

Food Bank for the Heartland
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the year ended June 30, 2020

TABLE OF CONTENTS

	Page
Independent Auditor's Report	2 - 3
Financial Statements:	
Statement of financial position (with comparative totals for 2019)	5 – 6
Statement of activities (with comparative totals for 2019)	7
Statement of functional expenses (with comparative totals for 2019)	8
Statement of cash flows (with comparative totals for 2019)	9
Notes to financial statements	10 – 28
Supplementary Information:	
Schedule of expenditures of federal awards	30
Note to schedule of expenditures of federal awards	31
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	32 - 33
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	34 - 36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	37 - 38
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	39



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Food Bank for the Heartland

Report on Financial Statements

We have audited the accompanying financial statements of Food Bank for the Heartland (the Organization), a nonprofit organization, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Organization as of June 30, 2020, 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.

Supplemental Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Food Bank for the Heartland's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hayes & Associates, LLC

Hayes & Associates, L.L.C.
Omaha, Nebraska
March 31, 2021

Food Bank for the Heartland
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With comparative totals for 2019)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
General cash	\$ 7,745,358	\$ 2,611,347
Restricted cash	20,000	20,000
Cash held in investment accounts	152,202	70,755
Accounts receivable (net of allowance of \$7,342 and \$7,342, respectively)	1,414,875	533,716
Unconditional promises to give	1,085,456	19,000
Prepaid expenses	80,770	116,055
Donated food inventory	1,374,170	1,489,772
Purchased food inventory	413,211	294,838
Investments	2,382,242	2,680,992
Total current assets	14,668,284	7,836,475
NONCURRENT ASSETS		
Restricted cash, net of current portion	33,031	33,030
Property and equipment		
Land	292,700	292,700
Building	2,342,409	2,342,409
Equipment	754,016	694,960
Building improvements	4,458,756	4,402,247
Vehicles	1,247,412	1,114,182
Construction in progress	-	2,617
Right-of-use equipment, operating leases	129,485	131,640
Total property and equipment	9,224,778	8,980,755
Less: accumulated depreciation	(3,116,634)	(2,816,729)
Total property and equipment	6,108,144	6,164,026
Total noncurrent assets	6,141,175	6,197,056
Total assets	\$ 20,809,459	\$ 14,033,531

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF FINANCIAL POSITION - CONTINUED
June 30, 2020
(With comparative totals for 2019)

	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 605,614	\$ 304,916
Accrued salaries	189,327	221,058
Operating leases	30,604	27,327
Refundable advance	475,864	-
Other current liabilities	-	500
Deferred revenue	652,029	833,505
Total current liabilities	1,953,438	1,387,306
LONG-TERM LIABILITIES		
Operating leases, net of current portion	96,163	100,566
Total liabilities	2,049,601	1,487,872
NET ASSETS		
Without donor restriction		
Operating fund	15,279,693	8,387,580
Funded depreciation fund - board designated	1,093,233	1,284,903
Quasi-endowment fund - board designated	1,441,211	1,466,845
Total net assets without donor restriction	17,814,137	11,139,328
With donor restriction	945,721	1,406,331
Total net assets	18,759,858	12,545,659
Total liabilities and net assets	\$ 20,809,459	\$ 14,033,531

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020
(With comparative totals for 2019)

	2020		2019	
	Without donor restriction	With donor restriction	Total	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Public support				
Donated food and commodities	\$ 15,906,316	\$ -	\$ 15,906,316	\$ 15,407,235
Public contributions	11,752,830	1,312,901	13,065,731	5,878,667
In-kind donation	87,337	-	87,337	113,527
Special event (net of direct donor benefit of \$70,193, and \$63,392 respectively)	375,438	-	375,438	322,542
Total public support	28,121,921	1,312,901	29,434,822	21,721,971
Government support and cost reimbursements				
USDA commodities	7,857,847	-	7,857,847	4,407,484
Emergency food assistance programs	3,066,595	-	3,066,595	1,233,964
SNAP	337,075	-	337,075	375,041
Purchased product	422,102	-	422,102	441,964
Total government support and cost reimbursements	11,683,619	-	11,683,619	6,458,453
Revenue and gains				
Investment income (loss)	(55,117)	-	(55,117)	105,424
Agency handling fee	287,630	-	287,630	379,146
Interest income on cash accounts	15,704	-	15,704	2,556
Gain on disposal of capital asset	19,928	-	19,928	-
Total revenue and gains	268,145	-	268,145	487,126
Total support and revenue before net assets released from restrictions				
	40,073,685	1,312,901	41,386,586	28,667,550
Net assets released from restrictions				
Satisfaction of program restrictions	1,520,273	(1,520,273)	-	-
Satisfaction of capital asset acquisition restrictions	253,238	(253,238)	-	-
Total support, revenue, and reclassifications	41,847,196	(460,610)	41,386,586	28,667,550
EXPENSES AND LOSSES				
Program services	33,816,815	-	33,816,815	27,237,283
Management and general	755,190	-	755,190	664,265
Fundraising	600,382	-	600,382	620,567
Total	35,172,387	-	35,172,387	28,522,115
Total expenses and losses	35,172,387	-	35,172,387	28,522,115
CHANGE IN TOTAL NET ASSETS	6,674,809	(460,610)	6,214,199	145,435
NET ASSETS, BEGINNING OF YEAR	11,139,328	1,406,331	12,545,659	12,400,224
NET ASSETS, END OF YEAR	\$ 17,814,137	\$ 945,721	\$ 18,759,858	\$ 12,545,659

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020
(With comparative totals for 2019)

	2020			2019	
	Program Services	Supporting Services		Total	Total
		General & Administrative	Fundraising		
Salaries and related expenses					
Salaries	\$ 2,088,899	\$ 423,068	\$ 132,209	\$ 2,644,176	\$ 2,361,624
Employee benefits	476,176	96,441	30,138	602,755	620,621
Payroll taxes	150,442	30,469	9,522	190,433	184,201
Payroll service expense	5,699	1,154	360	7,213	7,143
Total salaries and related expenses	<u>2,721,216</u>	<u>551,132</u>	<u>172,229</u>	<u>3,444,577</u>	<u>3,173,589</u>
Food distributed to agencies					
Public support	18,812,590	-	-	18,812,590	16,618,442
USDA commodities	7,620,969	-	-	7,620,969	4,374,774
Kids Café	240,296	-	-	240,296	308,442
BackPack	1,742,811	-	-	1,742,811	943,822
Agencies	18,386	-	-	18,386	11,682
SNAP	197,639	-	-	197,639	315,517
Summer food	137,480	-	-	137,480	221,928
Vista program	24,297	-	-	24,297	57,791
Freight	169,881	-	-	169,881	149,593
Maintenance:					
Building	39,061	6,893	-	45,954	40,809
Equipment	49,474	4,398	1,099	54,971	27,750
Computer	193,061	17,161	4,290	214,512	88,731
Other	24,029	-	-	24,029	22,049
Public relations	291,596	-	437,395	728,991	843,166
Utilities	68,048	3,581	-	71,629	74,577
Insurance	85,733	17,364	5,426	108,523	101,549
Warehouse supplies	313,050	-	-	313,050	182,627
Conference and travel	36,798	7,453	2,329	46,580	46,392
Postage and printing	21,209	4,295	1,342	26,846	18,342
Memberships	21,500	-	-	21,500	26,071
Vehicle expense	325,669	65,959	20,612	412,240	343,048
Telephone and internet	61,636	12,483	3,901	78,020	49,562
Office supplies	9,044	1,832	572	11,448	22,559
Professional fees	27,667	5,604	1,751	35,022	29,634
Administrative fees	94,554	19,150	5,984	119,688	59,351
Other	85,126	17,240	5,387	107,753	63,532
Total expense other than salaries and related expenses	<u>30,711,604</u>	<u>183,413</u>	<u>490,088</u>	<u>31,385,105</u>	<u>25,041,740</u>
Total expense before depreciation and interest	33,432,820	734,545	662,317	34,829,682	28,215,329
Depreciation	383,995	20,645	8,258	412,898	370,178
Total expenses	<u>33,816,815</u>	<u>755,190</u>	<u>670,575</u>	<u>35,242,580</u>	<u>28,585,507</u>
Less: Direct benefit to donor	-	-	(70,193)	(70,193)	(63,392)
Expenses in statement of activities	<u>\$ 33,816,815</u>	<u>\$ 755,190</u>	<u>\$ 600,382</u>	<u>\$ 35,172,387</u>	<u>\$ 28,522,115</u>

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF CASH FLOWS
For the year ended June 30, 20120
(With comparative totals for 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in total net assets	\$ 6,214,199	\$ 145,435
Adjustments for non cash items and investing activities affecting changes in total net assets:		
Net (gain)/loss on investments	55,117	(105,424)
(Gain)/loss on disposal of assets	(19,928)	-
Depreciation	412,898	370,178
Change in right-of-use asset	2,155	(4,769)
Change in operating lease	(1,126)	5,228
Changes in:		
Accounts receivable	(881,159)	(90,374)
Prepaid assets	35,285	63,911
Change in inventory	(2,771)	(566,542)
Promises to give	(1,066,456)	245,809
Accounts payable	300,698	(378,655)
Other current liabilities	(500)	(10,031)
Accrued salaries	(31,731)	92,653
Refundable advance	475,864	-
Deferred revenue	(181,476)	527,691
Net cash (used)/provided by operating activities	5,311,069	295,110
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	174,487	-
Purchases of investments	69,146	(14,411)
Proceeds from sale of assets	19,928	-
Purchases of equipment and improvements	(359,171)	(153,230)
Net cash (used)/provided by investing activities	(95,610)	(167,641)
NET CHANGE IN CASH	5,215,459	127,469
CASH AT BEGINNING OF YEAR		
Unrestricted	\$ 2,611,347	\$ 2,489,535
Restricted	53,030	52,928
Cash held in investments	70,755	65,200
Total	\$ 2,735,132	\$ 2,607,663
CASH AT END OF YEAR		
Unrestricted	\$ 7,745,358	\$ 2,611,347
Restricted	53,031	53,030
Cash held in investments	152,202	70,755
Total	\$ 7,950,591	\$ 2,735,132
Supplemental Cash Flow Information		
Noncash activity		
Food donations	(23,764,163)	(19,814,719)
Distribution to other agencies	23,870,851	19,712,393

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of Food Bank for the Heartland, Inc.

1. Organization

Food Bank for the Heartland, Inc. (the Organization) is a not-for-profit organization that collects food and redistributes it to agencies in 77 counties in Nebraska and 16 counties in western Iowa. The Organization is supported primarily by donor contributions of food and money.

2. Financial Statement Presentation

The financial statements are presented in accordance with the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958 and update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, the Organization is required to report information regarding its financial position and activities according to the minimum classification scheme of two classes of net assets:

- a. Net assets without donor restrictions; including net assets whose use is not restricted by donors, though their use may be limited in other respects, such as by contract or by board designation.
- b. Net assets with donor restrictions; including net assets whose use by the Organization has been limited by donors either temporarily or in perpetuity, depending on the donor stipulations. Restrictions that are temporary in nature stipulate resources to be used after a specified date, for a particular program or service, or to acquire capital assets. Restrictions that are perpetual in nature stipulate resources be maintained permanently but laws may extend those limits to investment returns or to other enhancements of those resources. The Organization had no restrictions perpetual in nature as of June 30, 2020.

3. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less, with or without donor restrictions, to be cash equivalents.

6. Investments

The Organization accounts for its investments in accordance with the FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. Pursuant to FASB ASC 820, investments in equity securities with readily determinable fair values and all debt securities are measured at fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

7. Property and Equipment

Purchased property and equipment are recorded at cost and depreciated using the straight-line and accelerated methods over the following lives:

Building and improvements	5 – 39 years
Equipment	3 – 15 years
Vehicles	5 – 7 years

Additions exceeding \$2,500 are capitalized. Donated property and equipment are recorded as support at their estimated fair value. Such donations are reported as donor support without restrictions unless the donor has restricted the donated asset to a specific purpose. Donated property and equipment are depreciated in the same manner and over the same lives as purchased property and equipment.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Promises to Give and Contributions

The Organization accounts for contributions in accordance with the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. In accordance with FASB ASC 958, contributions received are recorded with donor restrictions or without donor restrictions, depending on the existence or nature of any donor restrictions.

All support with donor restrictions is reported as a net asset increase in the category of ‘with donor restrictions’ depending on the nature of the restriction. When a restriction expires (when a stipulated time period ends or a purpose obligation is fulfilled), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets without donor restrictions. Contributions with donor restrictions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying combined financial statements.

Promises to give are written or oral agreements to contribute cash or other assets to the Organization. In agreement with FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, unconditional promises to give are recognized as revenue or gain in the period received. Per the codification, conditional promises to give are recognized when the conditions on which they depend are substantially met, that is, when a conditional promise becomes unconditional. As of June 30, 2020 there are no conditional promises to give.

9. Food Inventory

The Organization maintains an inventory consisting of donated food items, USDA commodities, and purchased food. The donated food received and distributed by the Organization during the year has been valued and recorded in the accompanying financial statements at the estimated weighted average wholesale amount per pound for food only as determined by Feeding America, a national consortium of regional food banks. The USDA commodities are valued individually at amounts established by the sponsoring state agencies. The purchased food is valued individually at cost.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Special Events

The Organization sponsored Celebrity Chef, a fundraising event, in order to generate operating funds and raise awareness for the mission.

11. Functional Expenses

The costs of providing programs and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses allocated include depreciation, utilities, maintenance costs, office and occupancy costs which are allocated on a square footage basis, as well as, salaries and benefits which are allocated on the basis of estimates of time and effort.

12. Income Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Organization is subject to new regulations under the Tax Cuts and Jobs Act of 2017 and subsequent Internal Revenue Service (IRS) guidance 2018-99. The guidance states that if an entity provides parking for its employees, the parking is a qualified transportation fringe benefit and a non-deductible business expense. For the Organization, the expenses related to the employee parking lot are now considered unrelated business taxable income under the new IRS guidance. Income tax payable is presented in current liabilities in the amount of \$1,948. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2019, from which the summarized information was derived.

14. Revenue and Cost Recognition on Contracts

On July 1, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASC) 606, Revenue from Contracts with Customers (Topic 606), which requires the company to recognize revenues by applying the following steps:

- (i) identify the contract(s) with a customer;
- (ii) identify the performance obligations in the contract;
- (iii) determine the transaction price;
- (iv) allocate the transaction price to the performance obligations in the contract, if applicable; and
- (v) recognize revenue when (or as) the performance obligation is satisfied.

The Organization’s contract revenue is recognized pursuant to contracts under which the Organization typically has a single performance obligation to transfer to the customer a distinct good. The Organization recognizes revenue at the time the performance obligations are satisfied.

Revenue from government grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreement. Grants receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

15. Adoption of New Accounting Pronouncements

During the year, the Organization adopted FASB Update 2016-18, Restricted Cash. The update addresses classification and presentation of changes in restricted cash on the statement of cash flows. ASU 2016-18 requires an entity's reconciliation of the beginning-of-period and end-of-period total amounts shown on the statement of cash flows to include in cash and cash equivalents amounts generally described as restricted cash and restricted cash equivalents.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, with the stated purpose of providing guidance in evaluating whether transactions should be accounted for as contributions or exchanges. In addition, the update introduces the concept of barriers in providing additional guidance on identifying conditions that would preclude the recognition of a contribution as revenue. ASU 2018-08 changes the reasoning process behind classification of transactions, the nuances of which may affect the timing of revenue recognition. Contributions and exchanges are governed by different accounting pronouncements, and therefore may be recognized in different accounting periods and require different disclosures.

The FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This new revenue recognition standard affects all entities, public, private, not-for-profit, that have contracts with customers, except where there is other specific revenue recognition guidance previously issued by FASB. This new revenue recognition standard effectively eliminates the transaction-and industry specific revenue recognition guidance under current GAAP and replaces it with the principle-based approach for determining an entity's revenue recognition policies. The core principle of the revenue recognition standard is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE B BOARD DESIGNATIONS

1. Funded Depreciation Fund – Board Designated

The Funded Depreciation Fund was established by the Board to accumulate internally generated funds intended to purchase equipment, make improvements to the present facility, for future additions/replacements as they become necessary, and to subsidize operating expenses. This fund is characterized as board designated and included in net assets without donor restrictions.

2. Endowment Fund – Board Designated

The Board established the Endowment Fund in September 1987 as a trust agreement with a financial institution for a principal of \$100 and any contributions made to the Organization from wills, trusts, life insurance proceeds, and from gifts in honor of or in memory of persons. The fund is a quasi-endowment because it may be terminated or amended at any time with the unanimous consent of the Board. The trust agreement was amended in April 2000 to designate the entire original corpus, any contributions to the fund, and all income and gains as board designated.

The amendment further states that the Board may use and request up to 5% of the corpus of the fund annually, unless the Board, by a vote of 75%, approves a greater percentage not to exceed 20%. The Board makes transfers of cash without donor restriction into the fund throughout the year.

During the year, the Board did not designate contributions or withdrawals from either the Funded Depreciation Fund or the Endowment Fund. These decisions had no effect on the measure of operations for the Organization.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE B BOARD DESIGNATIONS - CONTINUED

2. Endowment Fund – Board Designated - Continued

The Organization recognized the following changes due to board designations of net assets without donor restrictions, investment earnings, and investment expenses in the board designated funds detailed above:

	Funded Depreciation Fund	Board Designated Endowment Fund	Total
Beginning designated funds	\$ 1,284,903	\$ 1,466,845	\$ 2,751,748
Contributions	9,487	2,813	12,300
Withdrawals	(174,487)	-	(174,487)
Appropriated for expenditure	-	-	-
Total activity	<u>(165,000)</u>	<u>2,813</u>	<u>(162,187)</u>
Investment earnings	34,973	35,066	70,039
Investment expenses	(10,081)	(12,295)	(22,376)
Net realized gains (losses) on securities sales	167	-	167
Unrealized gains (losses) in value of investments	(51,729)	(51,218)	(102,947)
Total appreciation/depreciation	<u>(26,670)</u>	<u>(28,447)</u>	<u>(55,117)</u>
Ending designated funds	<u>\$ 1,093,233</u>	<u>\$ 1,441,211</u>	<u>\$ 2,534,444</u>

NOTE C INVESTMENTS

Financial instruments that potentially subject the Organization to credit risk consist principally of interest-bearing investments. The risk associated with this concentration is mitigated by ongoing credit review procedures.

Management places substantially all interest-bearing investments with major financial institutions. In accordance with Organization policies, the amount of credit exposure to any one financial institution is limited. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term, and such changes could materially affect the amounts reported in the combined financial statements.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE C INVESTMENTS - CONTINUED

Management assesses individual investment securities as to whether declines in market value are temporary or other than temporary. The length of time and extent to which the fair value of the investment is less than cost and the Organization's ability and intent to retain the investment determine whether management deems declines in fair value as temporary or other than temporary.

The composition of the Organization's investments at June 30, 2020, is set forth in the following table. Investments are stated at fair market value.

	Carrying Amount	Fair Value
Cash held		
in investment accounts	\$ 152,202	\$ 152,202
Trading securities:		
Equities and Options	144,415	144,415
Mutual funds, ETFs, and closed end-funds	2,237,827	2,237,827
Total investments	2,382,242	2,382,242
Total cash held for investments	\$2,534,444	\$2,534,444

NOTE D FAIR VALUE MEASUREMENTS

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE D FAIR VALUE MEASUREMENTS - CONTINUED

Level 3 inputs are unobservable inputs for the asset or liability.

The table below presents the amounts of assets and liabilities measured at fair value on a recurring basis as of June 30, 2020:

	Amount	Level 1
Cash held		
in investment accounts	\$ 152,202	\$ 152,202
Trading securities:		
Equities and Options	144,415	144,415
Mutual funds, ETFs, and closed end-funds	2,237,827	2,237,827
Total investments	2,382,242	2,382,242
Total cash held for		
investments and investments	\$2,534,444	\$2,534,444

The Organization determines fair value of investments by obtaining quoted market prices on nationally recognized securities exchanges and indexes.

NOTE E CONTRIBUTED SERVICES

The Organization received 40,813 volunteer hours valued at approximately \$1,019,101, substantially all of which were incurred to assist the Organization in achieving the goals of its program services. However, no value for these services has been recognized as specialized skills were not required.

NOTE F RETIREMENT PLAN

The Organization has a simple IRA retirement plan offered to all employees who meet the eligibility requirements. The Board of Directors has determined that the Organization will contribute a one-for-one match up to a maximum 3% of a participating employee's salary. Employer contributions to the plan were \$48,540 for the year ended June 30, 2020.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE G SHARED MAINTENANCE FEES

The Organization charges up to 19 cents per pound (shared maintenance fees) to the recipient agency, affiliate, church or other charitable organizations which take the donated and purchased food and redistribute such items to people who are hungry. This shared maintenance fee offsets a portion of the receiving, storage and redistribution costs incurred by the Organization. As of April 2020 the organization has suspended the charging of shared maintenance fees.

At June 30, 2020 accounts receivable include \$23,370 of outstanding shared maintenance fees which arose in the ordinary course of operations. The Board estimates uncollectible fees at 6% of receivables. The Organization recorded an allowance of \$7,342 for the year ended June 30, 2020. The Organization performs ongoing credit limit evaluations of their agency partners and, generally, requires no collateral from them.

During the year, several donors requested that their contributions be set aside to enable certain designated agencies, that otherwise would have difficulty in paying the Organization's shared maintenance fee, to obtain food from the Organization. The donors' funds are contributed to the Organization to offset the shared maintenance fees as food orders are provided to the designated agencies.

NOTE H CONCENTRATION OF RISK

The Organization maintains its cash at various financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). These accounts, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

As of June 30, 2020, cash and cash equivalents included \$8,172,436 held in commercial banks. In 2020 the Cares Act temporarily lifted the cap on FDIC insurance, indicating unlimited FDIC Insurance on non-interest-bearing accounts through the end of 2020. Therefore, as of December 31, 2020, the Organization's funds held in financial institutions were fully insured by FDIC coverage. In addition, as of June 30, 2020, the Organization held \$152,202 in cash with its investment company. The Securities Investor Protection Corporation (SPIC) provides protection for free cash balances up to \$250,000. The investment company also holds cash balances in FDIC insured accounts. As of June 30, 2020, cash held with the investment company was fully insured.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE I SPECIAL EVENTS

During the year ended June 30, 2020, the Organization recognized the following net revenues from special fund raising events:

	<u>Gross Revenue</u>	<u>Special Event Expenses</u>	<u>Direct Benefit to Donors</u>	<u>Net Revenues</u>
Celebrity Chef Fundraiser	\$ 445,631	\$ 141,755	\$ 70,193	\$ 233,683
Total	<u>\$ 445,631</u>	<u>\$ 141,755</u>	<u>\$ 70,193</u>	<u>\$ 233,683</u>

NOTE J FOOD INVENTORY

Food inventory as of June 30, 2020, consisted of 1,678,393 lbs. at a value of \$1,787,381. Of the total above, USDA inventory consisted of 811,645 lbs. at a value of \$826,435 and the purchased products, Backpack products, and Kids Café after school snack inventory consisted of 499,140 lbs. valued at \$413,211. The remaining inventory consisted of 367,608 lbs. valued at \$547,735.

As of June 30, 2020, public food donations received in pounds was 10,675,424. The amount of food distributed in pounds for the years ended June 30, 2020, was 10,393,900. These amounts do not include purchased product or USDA commodities.

NOTE K NET ASSETS WITH DONOR RESTRICTIONS

In 2007, The Robert D. Wilson Foundation provided a grant to be used to fund the operations of the Organization which is required to be kept in a separate bank account. The Organization must obtain approval from the Robert D. Wilson Foundation's Board of Directors prior to spending any of the grant funds. Under FASB ASC 958, the grant amount was recorded as revenue with donor restrictions based upon the donor-imposed restriction; at the time the monies are used, such amounts will be reclassified to net assets without donor restrictions. During the year ended June 30, 2020, the Organization expended none of this grant. As of June 30, 2020, donor restricted net assets under the grant totaled \$53,031.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE K NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED

Net assets with donor restrictions are assets whose use by the Organization has been limited by donors to a specific time period or for a specific purpose. Net assets with donor restrictions consist of the following at June 30, 2020:

Food Bank Friends	\$ 340,703
Robert D. Wilson Foundation grant	53,031
Kids Café After School Snacks Program	24,532
Supplemental Nutrition Assistance Program (SNAP)	94,129
Summer Food Program	327,578
Advocacy	4,150
Buildings	50,806
Marketing	25,000
Information Technology	25,792
Total	<u>\$ 945,721</u>

NOTE L NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the time or purpose restriction. Net assets released from donor restriction in the year ended June 30, 2020, were as follows:

BackPack program	\$ 1,265,427
Food Bank Friends	19,814
Supplemental Nutrition Assistance Program (SNAP)	139,997
Summer food program	3,827
Buildings	59,798
Warehouse equipment	8,582
Vehicle	184,857
Information Technology	41,209
Celebrity Chef Fundraiser	50,000
Total	<u>\$ 1,773,511</u>

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE M UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are expected to be realized in one year or less and are classified as net assets without donor restrictions in the statement of activities. Unconditional promises to give amounted to \$1,085,456 at June 30, 2020.

NOTE N DEFERRED REVENUE

Deferred revenue consists of the difference between USDA foods received and distributed during the year ended June 30, 2020.

NOTE O ADVERTISING COSTS

The Organization uses advertising to promote its programs, request donations, and raise awareness about the issue of hunger. Advertising costs are expensed as incurred and included within the public relations line on the statement of functional expenses. Advertising expense for the year ended June 30, 2020, was \$133,654.

NOTE P RELATED PARTY TRANSACTION

Pursuant to an agreement dated July 15, 2015, the Organization and the Iowa Food Bank Association agreed to cooperate to facilitate SNAP expansion in the State of Iowa. The CEO and President of the Organization serves on the Board of Directors of the Iowa Food Bank Association, and he recused himself from the vote on the terms of the agreement. For the period ending June 30, 2020, \$164,610 was paid to the Organization by the Iowa Food Bank Association as a reimbursement for services. As of June 30, 2020, \$27,345 was due to the Organization.

NOTE Q LINE OF CREDIT

The Organization has a line of credit with a bank of \$500,000. There were no borrowings against the line at June 30, 2020. The line bears interest at the bank's prime lending rate. There are no binding financial covenants associated with this revolving line of credit.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE R LIQUIDITY DISCLOSURE

The Organization experiences seasonal cash flow variation throughout the fiscal year. This variation is attributed to trends in public contributions and grant receipt timing; both trends regularly monitored by management and the Board of Directors. To manage liquidity, the Organization maintains a minimum cash balance in its operating account equal to six weeks of operating expenses. With the addition of cash reserves from investments and savings, the Organization maintains a balance equal to six months of operating expenses. The six-month cash reserve policy is a policy of the Board of Directors.

In the event of an emergency, the Board of Directors has an emergency supplemental cash flow policy that guides when the Organization can make unbudgeted withdrawals from cash reserves. There have been no such emergencies and none are anticipated.

The Organization's expectation, to sustain proper levels in its cash and cash reserves accounts for an upcoming 12-month period, is dependent upon reasonable projections of contributions receivables, agency receivables, operating expenses, and capital expenses. The Organization creates a balanced budget which is monitored and reported throughout the fiscal year. Deficit budgets are not created except in unusual circumstances.

Liquidity resources beyond operating cash and cash reserves include an available line of credit of \$500,000. Liquidity resources dependent upon approval of the Board of Directors are the Funded Depreciation Fund and the board-designated Endowment Fund. The Funded Depreciation Fund is board-designated for capital projects and improvements or to subsidize operating expenses. The Endowment Fund is a board-designated quasi-endowment that may be terminated or amended at any time with the unanimous consent of the Board of Directors.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE R LIQUIDITY DISCLOSURE – CONTINUED

As of June 30, 2020, the following financial assets could be made available within one year of the balance sheet date to meet general expenditure:

Liquid financial assets:

Cash	\$ 3,875,314
Unconditional promises to give	1,085,456
Investments	-
Accounts receivable, agency	16,028
Accounts receivable, government	1,394,847
Accounts receivable, exchange	2,000
	<u>6,373,645</u>

Liquidity resources:

Line of credit	500,000
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Resources dependent on board approval:

Emergency or Strategic Initiative Reserve fund	3,870,044
Board Designated Endowment Fund	1,441,211
Funded Depreciation Fund	1,093,233
	<u>6,404,488</u>

Total	<u><u>\$ 13,278,133</u></u>
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Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE 5 OPERATING LEASES

Operating lease expense and liability consisted of the following as of June 30, 2020.

	<u>Discount rate</u>	<u>Year ended June 30, 2020</u>		
		<u>Variable Expense</u>	<u>Lease Expense</u>	<u>Remaining Lease Liability</u>
On November 1, 2017, the Organization entered into a lease agreement for the use of parking space. Lease installments are made monthly, \$540 for the first twelve months, \$560 for the second twelve months, and \$580 for the final twelve months. The final lease payment is due April 30, 2020.	5.25%	\$ -	\$ 5,447	\$ -
On May 1, 2020, the Organization entered into a lease agreement for the use of parking space. Lease installments are made monthly, \$600 for the first twelve months, \$620 for the second 12 months, \$640 for the third 12 months, and \$660 for the final twelve months. The final lease payment is due April 30, 2024.	5.25%	-	1,260	26,201
On March 1, 2017, the Organization entered into a lease agreement for the use of a truck. The lease is payable in 84 monthly fixed installments of \$1,298, with an additional variable amount based on mileage and refrigeration hours of the truck, and an initial direct cost of \$5,191. The final payment of the lease is due on March 01, 2024.	5.25%	9,234	16,318	52,915
On September 7, 2017 the Organization entered into a lease agreement for the use of a postage meter. The lease is payable in 60 monthly installments of \$143. The final lease payment is due on September 1, 2022.	5.25%	-	1,716	3,634

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE S OPERATING LEASES - CONTINUED

	<u>Discount rate</u>	<u>Year ended June 30, 2019</u>		
		<u>Variable Expense</u>	<u>Lease Expense</u>	<u>Remaining Lease Liability</u>
On May 15, 2019, the Organization entered into a lease agreement for the use of three copiers. The lease is payable in 60 monthly payments of \$1,000 beginning August 1, 2019. The final lease payment is due July 1, 2024 with a fair market purchase option.	5.25%	\$ -	\$ 11,000	\$ 44,017
		\$ 9,234	\$ 35,741	\$ 126,767
Less: Current Portion				<u>30,604</u>
Total				<u>\$ 96,163</u>

As of June 30, 2020, the total remaining operating lease payments under non-cancelable lease agreements are as follows:

<u>Year ending June 30,</u>	
2021	\$ 36,532
2022	36,772
2023	35,725
2024	30,282
2025	1,000
	<u>\$ 140,311</u>

NOTE T COVID PANDEMIC CARES ACT

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. COVID-19 has affected Food Bank for the Heartland’s operations, donors, suppliers, vendors, other key stakeholders, and those we serve. Food Bank for the Heartland’s financial statements reflect significant increases to certain balances and results from typical levels (cash, pledges, contributions, food sourcing, transportation, net assets, etc.) as a result of the public response to COVID-19 in the last few months of the fiscal year.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2020

NOTE T COVID PANDEMIC CARES ACT - CONTINUED

Food Bank for the Heartland faced a decrease in food donations and an estimated 40 percent increase in the need for food assistance. This sharp increase in consumer demand for food resulted in an interruption of the food supply chain. In FY2022, Food Bank for the Heartland is maintaining an aggressive food purchase program while investing in infrastructure and systems to boost capacity and bolstering reserves. The extent to which the pandemic impacts Food Bank for the Heartland's activities and results in fiscal year 2021 and beyond will depend on future developments, which are highly uncertain and cannot be predicted.

During the year, the Organization was granted a \$475,864 loan under the Paycheck Protection Program (PPP). The loan is uncollateralized and is fully guaranteed by the Federal Government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Organization maintains employment levels during its 24-week covered period and uses the funds for certain payroll, rent, and utility expenses. The organization will be required to repay any remaining balance, plus interest accrued at 1% per annum in monthly payments. The Organization expects the loan to be fully forgiven.

NOTE U SUBSEQUENT EVENTS

Subsequent events have been assessed through March 31, 2021 which is the date the financial statements were issued, and has concluded there were no events or transactions occurring between year-end and this date that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Food Bank for the Heartland
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

Cluster/Program Title	Federal Grantor	Passthrough Grantor	Federal CFDA Number	Grant Number	Expenditures
<i>Food Distribution Cluster</i>					
Emergency Food Assistance Program (Administrative Costs)	U.S. Department of Agriculture	Nebraska Department of Health and Human Services	10.568	16163NE826Y8105	\$ 1,349,609
Emergency Food Assistance Program (Food Commodities)	U.S. Department of Agriculture	Nebraska Department of Health and Human Services	10.569	16163NE826Y8105	5,895,322
Trade Mitigation Program Eligible Recipient Agency Operational Funds	U.S. Department of Agriculture	Nebraska Department of Health and Human Services	10.178	16163NE826Y8105	177,774
Emergency Food Assistance Program (Administrative Costs)	U.S. Department of Agriculture	Iowa Department of Human Services	10.568	ACFS 16-192	120,239
Emergency Food Assistance Program (Food Commodities)	U.S. Department of Agriculture	Iowa Department of Human Services	10.569	ACFS 16-192	1,881,087
Trade Mitigation Program Eligible Recipient Agency Operational Funds	U.S. Department of Agriculture	Iowa Department of Human Services	10.178	ACFS 16-192	19,750
<i>Total Food Distribution Cluster</i>					<u>9,443,781</u>
<i>SNAP Cluster</i>					
SNAP Nebraska State Outreach Plan	U.S. Department of Agriculture	Nebraska Department of Health and Human Services	10.561	193NE406S2514 203NE406S2514	105,845 <u>231,231</u>
<i>Total SNAP Cluster</i>					<u>337,076</u>
Child and Adult Care Food Program	U.S. Department of Agriculture	Nebraska Department of Education	10.558	201919N109943 202020N202043	72,727 <u>214,411</u>
<i>Child Nutrition Cluster</i>					<u>287,138</u>
Summer Food Service Program	U.S. Department of Agriculture	Nebraska Department of Education	10.559	201918N109943 2020N109943	90,170 <u>806,744</u>
<i>Total Child Nutrition Cluster</i>					<u>896,914</u>
Preventive Health and Health Services Block Grant	HHS Centers for Disease	Nebraska Department of Health and Human Services	93.991	NB01OT009288-01-00	<u>9,565</u>
					<u>\$ 10,974,474</u>

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

Food Bank for the Heartland (the Organization) is a not-for-profit organization that collects food and redistributes it to agencies in 77 counties in Nebraska and 16 counties in western Iowa. The Organization is supported primarily by donor contributions of food and money.

2. Basis of Accounting

The schedule of expenditures of federal awards is presented on the accrual basis of accounting.

3. Basis of Presentation

The accompanying schedule presents expenditures paid for each federal award program in accordance with the Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal programs are reported as presented in the Catalog of Federal Domestic Assistance (CFDA), whenever possible.

4. Contingencies

During the normal course of business, the Organization receives funds from the United States Government for program services. Substantially all of these funds are subject to future audit by various federal and state agencies, however, it is management's opinion that resulting adjustments, if any, would not have a material effect upon the accompanying financial statements.

5. De Minimis Indirect Cost Rate

The Organization has elected not to charge the 10% de minimis indirect cost rate to its federal award programs.

6. Indirect Awards

During the year the Organization received Federal awards totaling \$10,964,909 from the U.S. Department of Agriculture and \$9,565 from the HHS Center for Disease. These grants were received indirectly from passthrough agencies. A total of \$7,769,346 was received from the Nebraska Department of Health and Human Services, \$2,021,076 was received from the Iowa Department of Human Services, and \$1,184,052 was received from the Nebraska Department of Education.



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

To the Board of Directors of
Food Bank for the Heartland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Food Bank for the Heartland (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hayes & Associates, LLC

Hayes & Associates, L.L.C.

Omaha, Nebraska

March 31, 2021



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

To the Board of Directors of
Food Bank for the Heartland

Report on Compliance for Each Major Federal Program

We have audited Food Bank for the Heartland's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2020. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Hayes & Associates, LLC

Hayes & Associates, L.L.C.
Omaha, Nebraska
March 31, 2021

Food Bank for the Heartland
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2020

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor’s report issued: **Unmodified**

Internal controls over financial reporting:

- Material weaknesses identified: **None reported**
- Significant deficiencies identified: **None reported**

Noncompliance material to financial statements noted: **None reported**

Federal Awards

Internal control over major programs:

- Material weaknesses identified: **None reported**
- Significant deficiencies identified: **None reported**

Type of auditor’s report issued on
Compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to
Be reported in accordance with Section 200.516 of
Uniform Guidance: **No**

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.568, 10.569 & 10.178	Food Distribution Cluster
10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between
Type A and Type B programs: **\$750,000**

Audit qualified as low-risk auditee: **Yes**

Food Bank for the Heartland
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the year ended June 30, 2020

II. FINDINGS—FINANCIAL STATEMENTS

None Noted

III. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS

None Noted

Food Bank for the Heartland
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2020

II. FINDINGS—FINANCIAL STATEMENTS

None Noted

III. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS

None Noted