



**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2025 and 2024



INDEPENDENT AUDITORS' REPORT

To the Board of Directors

HARVESTERS - THE COMMUNITY FOOD NETWORK

Opinion

We have audited the accompanying consolidated financial statements of Harvesters - The Community Food Network & Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position, and the consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Harvesters - The Community Food Network & Subsidiary's 2024 consolidated financial statements, and our report dated October 21, 2024, expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CBIZ CPAs P.C.

Kansas City, Missouri
November 10, 2025

**HARVESTERS - THE COMMUNITY FOOD NETWORK
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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2025 and 2024

	2025	2024
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and restricted cash	\$ 17,862,123	\$ 25,876,619
Unconditional promises to give, current portion, less allowance for uncollectibles	1,773,305	1,166,860
Investments	8,283,470	7,617,530
Accounts receivable	487,510	637,938
Inventory	6,985,197	7,383,150
Prepaid expenses and other assets	316,388	378,098
TOTAL CURRENT ASSETS	35,707,993	43,060,195
LONG-TERM UNCONDITIONAL PROMISES TO GIVE, less current portion above, net of unamortized discount	712,793	875,960
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	29,998,654	29,868,831
RIGHT OF USE ASSET - OPERATING LEASES	341,973	677,306
RIGHT OF USE ASSET - FINANCING LEASES, less accumulated amortization	1,710,968	464,029
INVESTMENTS - ENDOWMENT	1,101,107	1,008,167
TOTAL ASSETS	\$ 69,573,488	\$ 75,954,488
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,292,674	\$ 2,076,071
Deferred revenue	20,000	-
Refundable advance	2,510,076	2,183,259
Construction loan payable, net	-	8,801,900
Current portion of operating lease liability	150,765	308,855
Current portion of finance lease liability	329,820	100,156
TOTAL CURRENT LIABILITIES	4,303,335	13,470,241
OPERATING LEASE LIABILITY, less current portion above	191,209	368,451
FINANCE LEASE LIABILITY, less current portion above	1,404,347	377,912
TOTAL LIABILITIES	5,898,891	14,216,604
<u>NET ASSETS</u>		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Foodbank		
Undesignated	49,457,494	48,179,542
Board designated - reserve	8,280,557	7,556,834
Total foodbank	57,738,051	55,736,376
Contributed food	3,676,771	4,302,312
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	61,414,822	60,038,688
NET ASSETS WITH DONOR RESTRICTIONS	2,259,775	1,699,196
TOTAL NET ASSETS	63,674,597	61,737,884
TOTAL LIABILITIES AND NET ASSETS	\$ 69,573,488	\$ 75,954,488

See Notes to Consolidated Financial Statements

**HARVESTERS - THE COMMUNITY FOOD NETWORK
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CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2025, with Summarized Financial Information for the Year Ended June 30, 2024

	2025				2024	
	Without Donor Restrictions		With Donor Restrictions		Total	Total
	Operating	Contributed Food	Operating	Endowment Restricted		
OPERATING SUPPORT AND REVENUE						
Contributions	\$ 22,977,798	\$ -	\$ 1,115,284	\$ -	\$ 24,093,082	\$ 29,896,459
Contributed food received	-	105,683,658	-	-	105,683,658	109,782,887
Contributed nonfinancial assets	184,182	-	-	-	184,182	166,799
Cooperative and other revenues	430,016	-	-	-	430,016	575,853
Investment return	1,222,336	-	139,254	-	1,361,590	1,318,482
Special events	742,482	-	-	-	742,482	1,030,878
Net assets released from restriction	693,959	-	(693,959)	-	-	-
TOTAL OPERATING SUPPORT AND REVENUE	26,250,773	105,683,658	560,579	-	132,495,010	142,771,358
EXPENSES						
Foodbank program	17,828,154	-	-	-	17,828,154	18,207,995
Contributed food distributed	-	106,309,199	-	-	106,309,199	111,271,942
Management and general	2,358,248	-	-	-	2,358,248	2,460,960
Fund development	3,059,023	-	-	-	3,059,023	3,839,877
TOTAL EXPENSES	23,245,425	106,309,199	-	-	129,554,624	135,780,774
CHANGES IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	3,005,348	(625,541)	560,579	-	2,940,386	6,990,584
OTHER INCOME (EXPENSE)						
Gain on disposal of assets	21,032	-	-	-	21,032	1,730,296
Loss on related party forgiveness of leverage notes receivable	-	-	-	-	-	(7,688,500)
Gain on related party forgiveness of NMTC debt	-	-	-	-	-	10,625,425
Other income	1,133,106	-	-	-	1,133,106	8,390,003
Depreciation and amortization expense	(2,139,603)	-	-	-	(2,139,603)	(1,775,879)
Interest attributable to debt issuance costs	(18,208)	-	-	-	(18,208)	(385,182)
TOTAL OTHER INCOME (EXPENSE)	(1,003,673)	-	-	-	(1,003,673)	10,896,163
CHANGES IN NET ASSETS	2,001,675	(625,541)	560,579	-	1,936,713	17,886,747
NET ASSETS, BEGINNING OF YEAR	55,736,376	4,302,312	1,043,319	655,877	61,737,884	43,851,137
NET ASSETS, END OF YEAR	\$ 57,738,051	\$ 3,676,771	\$ 1,603,898	\$ 655,877	\$ 63,674,597	\$ 61,737,884

See Notes to Consolidated Financial Statements

**HARVESTERS - THE COMMUNITY FOOD NETWORK
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2025, with Summarized Financial Information for the Year Ended June 30, 2024

	2025			2024	
	Foodbank Program	Management and General	Fund Development	Total	Total
Compensation and benefits	\$ 8,848,981	\$ 1,527,643	\$ 1,229,763	\$ 11,606,387	\$ 12,589,443
Insurance, contracts and leases	989,622	209,756	74,667	1,274,045	1,083,410
Fees and dues	161,833	194,518	15,255	371,606	414,142
Supplies, printing and postage	406,493	7,731	1,047,636	1,461,860	1,543,915
Repairs, maintenance, and storage	770,180	7,548	7,184	784,912	788,005
Services and staff support	333,620	384,066	249,201	966,887	1,230,193
Utilities and telephone	536,208	12,466	14,011	562,685	519,345
Vehicle cost and freight	1,325,874	-	-	1,325,874	1,169,014
Interest expense	24,637	3,329	5,327	33,293	202,041
Special events	-	-	415,979	415,979	731,736
Food purchases	4,250,684	-	-	4,250,684	4,208,936
Miscellaneous expense	180,022	11,191	-	191,213	28,652
Expenses before depreciation and amortization and interest attributable to debt issuance costs and contributed food distributed	17,828,154	2,358,248	3,059,023	23,245,425	24,508,832
Depreciation and amortization expense	2,085,766	27,583	26,254	2,139,603	1,775,879
Interest attributable to debt amortization issuance costs	17,750	235	223	18,208	385,182
Contributed food distributed	106,309,199	-	-	106,309,199	111,271,942
TOTAL EXPENSES	\$ 126,240,869	\$ 2,386,066	\$ 3,085,500	\$ 131,712,435	\$ 137,941,835
Percentage of total expenses	<u>95.85%</u>	<u>1.81%</u>	<u>2.34%</u>	<u>100.00%</u>	
Percentage of expenses before depreciation and interest attributable to debt issuance costs and contributed food distributed	<u>76.70%</u>	<u>10.14%</u>	<u>13.16%</u>	<u>100.00%</u>	

See Notes to Consolidated Financial Statements

**HARVESTERS - THE COMMUNITY FOOD NETWORK
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CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2025, and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,936,713	\$ 17,886,747
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Net contributed food activity	625,541	1,489,055
Gain on disposal of property and equipment	(21,032)	(1,730,296)
Loss on forgiveness of leverage notes receivable	-	7,688,500
Gain on forgiveness of NMTC debt	-	(10,625,425)
Realized and unrealized gain on investments	(599,391)	(563,506)
Depreciation	1,983,151	1,688,874
Amortization of right of use asset - operating lease	335,333	307,358
Amortization of right of use asset - finance lease	156,452	87,005
Interest attributable to debt issuance costs	18,208	385,182
Contributions to finance long-term capital improvements	-	(5,537,051)
Change in operating assets:		
Unconditional promises to give	(763,278)	311,553
Accounts receivable	150,428	(55,071)
Inventory	99,229	12,366
Prepaid expenses and other assets	61,710	177,262
Change in operating liabilities:		
Accounts payable and accrued expenses	(284,229)	312,613
Operating lease liability	(335,332)	(307,358)
Deferred revenue	20,000	(349,980)
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,383,503	11,177,828
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,271,858	967,379
Purchases of investments	(1,431,347)	(1,267,317)
Proceeds from sale of investments - other	-	2,423
Acquisition of property and equipment	(2,116,530)	(11,748,937)
Proceeds from sale of property and equipment	21,032	4,677,158
NET CASH FLOWS FROM INVESTING ACTIVITIES	(2,254,987)	(7,369,294)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from capital campaign	320,000	4,503,928
Repayment of long-term debt	(9,335,287)	(3,429,885)
Finance lease payments	(142,376)	(78,386)
Repayment of accounts payable and accrued expenses used to finance property and equipment	(500,528)	(174,629)
Payment of loan fees	-	(54,729)
Proceeds from construction loan payable	515,179	8,820,108
NET CASH FLOWS FROM FINANCING ACTIVITIES	(9,143,012)	9,586,407
NET CHANGES IN CASH AND RESTRICTED CASH	(8,014,496)	13,394,941
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	25,876,619	12,481,678
CASH AND RESTRICTED CASH, END OF YEAR	\$ 17,862,123	\$ 25,876,619
Cash and restricted cash per consolidated statements of financial position		
Cash	\$ 16,988,751	\$ 25,325,978
Restricted cash	873,372	550,641
Total cash and restricted cash	\$ 17,862,123	\$ 25,876,619

See Notes to Consolidated Financial Statements

HARVESTERS - THE COMMUNITY FOOD NETWORK & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Organization - Harvesters - The Community Food Network (“Harvesters”) is a not-for-profit, tax-exempt (Section 501(c)(3)) food bank committed to providing food to hungry people in 27 counties in northeast Kansas and northwest Missouri. Harvesters is a charter member of Feeding America. Approximately 54% and 55% of food received during the years ended June 30, 2025 and 2024, respectively, was donated to the Organization from Feeding America national product donors. Harvesters collects and purchases food and distributes it to a network of member agencies such as food pantries, soup kitchens, shelters and other non-profit charitable organizations. These agencies provide the food to hungry people in need. Harvesters also educates the community about hunger, hunger relief, and nutrition.

Principles of consolidation - Harvesters - The Community Food Network & Subsidiary’s (the “Organization”) consolidated financial statements include the accounts of Harvesters and HCFN Title Holding Corporation (“HCFN”). All inter-organizational accounts and transactions have been eliminated. HCFN is a public benefit corporation organized exclusively for the benefit of, to perform the functions of, or to carry out the purposes of Harvesters. In conjunction with this charitable purpose, HCFN owns warehouses in Kansas City, Missouri and Lawrence, Kansas critical to Harvesters’ mission. HCFN participated in transactions that qualify under the Federal New Markets Tax Credit (“NMTC”) program, pursuant to Section 45D of the Internal Revenue Code of 1986, as amended. Through HCFN’s participation in the NMTC program, HCFN had secured financing related to eligible capital projects. During the year ended June 30, 2024, the NMTC transaction was exited. See additional details related to the NMTC transaction at Note 7.

Basis of presentation - The Organization’s consolidated financial statements are prepared on the accrual basis of accounting. Balances and transactions are presented in accordance with the existence or absence of donor-imposed restrictions. The Organization maintains its financial accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives of the Organization.

- Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions. Items that affect (i.e., increase or decrease) this category of net assets primarily consist of program service fees (handling fees) paid on a per-pound basis by member agencies, and related expenses associated with the core activities of the Organization. In addition to these exchange transactions, changes to this category of net assets include certain types of philanthropic support - namely, contributions and grants without donor restrictions, including those designated by the Board to function as reserves, as well as contributions and grants with donor restrictions whose donor-imposed restrictions were met during the fiscal year, and income from investments with no restrictions.
- Net assets with donor restrictions are net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time. Items that affect this category of net assets are restricted contributions and grants. Contributions and grants received with donor-imposed restrictions are reported as support in the net assets with donor restrictions class unless the restrictions are both imposed and met in the same year (in which case they are reported as support in the net assets without donor restrictions). These amounts are reclassified to net assets without donor restrictions when such restrictions are met or have expired. Net assets with donor restrictions associated with capital campaigns are to be released from restriction when the assets are placed in service or expenses associated with the campaign are incurred.

HARVESTERS - THE COMMUNITY FOOD NETWORK & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

- Net assets with donor restrictions also include endowment funds subject to donor-imposed stipulations, which, as interpreted by the Board of Directors, according to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") requirements, require the Organization to permanently maintain the fair value of the original gift as of the gift date. The donors of these assets permit the Organization to spend a part of the income earned on these assets, which are subject to appropriation or expenditure, on certain programs. These net assets are permanent endowment funds being held by the Organization such that the Organization has a perpetual interest in the earnings.
- Releases from net assets with donor restrictions during the years ended June 30, 2025 and 2024 were \$145,754 and \$798,421, respectively, for time restrictions and \$548,205 and \$4,792,560, respectively, for purpose restrictions. Net assets with donor restrictions consisted of time restrictions totaling \$285,295 and \$137,536, purpose restrictions for food distribution programs and endowment funds subject to appropriation or expenditure of \$1,318,603 and \$905,783, and endowment funds not subject to appropriation or expenditure of \$655,877 and \$655,877 at June 30, 2025 and 2024, respectively.

Revenues and other support - Contributions and grants, including unconditional promises to give are recognized in accordance with Accounting Standards Codification ("ASC"), following the guidance described in Accounting Standards Update ("ASU") 2018-08 Topic 958, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Under this guidance revenue is considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are restricted for future periods or restricted by the donor are reported as restricted contributions and increase net assets with donor restrictions.

Contributions other than cash, including unconditional promises to give and donated materials with clearly measurable bases, are recorded at their estimated fair value at the date of receipt. Revenue from fees and grants from government agencies are recognized as they are earned through expenditure in accordance with the agreement. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met.

Revenue from contributed food received, as well as the related food distributed expense and the contributed food inventory accounts, are computed by valuing the Organization's respective pounds of food at a weighted average wholesale price per pound as determined by the Feeding America national food bank network. The Organization treats contributed food as contributions without donor restrictions.

Revenue from contracts is recognized in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Revenue recognition is based on the five-step model: (i) identify the contract with the customer; (ii) identify the performance obligation in the contract; (iii) determine the contract price; (iv) allocate the transaction price; and (v) recognize revenue (when or as) each performance obligation is satisfied. If it is determined that a contract with an enforceable right and obligation does not exist, revenues are deferred until all criteria for an enforceable contract are met.

Revenues from program service fees (handling fees and cooperative revenues) are recognized at the point in time the member agencies receive food. The Organization applies the right to invoice practical expedient to contract revenue, and recognizes revenue as invoiced, since the Organization's right to payment is for an amount that corresponds directly with the value provided to customers based on the Organization's performance to-date.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Gifts in-kind - The Organization accounts for contributed non-financial assets in accordance with ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("Topic 958"). Topic 958 requires transparency regarding contributed nonfinancial assets through presentation and disclosure, both quantitative and qualitative.

Donated assets are reflected as contributed nonfinancial assets at their estimated fair value at the date of receipt.

The Organization received contributed food totaling \$105,683,658 and \$109,782,887 for the years ended June 30, 2025 and 2024, respectively. Contributed food is valued using a weighted average wholesale price per pound as determined by the Feeding America Product Valuation Methodology Survey.

The Organization received \$184,182 and \$166,799 for the years ended June 30, 2025 and 2024, respectively, for donated services and goods other than contributed food. Donated goods are valued based on estimated prices of identical or similar products considering the condition and utility for use by the Organization. Donated services are valued based on the estimated price of similar services.

All gifts in-kind are utilized by the Organization's food bank program. There were no gifts in-kind subject to donor-imposed restrictions during the years ended June 30, 2025 and 2024.

A substantial number of volunteers have donated thousands of hours during the years ended June 30, 2025 and 2024, which do not meet the requirements of the Not-For-Profit Topic of the FASB ASC related to revenue recognition of contributions received and, accordingly, are not recorded in these consolidated financial statements.

Cash - Cash consists of available cash balances on deposit at financial institutions. At times, the Organization maintains deposits in financial institutions in excess of federally insured limits. At June 30, 2025 and 2024 the Organization's uninsured balances totaled \$17,882,665 and \$25,937,596, respectively. The Organization has not experienced any losses in such accounts and management believes the risk of loss is negligible.

Restricted cash - Amounts included in restricted cash represent those funds required to be set aside by donor restriction. These restricted cash amounts are reflected as assets on the consolidated statements of financial position and as donor restricted funds. The restriction will lapse when the Organization's donor restrictions are satisfied.

Investments and Investments - Endowment - Investments and Investments - Endowment consist of money market funds, equities, and fixed income securities which are recorded at their fair value.

Investment return - Investment return is reported on the consolidated statements of activities and changes in net assets and consists of interest, dividends, realized and unrealized gains and losses, and fees.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Unconditional promises to give - Unconditional promises to give are comprised of pledges receivable, grants receivable, and capital campaign receivables as of June 30, 2025 and 2024. Unconditional promises to give are recognized as revenue in the year the promise is made. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. On a periodic basis, the Organization evaluates promises to give and establishes an allowance based on history, past write-offs, collections, and current economic conditions. Promises to give are written off when it is determined that all collection efforts have been exhausted. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The allowance for uncollectible unconditional promises to give was \$25,000 as of June 30, 2025 and 2024.

Accounts receivable - Accounts receivable balances result from government reimbursements and handling fees earned. On a periodic basis, the Organization evaluates receivables and establishes an allowance based on history, past write-offs, collections, and current economic conditions. Receivables are written off when it is determined that all collection efforts have been exhausted. All receivables were expected to be collectible as of June 30, 2025 and 2024.

Inventory - Contributed food is valued on a first-in, first-out basis using a weighted average wholesale price per pound as determined by the Feeding America national food bank network. For the years ended June 30, 2025 and 2024, contributed food was valued at \$1.90 and \$1.97 per pound, respectively. Purchased food is valued on a first-in, first-out basis.

Property and equipment - Property and equipment are stated at cost or the fair value at date of gift for donated assets, less accumulated depreciation. Acquisitions with an expected useful life greater than one year which either have a unit cost of \$5,000 or greater or items with a unit cost below this threshold which are included in bulk purchases with a combined cost of \$10,000 or greater are generally capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Building and building improvements	7 - 30 years
Land improvements	15 years
Equipment	3 - 10 years

Leases - The Organization accounts for leases in accordance with ASU 2016 - 02, *Leases* ("ASC 842") that requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position and disclose key information about leasing arrangements.

The Organization utilizes the available practical expedients to account for the existing operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of 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. The Organization utilizes the short term lease exception provided for in Topic 842; therefore, the Organization only recognizes right-of-use assets and lease liabilities for leases with a term greater than one year.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Allowance for credit losses - The Organization accounts for accounts receivable and the related allowance for credit losses in accordance with ASU 2016 - 13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Statements*, effective December 12, 2023. This standard requires the allowance for credit losses to reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset.

Interest attributable to debt issuance costs - In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the consolidated statements of financial position as a direct reduction from the carrying amount of that debt liability, consistent with debt discounts. During the years ended June 30, 2025 and 2024, amortization amounted to \$18,208 and \$385,182, respectively.

Functional expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Certain costs have been allocated among the programs and supporting services benefited as depicted in the accompanying statements of functional expenses. Expenses that can be identified with a specific program and support are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the programs or support source. Specifically, those costs are allocated by department, a full time equivalent measure, or by square footage.

Direct benefit to donor costs have been included in fund development costs on the consolidated statements of functional expenses as the associated costs are not material in relation to the consolidated financial statements taken as a whole.

Income taxes - Harvesters and HCFN are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for federal and state income taxes.

The Organization's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the consolidated financial statements during the period which, based on all available evidence, it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Organization. No accrual has been recorded at June 30, 2025 or 2024, as management does not believe any material uncertainties exist. The Organization is no longer subject to federal or state income tax examinations by tax authorities before 2021.

Refundable advance - Refundable advance and expense are recorded in accordance with ASC Topic 958, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Under this guidance, grants are recognized in the accompanying consolidated financial statements when the Organization has an obligation to transfer assets to a grantee.

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

**HARVESTERS - THE COMMUNITY FOOD NETWORK
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Summarized comparative information - The consolidated financial statements include certain prior year summarized comparative information in total but neither by net asset class nor by natural classification of expenses by function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Harvesters' consolidated financial statements for the year ended June 30, 2024, from which the summarized information was derived.

(2) Unconditional promises to give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. During the years ended June 30, 2025 and 2024, there was \$10,367 and \$2,163, respectively, in discounts on operating pledges and \$60,602 and \$111,877, respectively, in discounts on capital campaign pledges. The discount rate used in valuing unconditional promises to give was 5% for the years ended June 30, 2025 and 2024. Amortization of the discounts is included in contributions revenue.

Unconditional promises to give that are expected to be collected are as follows:

	June 30,	
	2025	2024
Private donations - capital campaign	\$ 950,000	\$ 1,270,000
Private donations - operations	370,662	428,217
Government donations	1,261,405	483,643
Subtotal	2,582,067	2,181,860
Less: Unamortized discount	(70,969)	(114,040)
Subtotal	2,511,098	2,067,820
Less: Allowance for uncollectibles	(25,000)	(25,000)
Net unconditional promises to give	\$ 2,486,098	\$ 2,042,820

Amounts due in:

Years ending June 30,

2026	\$ 1,798,305
2027	463,762
2028	320,000
Total unconditional promises to give	\$ 2,582,067

(3) Conditional promises to give and refundable advances

Conditional promises to give at June 30, 2025 and 2024 amounted to \$1,583,609 and \$5,476,821, respectively. At June 30, 2025 and 2024, \$2,510,076 and \$2,183,259, respectively, of food was received in relation to federal grants where a barrier to entitlement and a right of return still exists. As such, these food amounts received are reflected as refundable advances within the consolidated statements of financial position until the conditions have been substantially met or waived by the donor. The conditional promises to give will be recognized as revenue within the consolidated financial statements when such amounts become unconditional.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) Investments

Investments are comprised of the following:

	June 30,	
	2025	2024
Fixed income pool:		
Short term	\$ 2,309,214	\$ 2,128,481
Intermediate	1,996,619	1,834,465
Total fixed income pool	4,305,833	3,962,946
Money market pool	1,217,753	1,185,789
Equity pool:		
Domestic allocation	2,860,061	2,596,819
Cash and cash equivalents	2,911	-
International allocation	998,019	880,143
Total equity pool	3,860,991	3,476,962
Total investments	\$ 9,384,577	\$ 8,625,697

Investment return is comprised of the following:

	Years ended June 30,	
	2025	2024
Interest and dividend income	\$ 783,271	\$ 776,961
Investment fees	(21,072)	(20,744)
Unrealized gain	454,832	487,992
Realized gain	144,559	74,273
Total investment return	\$ 1,361,590	\$ 1,318,482

The Organization maintains the above investment portfolios at the Greater Kansas City Community Foundation (the "Community Foundation") and specified itself as beneficiary at the time of the transfer. Amounts will be distributed to the Organization upon the Community Foundation's receipt of the written recommendation of two authorized signers of the Organization. The Community Foundation will monitor distributions requested by the Organization to ensure amounts are being distributed in accordance with the Organization's intentions. The investment portfolios above are included in Investments and Investments - Endowment on the consolidated statements of financial position as of June 30, 2025 and 2024, respectively.

FASB ASC 820, *Fair Value Measurements and Disclosures* provide the framework for measuring fair value. ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) Investments (continued)

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

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

The Organization endeavors to utilize the best available information in measuring fair value. The following table summarizes the valuation of the Organization's investments by the above FASB ASC 820 fair value hierarchy levels as of June 30, 2025 and 2024:

	June 30, 2025			
	Fair Value	Level 1	Level 2	Level 3
Money market pool	\$ 1,217,753	\$ -	\$ 1,217,753	\$ -
Equity pool	3,860,991	2,911	3,858,080	-
Fixed income pool	4,305,833	-	4,305,833	-
	\$ 9,384,577	\$ 2,911	\$ 9,381,666	\$ -
	June 30, 2024			
	Fair Value	Level 1	Level 2	Level 3
Money market pool	\$ 1,185,789	\$ -	\$ 1,185,789	\$ -
Equity pool	3,476,962	-	3,476,962	-
Fixed income pool	3,962,946	-	3,962,946	-
	\$ 8,625,697	\$ -	\$ 8,625,697	\$ -

The Organization's investments consist of shares in a pooled investment fund, held at the Greater Kansas City Community Foundation, comprised of the items detailed in the previous table. The fair value of the Organization's shares is calculated using the quoted market prices for the underlying investments in equity, fixed income, and money market securities. It is reasonably possible that changes in the value of the Organization's investments will occur in the near-term and that such changes could materially affect the amounts reported in the Organization's consolidated financial statements.

(5) Leverage loan receivable

During the year ended June 30, 2017, as a part of the NMTC transactions listed in Note 7 below, Harvesters issued a \$7,688,500 loan to U.S. Bancorp Community Development Corporation ("USBCDC") Investment Fund 200, LLC (the "Fund"). The loan had an interest rate of 1% and required quarterly interest payments beginning July 1, 2017 and required quarterly interest and principal payments beginning July 1, 2024, with all unpaid principal and accrued interest due June 30, 2047. During the year ended June 30, 2024, the NMTC transaction was exited and the note receivable was forgiven during the exit of the transaction.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(6) Property and equipment

	June 30,	
	2025	2024
Cost		
Land and land improvements	\$ 1,149,806	\$ 1,127,784
Building and building improvements	30,358,611	29,547,547
Equipment	12,365,893	11,245,026
Total cost	43,874,310	41,920,357
Less: Accumulated depreciation	13,875,656	12,051,526
Net property and equipment	\$ 29,998,654	\$ 29,868,831

Depreciation expense charged to operations for the years ended June 30, 2025 and 2024 was \$1,983,151 and \$1,688,874, respectively.

(7) New market tax credit financing transaction

During the year ended June 30, 2017 Harvesters sponsored a financing of its Kansas City, Missouri and Topeka, Kansas site expansions under the NMTC program. NMTC financing allows organizations such as HCFN to receive low-interest loans or investment capital from certified community development entities (“CDEs”) which allows third-party investors to receive Federal income tax credits based upon the amount of total investment in projects in certain “low income communities”.

As an inducement to such third-party tax credit investors and a CDE to invest in the project, Harvesters committed \$7,688,500 via a leverage loan to the Fund, a Missouri limited liability company. As fully described within Note 5, the leverage loan due to the Fund of \$7,688,500 was reflected as a note receivable on the consolidated statement of financial position at June 30, 2023.

USBCDC invested \$5,000,000 in the Fund and another \$5,000,000 in USBCDC Investment Fund 201, LLC, which subsequently merged with the Fund. The Fund is a wholly owned subsidiary of USBCDC.

The Fund then contributed \$5,000,000 to CBKC CDC SUB-CDE 41, LLC (“CDE 41”) and \$5,000,000 to CBKC CDC SUB-CDE 42, LLC (“CDE 42”), the entities having the authority to provide the Federal income tax credits to investors, as a capital contribution. CDE 41 and 42 are 99.99% owned by the Fund and are .01% owned by CBKC CDC, LLC, the organization that manages the CDEs. The Fund also made an additional \$1,000,000 capital contribution to CDE 41. CDE 41 made qualified low income community investments (the “QLICs”) in HCFN, in the form of loans: (i) \$4,193,728 (Loan A) and (ii) \$1,686,272 (Loan B). CDE 42 made QLICs in HCFN in the form of loans: (i) \$3,494,773 (Loan A) and (ii) \$1,405,227 (Loan B). Such loans are secured by the assets and property of HCFN, which consists of cash, land, buildings, and equipment financed by the loans under the program. As part of the financing, Harvesters contributed the Kansas City, Missouri facility and Topeka, Kansas assets to HCFN. Harvesters and HCFN then entered four leases – two real estate leases for both the Kansas and Missouri properties and two equipment leases for assets related to these properties. The real estate leases are for 25 years, and the equipment leases are for 62 months.

Harvesters entered into a put and call agreement with USBCDC during the year ended June 30, 2017. The agreement grants USBCDC the right to exercise the requirement that Harvesters purchase USBCDC’S interest in the Fund and in CDE 41 and 42 for a put exercise price of \$1,000. On June 21, 2024 the option was exercised and Harvesters owned 100% of the Investment Fund.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) New market tax credit financing transaction (continued)

On June 21, 2024, the Investment Fund redeemed their investments in the CDEs. The redemption price was the NMTC debt. After the redemption, the loans were payable by HCFN to the Investment Fund.

The Investment Fund was dissolved on June 26, 2024. The NMTC debt payable by HCFN to the Investment Fund was forgiven. And, as stated in Note 5, the leverage loan receivable by Harvesters from the Investment Fund was forgiven. A gain and loss, respectively, on related party debt forgiveness is reflected within the consolidated statement of activities and changes in net assets during the year ended June 30, 2024.

(8) Construction loan payable

During the year ended June 30, 2024, Harvesters entered into a construction loan with US Bank, with an original balance of up to \$9,760,000, and interest accruing at the secured overnight financing rate ("SOFR rate"), plus a 2.75% margin rate. The interest rate as of June 30, 2024 was 8.01%. During the year ended June 30, 2025, the construction loan matured and was paid in full.

The table below further describes the balance as of June 30, 2025 and 2024:

	June 30,	
	2025	2024
Construction loan payable	\$ -	\$ 8,820,108
Less: unamortized debt issuance costs	-	(18,208)
Construction loan payable, net	\$ -	\$ 8,801,900

(9) Line of credit

For the years ended June 30, 2025 and 2024, the Organization maintained a \$5,000,000 line of credit. The line available during the year ended June 30, 2024 was renewed with a new maturity date of January 29, 2026 and accrues interest at 1.9% over SOFR (6.20% and 7.24% at June 30, 2025 and 2024, respectively). At June 30, 2025 and 2024, there was no outstanding balance on the line. The line is collateralized by all business assets of Harvesters and subject to certain financial and non-financial covenants.

(10) Endowment

The Organization's endowment consists of three funds established for a variety of purposes. The funds only include donor-restricted funds. In accordance with FASB ASC 958, net assets associated with endowment funds and funds designated by the Board of Directors are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment funds include the original value at the date of the gift. The earnings on these funds are restricted until appropriated for expenditure on certain programs.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Endowment (continued)

The Organization had the following endowment-related activities:

	For the year ended June 30, 2025		
	Subject to appropriation or expenditure	Not subject to appropriation or expenditure	Total
Beginning balance, July 1, 2024	\$ 352,290	\$ 655,877	\$ 1,008,167
Releases from restriction	(46,314)	-	(46,314)
Investment return	139,254	-	139,254
Total change in endowment funds	92,940	-	92,940
Ending balance, June 30, 2025	<u>\$ 445,230</u>	<u>\$ 655,877</u>	<u>\$ 1,101,107</u>

	For the year ended June 30, 2024		
	Subject to appropriation or expenditure	Not subject to appropriation or expenditure	Total
Beginning balance, July 1, 2023	\$ 254,625	\$ 655,877	\$ 910,502
Releases from restriction	(46,364)	-	(46,364)
Investment return	144,029	-	144,029
Total change in endowment funds	97,665	-	97,665
Ending balance, June 30, 2024	<u>\$ 352,290</u>	<u>\$ 655,877</u>	<u>\$ 1,008,167</u>

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds. In order to obtain maximum benefits from the assets of the Organization, the investment goals include achieving long-term growth of capital within specified risk constraints, production of a reasonable rate of return on the investment assets, consistent with the assumption of a prudent level of risk, and protection of the Organization's assets from inflation, so that they will be available for long-term use.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization's risk tolerance is moderate. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based and fixed-income investments, selection of quality securities, and seeking lower volatility to achieve its long-term return objectives within prudent risk constraint.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Endowment (continued)

Spending policy

One of the purposes of the Organization's investment assets is to provide funds to cover the portion of the Organization's program costs and organizational expenses that are not covered by fees for services or by donations and grants. Distributions will be made annually at 5% of a trailing 3-year average of the endowments' total market value as of December 31. No distribution will be made if such distribution would bring the value of the fund below the historic dollar value of the fund.

(11) Lease commitments

Harvesters and HCFN entered into three leases where Harvesters is the lessee and HCFN is the lessor - one real estate lease for the Kansas City, Missouri facility and two equipment leases for assets in both Kansas and Missouri. Additionally, the two entities had a memorandum of occupancy for use of the Topeka, Kansas facility. The memorandum expired December 2018 but automatically renewed for one-year periods through June 2024 when HCFN entered into a conveyance contract with KDOT for this property as noted in Note 18. As a result, the lease between HCFN and Harvesters ended during the year ended June 30, 2024. The Missouri real estate lease expires June 2042. All three leases required quarterly payments. The activity related to these leases has been eliminated in the consolidated financial statements and is not reflected in the disclosures below.

Harvesters also leases equipment used in operations through multiple leases which expire between February 2027 and May 2032.

In addition, ASC 842 requires the disclosure of other information pertaining to the operating cash flows from these leases, the weighted-average remaining lease term, and the weighted average discount rate. These items are disclosed for operating and financing leases below for the years ended June 30, 2025 and 2024.

The components of these lease costs during the years ended June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Operating lease cost (cost resulting from lease payments)	\$ 298,052	\$ 347,781
Finance lease cost		
Interest	\$ 33,293	\$ 21,769
Amortization	156,452	87,005
Total lease cost	<u>\$ 189,745</u>	<u>\$ 108,774</u>
Short-term operating lease expense	<u>\$ 94,317</u>	<u>\$ 113,185</u>

Other information relates to leases was as follows, for the years ended June 30, 2025 and 2024:

Supplemental cash flow information:	<u>2025</u>	<u>2024</u>
Operating cash flows from operating leases	\$ 720,038	\$ 420,543
Operating cash flows from finance leases	\$ 33,293	\$ 18,121
Financing cash flows from finance leases	\$ 142,376	\$ 78,386
Weighted-average remaining lease term		
Operating leases (years)	2.18	2.61
Financing leases (years)	6.08	5.25
Weighted-average discount rate		
Operating leases (percentage)	2.88%	2.87%
Financing leases (percentage)	4.12%	4.18%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(11) Lease commitments (continued)

The future minimum rental payments required under these operating leases are as follows:

Years Ending June 30,

	<u>Operating</u>	<u>Financing</u>
2026	\$ 158,536	\$ 329,820
2027	150,310	329,820
2028	44,621	329,820
2029	-	329,820
2030	-	263,049
Thereafter	-	376,381
Total future undiscounted lease payments	<u>353,467</u>	<u>1,958,710</u>
Less present value discount	<u>(11,493)</u>	<u>(224,543)</u>
Lease liability ending balance	<u>\$ 341,974</u>	<u>\$ 1,734,167</u>

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to control and direct the use of the identified asset. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as maintenance costs, in calculating the right-of-use ("ROU") assets and lease liabilities for its leases. The Organization has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The rate utilized matched the risk-free rate as of the first day of each individual lease for the remaining term of each lease.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) Liquidity

	June 30,	
	2025	2024
Cash - unrestricted	\$ 16,988,751	\$ 25,325,978
Unconditional promises to give	1,463,305	856,860
Investments	8,283,470	7,617,530
Accounts receivable	487,510	637,938
Appropriations from endowment	45,971	46,314
	\$ 27,269,007	\$ 34,484,620

Cash - The amount shown above reflects cash on hand available to meet general expenditures. As of the financial statement date, the Organization had cash on hand for the purpose of repaying debt and for capital expenditures; this cash is not reflected here.

Unconditional promises to give - The amount reflected above includes those unconditional promises to give within one year and which may be used for general expenditures. Unconditional promises to give with donor-imposed restrictions are included when such gifts are restricted for use in the Organization's regular, ongoing activities.

Current investments - Included in the amount above is \$8,280,557 and \$7,556,834, as of June 30, 2025 and 2024, respectively, which was designated as an operating reserve by the Board. Harvesters does not intend to spend from the reserve in the upcoming year, but this amount is available for general expenditures as needed. These funds are invested at the Greater Kansas City Community Foundation (the "Foundation"). The Foundation reserves the right to make the final decision regarding certain distributions from the fund.

Accounts receivable - Receivables due within the year from the Organization's agency partners and others.

Appropriations from permanent endowment - The Board has appropriated the above amount, in accordance with the spending policy of the endowment, for general expenditures within the next year.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, management and Board consider all expenditures of the organization, including operating expenses, capital acquisition needs and debt service requirements. Based on these expenditures, the Organization prepares a balanced budget; deficit budgets are not prepared except in unusual circumstances. Liquidity is monitored regularly by management and Board. In addition to the financial assets shown above, Harvesters has a \$5,000,000 line of credit which it can draw upon as needed. Harvesters may also make short-term borrowings from its operating reserves for temporary liquidity needs.

(13) Retirement plan

The Organization sponsors a non-participatory defined contribution retirement plan for employees following completion of two consecutive years of employment. The Organization contributes 5% of gross compensation of eligible employees. During the years ended June 30, 2025 and 2024, contributions to the plan charged to operations were \$314,021 and \$301,132, respectively.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Board designated reserve

The Board of Directors authorized the establishment of an operating reserve fund. This fund, which is maintained in the Organization's investment account, consisted of \$8,280,557 and \$7,556,834 at June 30, 2025 and 2024, respectively. Reserve funds can be used without board approval for temporary cash flow needs only up to 50% of the total value of the reserve. All other uses require board approval.

(15) Concentrations

During the year ended June 30, 2025, 47% of Harvesters' donated food came from Feeding America national donors and other Feeding America food banks, and 15% of donated food came from the United States Department of Agriculture.

During the year ended June 30, 2024, 32% of Harvesters' purchases were from Monarch Build, LLC, for the building of the Lawrence facility. In addition, 48% of Harvesters' donated food came from Feeding American national donors and other Feeding America food banks, and 14% of donated food came from the United States Department of Agriculture.

(16) Cash flow disclosures

The following is a summary of supplemental cash flow information:

	June 30,	
	2025	2024
Cash paid for interest	\$ 33,293	\$ 202,041
Purchase of property and equipment with accounts payable and accrued expenses	\$ 1,360	\$ 500,528
Refundable (nonrefundable) advance of donated inventory	\$ (326,817)	\$ (403,434)
Right-of-use assets resulting from financing lease liabilities	\$ 1,398,475	\$ -

(17) Contingencies

The Organization is subject to claims that arise in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Organization.

(18) Commitments

The Kansas Department of Transportation ("KDOT") announced plans to reconfigure the section of I-70 in Topeka known as the Polk-Quincy Viaduct. During the fiscal year ending June 30, 2021, KDOT selected a plan design for this project. The design will subject the Organization's Topeka facility to demolition as part of a right-of-way acquisition. The Organization occupied the building until June, 2024, when construction on the Polk-Quincy project began. The right-of-way acquisition did not interfere with the expiration of the NMTC described in Note 7. As of November 30, 2022, the Organization entered into a conveyance contract with KDOT for this property. The contract contained several contingencies. The contingencies were satisfied by the stated closing date of June 21, 2024. Consequentially, during the year ended June 30, 2024, the Organization conveyed the property to KDOT for proceeds totaling \$13,032,981, which was comprised of \$8,402,981 of cost to cure proceeds and \$4,630,000 for the land and building.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(18) Commitments (continued)

The cost to cure proceeds are described as "other income" on the consolidated statement of activities and changes in net assets for the year ended June 30, 2024, net of \$12,978 of expenses incurred. During the year ended June 30, 2025, the Organization received an additional \$1,135,073 from KDOT for reimbursements for relocation expenses incurred by the Organization. These funds are described as "other income" on the consolidated statement of activities and changes in net assets for the year ended June 30, 2025.

In December 2022, Harvesters acquired a new Kansas facility ("Timberedge property") for \$4,800,000. The acquisition of the Timberedge property is reflected as property and equipment on the consolidated statements of financial position. During the year ended June 30, 2024, the Organization completed constructing improvements to the acquired property. These asset additions are reflected in Note 6.

(19) Risks and uncertainties

The Organization receives federal grant funds. These federal funds are subject to review, audit, and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although the Organization expects such amounts, if any, to be insignificant.

(20) Subsequent events

The Organization has evaluated subsequent events through November 10, 2025, which is the date the consolidated financial statements were available to be issued. No significant matters were identified that would require adjustment or disclosure in the consolidated financial statements or accompanying notes.

SUPPLEMENTARY INFORMATION

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SUPPLEMENTARY INFORMATION – CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2025

ASSETS

	<u>Harvesters</u>	<u>HCFN</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash and restricted cash	\$ 17,708,093	\$ 154,030	\$ -	\$ 17,862,123
Unconditional promises to give, current portion, less allowance for uncollectibles	1,773,305	-	-	1,773,305
Investments	8,283,470	-	-	8,283,470
Accounts receivable	487,510	1,067,665	(1,067,665)	487,510
Inventory	6,985,197	-	-	6,985,197
Prepaid expenses and other assets	316,388	-	-	316,388
TOTAL CURRENT ASSETS	35,553,963	1,221,695	(1,067,665)	35,707,993
LONG-TERM UNCONDITIONAL PROMISES TO GIVE, less current portion above, net of unamortized discount	712,793	-	-	712,793
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	20,799,907	9,198,747	-	29,998,654
RIGHT OF USE ASSET - OPERATING LEASES	10,045,187	-	(9,703,214)	341,973
RIGHT OF USE ASSET - FINANCING LEASES, less accumulated amortization	1,710,968	-	-	1,710,968
INVESTMENTS - ENDOWMENT	1,101,107	-	-	1,101,107
TOTAL ASSETS	\$ 69,923,925	\$ 10,420,442	\$ (10,770,879)	\$ 69,573,488

LIABILITIES

CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 1,294,878	\$ -	\$ (2,204)	\$ 1,292,674
Deferred revenue	20,000	-	-	20,000
Refundable advance	2,510,076	-	-	2,510,076
Current portion of operating lease liability	150,765	-	-	150,765
Current portion of finance lease liability	329,820	-	-	329,820
TOTAL CURRENT LIABILITIES	4,305,539	-	(2,204)	4,303,335
OPERATING LEASE LIABILITY, less current portion above	10,959,884	-	(10,768,675)	191,209
FINANCE LEASE LIABILITY, less current portion above	1,404,347	-	-	1,404,347
TOTAL LIABILITIES	16,669,770	-	(10,770,879)	5,898,891

NET ASSETS

NET ASSETS WITHOUT DONOR RESTRICTIONS				
Foodbank				
Undesignated	39,037,052	10,420,442	-	49,457,494
Board designated - reserve	8,280,557	-	-	8,280,557
Total foodbank	47,317,609	10,420,442	-	57,738,051
Contributed food	3,676,771	-	-	3,676,771
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	50,994,380	10,420,442	-	61,414,822
NET ASSETS WITH DONOR RESTRICTIONS	2,259,775	-	-	2,259,775
TOTAL NET ASSETS	53,254,155	10,420,442	-	63,674,597
TOTAL LIABILITIES AND NET ASSETS	\$ 69,923,925	\$ 10,420,442	\$ (10,770,879)	\$ 69,573,488

See Notes to Supplementary Information – Consolidating Financial Statements

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

SUPPLEMENTARY INFORMATION – CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

	<u>Harvesters</u>	<u>HCFN</u>	<u>Eliminations</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS				
OPERATING SUPPORT AND REVENUE				
Contributions	\$ 36,910,779	\$ -	\$ (13,932,981)	\$ 22,977,798
Contributed food received	105,683,658	-	-	105,683,658
Contributed nonfinancial assets	263,140	-	(78,958)	184,182
Cooperative and other revenues	430,016	-	-	430,016
Rental income	-	855,942	(855,942)	-
Investment return	1,220,253	2,083	-	1,222,336
Special events	742,482	-	-	742,482
Net assets released from restriction	693,959	-	-	693,959
TOTAL OPERATING SUPPORT AND REVENUE	145,944,287	858,025	(14,867,881)	131,934,431
EXPENSES				
Foodbank program	18,644,996	76,971	(893,813)	17,828,154
Contributed food distributed	106,309,199	-	-	106,309,199
Management and general	2,364,617	13,947,662	(13,954,031)	2,358,248
Fund development	3,078,091	969	(20,037)	3,059,023
TOTAL EXPENSES	130,396,903	14,025,602	(14,867,881)	129,554,624
CHANGES IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)				
	15,547,384	(13,167,577)	-	2,379,807
OTHER INCOME (EXPENSE)				
Gain on disposal of assets	21,032	-	-	21,032
Other income/expense	1,133,106	-	-	1,133,106
Depreciation and amortization expense	(1,658,019)	(481,584)	-	(2,139,603)
Interest attributable to debt issuance costs	(18,208)	-	-	(18,208)
TOTAL OTHER INCOME (EXPENSE)	(522,089)	(481,584)	-	(1,003,673)
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	15,025,295	(13,649,161)	-	1,376,134
NET ASSETS WITH DONOR RESTRICTIONS				
Contributions with donor restrictions	1,115,284	-	-	1,115,284
Endowment earnings	139,254	-	-	139,254
Releases from net assets with donor restrictions	(693,959)	-	-	(693,959)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	560,579	-	-	560,579
NET ASSETS, BEGINNING OF YEAR	37,668,281	24,069,603	-	61,737,884
NET ASSETS, END OF YEAR	\$ 53,254,155	\$ 10,420,442	\$ -	\$ 63,674,597

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO SUPPLEMENTARY INFORMATION – CONSOLIDATING FINANCIAL STATEMENTS

(1) Principles of consolidation

The consolidated financial statements include the accounts of Harvesters and HCFN (the “Organization”). All inter-organizational accounts and transactions have been eliminated.

The supplemental consolidating financial statements therefore show certain accounts and transactions that were otherwise eliminated in the consolidated financial statements, which are described below.

At June 30, 2025 and 2024, Harvesters owed HCFN \$1,067,665 and \$1,068,275, respectively, for the net effect of straight-line rent expense and certain operating expenses.

During the years ended June 30, 2025 and 2024, HCFN leased certain equipment at the Kansas and Missouri locations to Harvesters. During the year ended June 30, 2024, HCFN leased property at the Topeka location to Harvesters. As a part of these transactions, HCFN recognized rental revenue, and Harvesters recognized rental expense, of \$771,445 and \$764,027 during the years ended June 30, 2025 and 2024, respectively. Under the memorandums of property and equipment use, HCFN donated the use of space and equipment to Harvesters. During the year ended June 30, 2025, the memorandum resulted in in-kind donation revenue for Harvesters of \$78,958. During the year ended June 30, 2024, the memorandum resulted in in-kind donation revenue for Harvesters of and in-kind rental expense for Harvesters of \$189,448 and in-kind facility expense of \$239,177. For HCFN, during the year ended June 30, 2025, the memorandum resulted in in-kind donation expense of \$78,958. During the year ended June 30, 2024, the memorandum resulted in in-kind rental revenue of \$239,177 and in-kind donation expense of \$189,448. Additionally, HCFN made monetary donations to Harvesters, which resulted in contribution expense of \$13,693,804 and \$428,589, and Harvesters recognized contribution revenue of \$13,693,804 and \$428,589, during the years ended June 30, 2025 and 2024 respectively. Harvesters and HCFN recorded an intercompany in-kind pledge receivable and payable, respectively, that is ultimately eliminated from the consolidated financial statements.