335 and interest income of \$1,334 and \$401 for the years ending September 30, 2020 and 2019, respectively.

4. Fair Value

The Food Group adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures (ASC 820). In accordance with ASC 820, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

4. Fair Value (Continued)

The following is a summary of the inputs used to determine the fair values of the investments at:

September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	<u>\$ 15,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,332</u>

September 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	<u>\$ 775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 775</u>

5. Grants Receivable

The outstanding balance of grants receivable at September 30, 2020 is expected to be collected over the following fiscal years:

<u>Due in the Year Ending September 30,</u> 2020	<u>\$ 440,660</u>
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6. Property and Equipment

The Food Group owned the following as of:

	<u>September 30,</u> <u>2020</u>	<u>2019</u>	<u>Estimated</u> <u>Useful Lives</u>
Land	\$ 1,128,188	\$ 1,124,028	
Buildings and Building Improvements	2,961,953	3,007,205	5-39 years
Furniture and Equipment	826,447	720,702	5 years
Capital Lease – Trucks	672,241	672,241	7 years
Capital Lease – Equipment	36,370	36,370	5 years
Vehicles	<u>497,139</u>	<u>349,404</u>	5 years
	6,122,338	5,909,950	
Less Accumulated Depreciation	<u>2,536,599</u>	<u>2,291,460</u>	
	<u>\$ 3,585,739</u>	<u>\$ 3,618,490</u>	

Depreciation expense of \$264,201 and \$246,011 was recorded for the years ended September 30, 2020 and 2019, respectively. For the year ended September 30, 2020 \$96,034 of depreciation is included in Travel, Transportation and Shipping expense and \$7,270 is included in the Office Expenses due to it being depreciation on capital leases for vehicles and office equipment.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

7. Line of Credit

The Food Group maintains a \$200,000 line-of-credit with MidWestOne Bank, maturing April 25, 2021. The interest rate at September 30, 2020 was 3.25%. Line-of-credit was not used and had no balance for both years ended September 30, 2020 and 2019. Secured by land and building.

8. Capital Leases

The Food Group leases trucks and equipment under a capital lease. The economic substance of the lease is that The Food Group is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in The Food Group's assets and liabilities.

The following is an analysis of the leased assets included in Property and Equipment as of:

	<u>September 30,</u>		<u>Estimated</u>
	<u>2020</u>	<u>2019</u>	<u>Useful Lives</u>
Trucks	\$ 672,241	\$ 672,241	7 years
Equipment	36,370	36,370	5 years
Less Accumulated Depreciation	<u>447,914</u>	<u>344,607</u>	
Net Book Value	<u>\$ 260,698</u>	<u>\$ 364,004</u>	

Future Payments required under the lease together with their present value.

<u>Due in the Year Ending September 30,</u>	
2021	\$ 118,584
2022	118,584
2023	<u>62,036</u>
Total Minimum Lease Payments	299,204
Less Amount Representing Interest	<u>18,537</u>
Present Value of Minimum Lease Payments	<u>\$ 280,667</u>

9. In-kind Contributions

The Food Group records in-kind contributions at fair market value at date of donation. In kind contributions include the following as of:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Foods	\$ 7,534,605	\$ 4,692,065
Non-Food Items	<u>132,480</u>	<u>115,513</u>
	<u>\$ 7,667,085</u>	<u>\$ 4,807,578</u>

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

9. Liquidity and Availability

The following represents The Food Group's financial assets as of:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash	\$ 1,046,055	\$ 908,443
Investments	15,332	775
Accounts Receivable	162,636	193,462
Grants Receivable	<u>434,104</u>	<u>160,420</u>
Total Financial Assets	1,658,127	1,263,100
Less assets not available to be used within one year:		
Net Assets with Donor Restrictions	280,353	10,000
Net Assets with Restrictions to be met within a year	<u>(280,353)</u>	<u>(10,000)</u>
Total assets not available for general expenditures		
Within one year:	<u>-</u>	<u>-</u>
Financial assets available for general expenditures within one year:	<u>\$ 1,658,127</u>	<u>\$ 1,263,100</u>

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

10. Notes Payable

The breakdown of notes payable is as follows:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
3.45% mortgage payable to Central Bank. Payable in monthly amounts of \$10,111 including interest with the last payment due October 2025. Secured by land and building.	\$ 565,167	\$ 664,655
3.45% mortgage payable on demand to Central Bank. If no demand is made, mortgage is payable in monthly amounts of \$1,942 including interest with the last payment due October 2025. Secured by land and building.	109,312	128,395
4% note payable to St. Paul Port Authority. Payable in monthly amounts of \$1,340 including interest with the last payment due October 1, 2021. Secured by purchased equipment.	<u>15,753</u>	<u>30,848</u>
	690,232	823,898
Less Portion Due Within One (1) Year	<u>138,957</u>	<u>134,148</u>
Long-term Portion	<u>\$ 551,275</u>	<u>\$ 689,750</u>

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

10. Notes Payable (Continued)

Principal payments required are as follows:

<u>Due in the Year Ending September 30,</u>	
2021	138,936
2022	127,522
2023	131,992
2024 and thereafter	<u>291,300</u>
Total	<u>\$ 690,232</u>

11. PPP Loan

On April 17, 2020, The Food Group was granted a loan (the "Loan") from Central Bank in the aggregate amount of \$796,300 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated April 17, 2020 issued by the Borrower, matures on April 17, 2022 and bears interest at a rate of 1% per annum, originally payable monthly commencing on November 17, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties.

The payment terms on all PPP loans changed with the signing of the Flexibility Act on June 5, 2020, and payments are now deferred for 10 months after the borrower's covered period, i.e. either 12 or 16 months from origination. In addition, if a borrower applies for forgiveness before the end of the 10 month deferral period, then payments continue to defer until a decision on the forgiveness is returned from the SBA.

Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. If the Loan is 100% forgiven, then no payments will be due from The Food Group. If The Food Group does not receive 100% forgiveness, there will be a loan modification at the time of the decision which will communicate the repayment terms of the remaining loan balance.

The Food Group has elected to carry the Loan as debt on its statement of financial position as of September 30, 2020 per FASB ASC 470.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

12. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of amounts from the following as of:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Time Restrictions:		
General Operations	\$ 25,000	\$ -
Program Restrictions :		
Nourishing Local Youth Experiencing	150,000	10,000
Big River Farm	25,000	-
Twin Cities Mobile Market	80,353	-
	<u>\$ 280,353</u>	<u>\$ 10,000</u>

13. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Depreciation and Amortization	\$ 264,196	\$ 246,011
Contributed Securities	(14,158)	(14,468)
Loss on Disposal of Assets	33,519	-
Realized (Gain) on Investment	(2,856)	(335)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	32,950	(6,843)
Accrued Salaries and Vacations	40,660	(47,607)
Accrued Expenses	(2,734)	(12,117)
Funds Held for Other	(1,000)	13,000
Deferred Revenue	(171)	1,221
Decreases (Increases) in Current Assets:		
Accounts Receivable	24,270	26,438
Grants Receivable	(273,684)	225,142
Prepaid Expense	(13,074)	(119,249)
Inventory	(688,327)	(47,298)
Total Adjustments	<u>\$ (600,409)</u>	<u>\$ 263,895</u>