

Food Bank for the Heartland
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the year ended June 30, 2016

TABLE OF CONTENTS

	Page
Independent Auditor's Report	2 - 3
Financial Statements:	
Statement of financial position (with comparative totals for 2015)	4 – 5
Statements of activities (with comparative totals for 2015)	6
Statement of functional expenses (with comparative totals for 2015)	7
Statement of cash flows (with comparative totals for 2015)	8
Notes to financial statements	9 – 20
Supplementary Information:	
Schedule of expenditures of federal awards	22
Note to schedule of expenditures of federal awards	23
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 <i>GOVERNMENT AUDITING STANDARDS</i>	24 - 25
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	26 - 28
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	29 - 31
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	32 - 33



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, 2016, 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, 2016, 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, 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 November 11, 2016, 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, 2015, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hayes & Associates
Omaha, Nebraska
November 11, 2016

Food Bank for the Heartland
STATEMENT OF FINANCIAL POSITION
June 30, 2016
(With comparative totals for 2015)

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
General cash	\$ 1,848,930	\$ 2,361,738
Restricted cash	52,934	110,925
Cash held in investment accounts	155,148	49,295
Accounts receivable (net of allowance of \$7,342)	392,626	452,744
Unconditional promise to give	233,803	160,000
Prepaid expenses	140,273	87,580
Donated food inventory	661,744	764,187
Purchased food inventory	458,226	411,500
Investments	2,117,993	2,239,884
 Total current assets	 6,061,677	 6,637,853
 PROPERTY AND EQUIPMENT		
Land	292,700	292,700
Building	2,342,409	2,342,409
Equipment	633,010	799,524
Building improvements	4,099,301	3,723,423
Vehicles	942,914	937,980
 Total property and equipment	 8,310,334	 8,096,036
Less: accumulated depreciation	(1,748,877)	(1,766,089)
 Total property and equipment	 6,561,457	 6,329,947
 Total assets	 \$ 12,623,134	 \$ 12,967,800

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF FINANCIAL POSITION - CONTINUED
June 30, 2016
(With comparative totals for 2015)

	2016	2015
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 507,492	\$ 268,627
Accrued salaries	178,144	101,438
Other current liabilities	6,521	5,082
Deferred revenue	206,652	94,195
Total current liabilities	898,809	469,342
NET ASSETS		
Unrestricted		
Operating fund	8,766,074	9,723,094
Funded depreciation fund	1,161,308	895,979
Quasi-endowment fund - board designated	1,111,833	1,096,637
Attorney General Fund	-	296,563
Total unrestricted	11,039,215	12,012,273
Temporarily restricted	685,110	486,185
Total net assets	11,724,325	12,498,458
Total liabilities and net assets	\$ 12,623,134	\$ 12,967,800

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF ACTIVITIES
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016		2015	
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Public support				
Donated food and commodities	\$ 14,221,971	\$ -	\$ 14,221,971	\$ 14,219,254
Public contributions	3,153,665	2,555,613	5,709,278	5,273,838
In-kind donation	87,704	-	87,704	72,801
Total public support	<u>17,463,340</u>	<u>2,555,613</u>	<u>20,018,953</u>	<u>19,565,893</u>
Government support and cost reimbursements				
USDA commodities	2,235,462	-	2,235,462	1,709,839
Emergency food assistance programs	666,267	-	666,267	644,652
SNAP	308,332	-	308,332	291,239
Purchased product	439,206	-	439,206	812,696
Total government support and cost reimbursements	<u>3,649,267</u>	<u>-</u>	<u>3,649,267</u>	<u>3,458,426</u>
Revenue				
Investment income (loss)	38,735	-	38,735	(10,148)
Agency handling fee	468,452	-	468,452	506,517
Special event (net of direct donor benefit of \$45,557)	232,881	-	232,881	269,159
Interest income on cash accounts	354	-	354	327
Total revenue	<u>740,422</u>	<u>-</u>	<u>740,422</u>	<u>765,855</u>
Total support and revenue before net assets released from restrictions				
	21,853,029	2,555,613	24,408,642	23,790,174
Net assets released from restrictions	2,356,688	(2,356,688)	-	-
Total support, revenue, and reclassifications	<u>24,209,717</u>	<u>198,925</u>	<u>24,408,642</u>	<u>23,790,174</u>
EXPENSES AND LOSSES				
Program services	24,143,289	-	24,143,289	22,357,158
Management and general	541,115	-	541,115	434,941
Fundraising	477,710	-	477,710	508,617
Total	<u>25,162,114</u>	<u>-</u>	<u>25,162,114</u>	<u>23,300,716</u>
Net loss on asset disposal	<u>20,661</u>	<u>-</u>	<u>20,661</u>	<u>1,522</u>
Total expenses and losses	<u>25,182,775</u>	<u>-</u>	<u>25,182,775</u>	<u>23,302,238</u>
CHANGE IN TOTAL NET ASSETS	(973,058)	198,925	(774,133)	487,936
NET ASSETS, BEGINNING	<u>12,012,273</u>	<u>486,185</u>	<u>12,498,458</u>	<u>12,010,522</u>
NET ASSETS, ENDING	<u>\$ 11,039,215</u>	<u>\$ 685,110</u>	<u>\$ 11,724,325</u>	<u>\$ 12,498,458</u>

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016			2015	
	Program Services	Supporting Services		Total	Total
		General & Administrative	Fundraising		
Salaries and related expenses					
Salaries	\$ 1,539,628	\$ 311,824	\$ 97,445	\$ 1,948,897	\$ 1,517,498
Employee benefits	251,152	50,866	15,896	317,914	253,603
Payroll taxes	113,935	23,075	7,211	144,221	117,709
Payroll service expense	3,794	769	240	4,803	5,212
Total salaries and related expenses	1,908,509	386,534	120,792	2,415,835	1,894,022
Food distributed to agencies					
Public support	16,546,332	-	-	16,546,332	15,449,196
USDA commodities	2,026,892	-	-	2,026,892	1,730,026
Sack lunch	-	-	-	-	1,373
Kids Café	316,837	-	-	316,837	168,489
Back pack	1,000,498	-	-	1,000,498	1,005,762
Pantry Box	-	-	-	-	-
Hunger Free Heartland	216	-	-	216	74,496
Agencies	170,283	-	-	170,283	202,344
SNAP	209,924	-	-	209,924	184,335
After school snacks	-	-	-	-	9,737
Summer food	113,228	-	-	113,228	123,958
Mobile Pantry	36,620	-	-	36,620	355,831
Vista program	11,858	-	-	11,858	31,126
Freight	182,135	-	-	182,135	111,216
Maintenance:					
Building	33,735	5,953	-	39,688	28,556
Equipment	22,476	1,998	499	24,973	18,942
Computer	32,154	2,858	715	35,727	60,613
Other	46,541	-	-	46,541	39,105
Public relations	237,457	-	356,186	593,643	408,970
Utilities	66,719	3,512	-	70,231	73,759
Insurance	61,537	12,463	3,895	77,895	104,104
Warehouse supplies	167,898	-	-	167,898	175,900
Conference and travel	23,132	4,685	1,464	29,281	44,440
Postage and printing	19,499	3,950	1,234	24,683	18,144
Memberships	27,606	-	-	27,606	39,603
Vehicle expense	207,898	42,106	13,158	263,162	323,659
Telephone	24,311	4,924	1,539	30,774	27,886
Office supplies	13,648	2,764	864	17,276	12,523
Professional fees	62,684	12,696	3,967	79,347	112,273
Other	209,586	42,448	13,265	265,299	156,545
Total expense other than salaries and related expenses	21,871,704	140,357	396,786	22,408,847	21,092,911
Total expense before depreciation and interest	23,780,213	526,891	517,578	24,824,682	22,986,933
Depreciation	363,076	14,224	5,689	382,989	342,238
Interest	-	-	-	-	5
Total expenses	24,143,289	541,115	523,267	25,207,671	23,329,176
Less: Direct benefit to donor	-	-	(45,557)	(45,557)	(28,460)
Expenses in statement of activities	<u>\$ 24,143,289</u>	<u>\$ 541,115</u>	<u>\$ 477,710</u>	<u>\$ 25,162,114</u>	<u>\$ 23,300,716</u>

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF CASH FLOWS
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in total net assets	\$ (774,133)	\$ 487,936
Adjustments for non cash items and investing activities affecting changes in total net assets:		
Net (gain)/loss on investments	45,722	47,011
Loss on disposal of assets	20,661	1,522
Depreciation	341,667	342,238
Changes in:		
Accounts receivable	60,118	(98,292)
Prepaid assets	(52,693)	(54,657)
Change in inventory	55,717	29,547
Promise to give	(73,803)	(160,000)
Accounts payable	238,865	(161,363)
Other current liabilities	1,439	429
Accrued salaries	76,706	30,689
Deferred revenue	112,457	(23,272)
Net cash (used)/provided by operating activities	52,723	441,788
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	827,000
Purchase of investments	76,169	8,467
Purchases of equipment and improvements	(593,838)	(142,008)
Net cash (used)/provided by investing activities	(517,669)	693,459
NET CHANGE IN CASH	(464,946)	1,135,247
CASH AT BEGINNING OF YEAR		
Unrestricted	\$ 2,361,738	\$ 1,140,365
Restricted	110,925	237,248
Cash held in investments	49,295	9,098
Total	\$ 2,521,958	\$ 1,386,711
CASH AT END OF YEAR		
Unrestricted	\$ 1,848,930	\$ 2,361,738
Restricted	52,934	110,925
Cash held in investments	155,148	49,295
Total	\$ 2,057,012	\$ 2,521,958
Supplemental Cash Flow Information		
Noncash activity		
Food donations	(16,457,433)	(15,929,093)
Distribution to other agencies	16,712,358	16,057,534

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2016

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, the Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

- a. Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation.
- b. Temporarily restricted net assets are those net assets whose use by the Organization has been limited by donors to later periods of time or after specified dates or to specified purposes.
- c. Permanently restricted net assets are those net assets whose use by the Organization has donor-imposed restrictions that stipulate resources be maintained permanently but may permit the Organization to use up or expend part or all of the income (or economic benefits) derived from the donated assets. The Organization had no permanently restricted net assets at June 30, 2016.

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, 2016

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 unrestricted and restricted highly liquid investments with an initial maturity of three months or less 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*. In accordance with 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	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 unrestricted support 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, 2016

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 as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying combined financial statements.

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 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 its weighted average cost.

10. Special Events

The Organization sponsored Celebrity Chef, a fundraising event, and Eat Lunch, Fight Hunger, a fundraising event, in order to generate operating funds.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2016

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

12. Income Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes are included in these financial statements. 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 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.

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 Food Bank for the Heartland's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE B BOARD DESIGNATIONS

1. Funded Depreciation Fund

The Funded Depreciation Fund was established by the Board to accumulate internally generated funds to be used 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 unrestricted net assets.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2016

NOTE B BOARD DESIGNATIONS – CONTINUED

2. Attorney General Fund

The Board established the Attorney General Fund in May 2013 with funds from an unrestricted donation made by the Nebraska Attorney General. The funds were distributed from a settlement of a multi-state consumer protection lawsuit. The board designated a portion of these funds for investment.

3. 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 unrestricted cash into the fund throughout the year.

During the year, the Organization recognized the following changes in board designated funds listed above:

	Funded Depreciation Fund	Attorney General Fund	Board Designated Endowment Fund	Total
Beginning designated funds	\$ 895,979	\$ 296,563	\$ 1,096,637	\$ 2,289,179
Contributions	360,238	-	66,256	426,494
Withdrawals	(98,670)	(298,140)	-	(396,810)
Appropriated for expenditure	-	-	-	-
Total activity	261,568	(298,140)	66,256	29,684
Investment earnings	29,317	462	23,713	53,492
Investment expenses	(6,986)	(1,904)	(9,311)	(18,201)
Net realized gain on securities sales	(36,548)	(9,196)	(48,741)	(94,485)
Unrealized gains (losses) in value of investments	17,978	12,215	(16,721)	13,472
Total appreciation/depreciation	3,761	1,577	(51,060)	(45,722)
Ending designated funds	<u>\$ 1,161,308</u>	<u>\$ -</u>	<u>\$ 1,111,833</u>	<u>\$ 2,273,141</u>

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2016

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.

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 to allow for any key components as to whether management deems declines in fair value as temporary or other than temporary.

The composition of the Organization's investments at June 30, 2016, is set forth in the following table. Investments are stated at fair market value.

	<u>2016</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash held		
in investment accounts	\$ 155,148	\$ 155,148
Trading securities:		
Equities and Options	210,731	210,731
Mutual funds, ETFs, and closed end-funds	<u>1,907,262</u>	<u>1,907,262</u>
Total investments	<u>2,117,993</u>	<u>2,117,993</u>
Total cash held for investments	<u>\$2,273,141</u>	<u>\$2,273,141</u>

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2016

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.

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, 2016:

	<u>Amount</u>	<u>Level 1</u>
Cash held		
in investment accounts	\$ 155,148	\$ 155,148
Trading securities:		
Equities and Options	210,731	210,731
Mutual funds, ETFs, and closed end-funds	<u>1,907,262</u>	<u>1,907,262</u>
Total investments	<u>2,117,993</u>	<u>2,117,993</u>
Total cash held for		
investments and investments	<u>\$2,273,141</u>	<u>\$2,273,141</u>

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

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2016

NOTE E CONTRIBUTED SERVICES

The Organization received 38,224 volunteer hours valued at approximately \$822,192, 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 \$30,270 the year ended June 30, 2016.

NOTE G SHARED MAINTENANCE FEES

The Organization charges up to 16 cents per pound (shared maintenance fees) to the recipient agency, affiliate, church or other charitable organizations which take the donated food and commodities and redistributes such items to the poor, needy and hungry. This shared maintenance fee offsets a portion of the receiving, storage and redistribution costs incurred by the Organization.

At June 30, 2016 accounts receivable include \$103,551 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, 2016. Food Bank for the Heartland 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 DEFERRED REVENUE

Deferred revenue consists of the difference between USDA foods received and distributed during the year ended June 30, 2016.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2016

NOTE I 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, 2016, cash and cash equivalents included \$2,061,040 held in commercial banks. As of June 30, 2016, the uninsured and uncollateralized portion of this balance was \$1,561,040.

In addition, as of June 30, 2016, Food Bank for the Heartland held \$155,148 in cash with their investment company. The Securities Investor Protection Corporation (SPIC) provides protection for free cash balances up to \$100,000. As of June 30, 2016, the cash held as investments was fully insured. As of June 30, 2016, the uninsured and uncollateralized portion of this balance was \$55,148.

NOTE J SPECIAL EVENTS

During the year ended June 30, 2016, 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	\$ 341,522	170,725	37,540	\$ 133,257
Eat Lunch, Fight Hunger Fundraiser	21,170	-	8,017	13,153
Total	<u><u>\$ 362,692</u></u>	<u><u>\$ 170,725</u></u>	<u><u>\$ 45,557</u></u>	<u><u>\$ 146,410</u></u>

NOTE K FOOD INVENTORY

Food inventory as of June 30, 2016, consisted of 1,229,861 lbs at a value of \$1,119,970. Of the total above, USDA inventory consisted of 361,976 lbs at a value of \$207,714 and the purchased products, back pack, and after school snack inventory consisted of 596,446 lbs valued at \$458,226. The remaining inventory consisted of 271,460 lbs valued at \$454,030.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2016

NOTE K FOOD INVENTORY - CONTINUED

As of June 30, 2016, public food donations received in pounds was 8,639,894. The amount of public food distributed in pounds for the years ended June 30, 2016 was 8,178,257. These amounts do not include purchased product or USDA commodities.

NOTE L TEMPORARILY RESTRICTED NET ASSETS

In 2007, The Robert D. Wilson Foundation provided a grant to be used to fund the operations of Food Bank for the Heartland which is required to be kept in a separate bank account. Food Bank for the Heartland 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 temporarily restricted support and revenue based upon the donor-imposed restriction; at the time the monies are used, such amounts will be reclassified to unrestricted net assets. During the year ended June 30, 2016, the Organization expended \$57,991 of this grant. As of June 30, 2016, temporarily restricted net assets under the grant totaled \$52,934.

Temporarily restricted net assets are those whose use by Food Bank for the Heartland has been limited by donors to a specific time period or for a specific purpose. Temporarily restricted net assets consist of the following at June 30, 2016:

Food Bank Friends	\$ 56,884
BackPack Program	222,723
SNAP Program	33,720
Robert D. Wilson Foundation grant	52,934
Buildings	213,542
Warehouse Equipment	50,307
Celebrity Chef Fundraiser	<u>55,000</u>
Total temporarily restricted net assets	<u><u>\$ 685,110</u></u>

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2016

NOTE M NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the time or purpose restriction. Net assets released from restriction in the year ended June 30, 2016 were as follows:

Backpack program	\$ 999,017
Food Bank Friends	13,181
Emergency Food Program	554,674
Kids Café Program	44,500
Mobile Pantries Program	97,796
SNAP Program	205,592
Summer Food Program	32,265
Robert D. Wilson Foundation grant	58,000
Buildings	263,455
Warehouse Equipment	51,948
Agency Support	25,260
	<u>11,000</u>
Total net assets released from restriction	<u><u>\$2,356,688</u></u>

NOTE N 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, 2016 was \$90,039.

NOTE O UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are expected to be realized in one year or less and are classified as unrestricted net assets in the statement of activities. Unconditional promises to give amounted to \$233,803 at June 30, 2016.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2016

NOTE P OPERATING LEASES

As of June 30, 2016, the total remaining operating lease payments under non-cancelable lease agreements which pertain to parking space, copier equipment, and a postage meter, are as follows:

<u>Year ending June 30,</u>	
2017	\$ 9,158
2018	3,987
	<u>\$ 13,145</u>

Rental expense under operating leases was \$9,992 for the year ended June 30, 2016.

NOTE Q 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 Food Bank serves on the Board of Directors of the Iowa Food Bank Association, and she recused herself from the vote on the terms of the agreement. As of June 30, 2016, \$96,278 was paid to the Organization by the Iowa Food Bank Association as a reimbursement for services. As of June 30, 2016, \$33,720 was due to the Organization.

NOTE R SUBSEQUENT EVENTS

Subsequent events have been assessed through November 11, 2016, which is the date the financial statements were issued, and has concluded there were no events or transactions occurring between yearend 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, 2016

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Nebraska Department of Health and Human Services			
Emergency Food Assistance Program (Administrative Costs)	10.568	16163NE826Y8105	\$ 237,866
Emergency Food Assistance Program (Food Commodities)	10.569	15153NE826Y8105 16163NE826Y8105	1,298,648 318,185 <u>1,616,833</u>
SNAP Nebraska State Outreach Plan	10.561	15133NE406S2514 16133NE406S2514	73,770 234,562 <u>308,332</u>
Passed through Iowa Department of Health and Human Services			
Emergency Food Assistance Program (Administrative Costs)	10.568	FHWS 09-16 ACFS 16-192	8,657 26,729 <u>35,386</u>
Emergency Food Assistance Program (Food Commodities)	10.569	FHWS 09-16 ACFS 16-192	77,971 332,088 <u>410,059</u>
Passed through Nebraska Department of Education			
Child and Adult Care Food Program	10.558	2015IN109943 2016IN109943	31,835 173,094 <u>204,929</u>
Summer Food Service Program	10.559	201616N109943	158,264
<u>U.S. Department of Health and Human Services</u>			
Passed through Nebraska Department of Health and Human Services			
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	5U58DP005493-02	13,186
			<u>\$ 2,984,855</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, 2016

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



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, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 11, 2016.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain deficiencies, as described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

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
Omaha, Nebraska
November 11, 2016



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, 2016. 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 each of the Organization's major federal programs 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 each 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 each of its major federal programs for the year ended June 30, 2016.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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. 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
Omaha, Nebraska
November 11, 2016

Food Bank for the Heartland
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2016

I. SUMMARY OF AUDIT RESULTS

Financial Statements

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

Internal controls over financial reporting:

- Material weaknesses identified: **No**
- Significant deficiencies identified: **Yes, 2016-001
2016-002**

Noncompliance material to financial statements noted: **No**

Federal Awards

Internal control over major programs:

- Material weaknesses identified: **No**
- Significant deficiencies identified: **No**

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	Food Distribution Cluster
10.561	SNAP Program

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

Audit qualified as low-risk auditee: **No**

Food Bank for the Heartland
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the year ended June 30, 2016

II. FINDINGS—FINANCIAL STATEMENTS

2016-001 Reconciliation of Donor Quest to Accounting Records

Condition: The Organization receives contributions and enters them into Donor Quest under the associated program; however, this is done on a cash basis and requires the Organization reconcile Donor Quest totals to the trial balance to adjust for prior year and current year promises to give. Variances between the scheduled Donor Quest reconciliation and the Organization's trial balance exist for which no supporting documentation was available.

Criteria: FASB ASC 958-225-45-6 states, "Donor-restricted contributions are reported as restricted revenues, which increase temporarily restricted net assets or permanently restricted net assets depending on the type of restriction. However, donor-restricted contributions whose restrictions are met in the same reporting period may be reported as unrestricted support provided that an NFP has a similar policy for reporting investment gains and income, reports consistently from period to period, and discloses its accounting policy."

Effect: There is an increased risk that net assets are not appropriately classified and reported on the financial statements.

Cause: Periodic reconciliations between Donor Quest and the Organizations accounting records were not performed or were not adequate to detect variances between the systems.

Recommendation: We Recommend reconciliation schedules be prepared by the Director of Finance and Accounting on a monthly basis to show restricted contributions received during the year, utilization/expenditure/release of restricted net assets, and the ending balance of restricted net assets by category and to ensure totals reported in Donor Quest are represented in the Organizations accounting records and that all reconciling items are appropriately accounted for.

View of Responsible Officials and Planned Corrective Actions: The finance and accounting department has been preparing reconciliations subsequent to year end. Staff in the accounting and finance department have been trained to prepare reconciliations that are then reviewed by the Director of Finance and Accounting. Internal controls over the Donor Quest system have been reviewed and updated to detect any subsequent changes to data.

Food Bank for the Heartland
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the year ended June 30, 2016

II. FINDINGS—FINANCIAL STATEMENTS – CONTINUED

2016-002 Reconciliation of Cash

Condition: During the audit of the reconciliation of the cash in the Primarius system to the bank statements the auditor identified reconciling cash items for which no supporting documentation was available. It was noted that while reconciliations are performed on a monthly basis, there are no controls in place to ensure reconciliations are reviewed on a regular basis.

Criteria: Cash accounts should be reconciled on a monthly basis reviewing and accounting for all reconciling items. Support should be maintained for all cleared and uncleared transactions. For transaction batches, in which not all transactions within the batch clear at the same time, a supporting schedule should be maintained in order to reconcile the cleared and uncleared balances for each transaction batch.

Effect: There is an increased risk that the cash balances of the accounting records might be misstated, and that such misstatements will not be detected and corrected in a timely manner leading to further reconciling issues at a later date.

Cause: A thorough review of the bank reconciliation was not performed to ensure all reconciling items were properly supported and appropriate.

Recommendation: We recommend reconciliation schedules be prepared and maintained for batch transactions for which the underlying transactions clear the bank at varying dates. We also recommend the Organization enact control procedures to review cash reconciliations on a monthly basis by a party other than the preparer.

View of Responsible Officials and Planned Corrective Actions: Segregation of duties will be improved to provide training for staff in the finance and accounting department so bank reconciliations are reviewed by someone other than the preparer.

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, 2016

II. FINDINGS—FINANCIAL STATEMENTS

None Noted

III. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS

2015-001 Eligible Recipient Agencies Documentation that the Population Served Meets 185% of Poverty Level Requirement (10.568 & 10.569: Food Distribution Cluster)

Condition: Tests of compliance with eligibility type for the Temporary Emergency Food Assistance Project noted 1 deviation out of 10 Iowa transactions sampled. The client signature form used and filed was marked unsatisfactory. No notes were made on the Agency Partner Monitoring Form regarding the unsatisfactory mark.

Criteria: The contract with the State of Iowa indicates the Organization must maintain a file on each ERA it serves documenting the ERAs program, and how the ERA meets the 185% of poverty income eligibility guidelines.

Effect: The eligibility requirements for the ERAs are not documented or reviewed and possibly not met.

Cause: The agency partner monitoring forms do not specifically instruct the ERA how to document whether the population it serves meets the 185% criteria. In addition, it is sometimes difficult for the ERA to understand the importance of completing the "eligibility to take home food" forms provided by the Organization.

Questioned Costs: None noted.

Recommendations: We recommend that the Organization verify that each ERA is requiring members of the population it serves to complete the "Eligibility to Take Home Food" form that the Organization has instituted as of the year-ending June 30, 2015. The Organization can monitor and train ERAs to use the online reporting system available on the Food Bank for the Heartland website.

Food Bank for the Heartland
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2016

III. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS
- CONTINUED

2015-001 Eligible Recipient Agencies Documentation that the Population Served Meets 185% of Poverty Level Requirement (10.568 & 10.569: Food Distribution Cluster)

View of Responsible Officials and Planned Corrective Actions: The FBFH follows a standard operating procedure to follow-up with agencies to ensure the corrective action is taken. Additionally, agencies who receive TEFAP must sign the TEFAP contract that includes a provision to maintain Eligibility to Take Home Food forms. In addition to the standard operating procedure, the FBFH reviews the client signature form requirement at annual agency conferences and on any site visits.

Follow Up: Management has adequately addressed and resolved this finding.