

Food Bank for the Heartland
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the year ended June 30, 2018

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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, 2018, 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, 2018, 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 October 26, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hayes & Associates, L.L.C.

Hayes & Associates
Omaha, Nebraska
October 26, 2018

Food Bank for the Heartland
STATEMENT OF FINANCIAL POSITION
June 30, 2018
(With comparative totals for 2017)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
General cash	\$ 2,489,535	\$ 1,973,920
Restricted cash	52,928	52,875
Cash held in investment accounts	65,200	130,829
Accounts receivable (net of allowance of \$7,342)	443,342	512,065
Unconditional promises to give	264,809	221,529
Prepaid expenses	179,966	199,514
Donated food inventory	819,300	726,182
Purchased food inventory	398,768	518,575
Investments	2,561,157	2,338,011
Total current assets	7,275,005	6,673,500
NONCURRENT ASSETS		
PROPERTY AND EQUIPMENT		
Land	292,700	292,700
Building	2,342,409	2,342,409
Equipment	675,032	657,795
Building improvements	4,187,639	4,124,557
Vehicles	1,100,614	1,024,923
Vehicle down payments	-	77,200
Construction in progress	97,491	-
Right-of-use equipment, operating leases	126,871	108,872
Total property and equipment	8,822,756	8,628,456
Less: accumulated depreciation	(2,446,551)	(2,151,154)
Total property and equipment	6,376,205	6,477,302
Total noncurrent assets	6,376,205	6,477,302
Total assets	\$ 13,651,210	\$ 13,150,802

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF FINANCIAL POSITION - CONTINUED
June 30, 2018
(With comparative totals for 2017)

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 683,571	\$ 428,396
Accrued salaries	128,405	191,106
Operating leases	30,924	19,463
Other current liabilities	10,531	8,556
Deferred revenue	305,814	179,597
Total current liabilities	1,159,245	827,118
LONG-TERM LIABILITIES		
Operating leases	91,741	84,423
Total liabilities	1,250,986	911,541
NET ASSETS		
Unrestricted		
Operating fund	8,487,720	8,766,712
Funded depreciation fund - board designated	1,237,094	1,194,937
Quasi-endowment fund - board designated	1,409,230	1,273,903
Total unrestricted	11,134,044	11,235,552
Temporarily restricted	1,266,180	1,003,709
Total net assets	12,400,224	12,239,261
Total liabilities and net assets	\$ 13,651,210	\$ 13,150,802

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF ACTIVITIES
For the year ended June 30, 2018
(With comparative totals for 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Public support				
Donated food and commodities	\$ 15,993,855	\$ -	\$ 15,993,855	\$ 13,961,022
Public contributions	3,716,195	2,140,336	5,856,531	6,032,630
In-kind donation	93,331	-	93,331	108,834
Total public support	<u>19,803,381</u>	<u>2,140,336</u>	<u>21,943,717</u>	<u>20,102,486</u>
Government support and cost reimbursements				
USDA commodities	2,326,654	-	2,326,654	2,841,984
Emergency food assistance programs	937,414	-	937,414	824,668
SNAP	367,523	-	367,523	311,532
Purchased product	506,739	-	506,739	461,687
Total government support and cost reimbursements	<u>4,138,330</u>	<u>-</u>	<u>4,138,330</u>	<u>4,439,871</u>
Revenue				
Investment income (loss)	179,370	-	179,370	252,043
Agency handling fee	434,231	-	434,231	360,320
Special event (net of direct donor benefit of \$64,515)	357,548	-	357,548	271,678
Interest income on cash accounts	429	-	429	226
Gain on disposal of capital asset	4,865	-	4,865	-
Total revenue	<u>976,443</u>	<u>-</u>	<u>976,443</u>	<u>884,267</u>
Total support and revenue before net assets released from restrictions				
	24,918,154	2,140,336	27,058,490	25,426,624
Net assets released from restrictions	1,877,865	(1,877,865)	-	-
Total support, revenue, and reclassifications	<u>26,796,019</u>	<u>262,471</u>	<u>27,058,490</u>	<u>25,426,624</u>
EXPENSES AND LOSSES				
Program services	25,757,974	-	25,757,974	23,841,430
Management and general	631,080	-	631,080	573,734
Fundraising	508,473	-	508,473	496,524
Total	<u>26,897,527</u>	<u>-</u>	<u>26,897,527</u>	<u>24,911,688</u>
Net loss on asset disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses and losses	<u>26,897,527</u>	<u>-</u>	<u>26,897,527</u>	<u>24,911,688</u>
CHANGE IN TOTAL NET ASSETS	(101,508)	262,471	160,963	514,936
NET ASSETS, BEGINNING	<u>11,235,552</u>	<u>1,003,709</u>	<u>12,239,261</u>	<u>11,724,325</u>
NET ASSETS, ENDING	<u>\$ 11,134,044</u>	<u>\$ 1,266,180</u>	<u>\$ 12,400,224</u>	<u>\$ 12,239,261</u>

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018
(With comparative totals for 2017)

	2018			2017	
	Program Services	Supporting Services		Total	Total
		General & Administrative	Fundraising		
Salaries and related expenses					
Salaries	\$ 1,720,346	\$ 348,425	\$ 108,882	\$ 2,177,653	\$ 2,038,302
Employee benefits	341,065	69,077	21,586	431,728	373,606
Payroll taxes	134,206	27,181	8,494	169,881	161,582
Payroll service expense	5,341	1,082	338	6,761	5,674
Total salaries and related expenses	<u>2,200,957</u>	<u>445,765</u>	<u>139,301</u>	<u>2,786,023</u>	<u>2,579,164</u>
Food distributed to agencies					
Public support	17,535,499	-	-	17,535,499	15,441,399
USDA commodities	2,321,831	-	-	2,321,831	2,838,094
Kids Café	284,088	-	-	284,088	184,445
BackPack	993,568	-	-	993,568	1,052,272
Agencies	10,420	-	-	10,420	17,377
SNAP	205,118	-	-	205,118	283,149
Summer food	239,174	-	-	239,174	210,238
Vista program	23,177	-	-	23,177	11,635
Freight	141,361	-	-	141,361	160,668
Maintenance:					
Building	39,955	7,051	-	47,006	32,328
Equipment	27,381	2,434	608	30,423	21,360
Computer	71,063	6,317	1,579	78,959	51,683
Other	33,466	-	-	33,466	39,155
Public relations	251,971	-	377,957	629,928	612,965
Utilities	71,235	3,749	-	74,984	69,013
Insurance	63,715	12,904	4,033	80,652	64,316
Warehouse supplies	193,388	-	-	193,388	170,795
Conference and travel	47,476	9,615	3,005	60,096	41,538
Postage and printing	16,483	3,338	1,043	20,864	23,323
Memberships	24,130	-	-	24,130	18,863
Vehicle expense	215,383	43,622	13,632	272,637	222,446
Telephone and internet	32,452	6,573	2,054	41,079	34,760
Office supplies	8,779	1,778	556	11,113	14,438
Professional fees	147,002	29,773	9,304	186,079	183,602
Administrative fees	28,901	5,854	1,829	36,584	25,168
Other	160,063	32,418	10,131	202,612	152,766
Total expense other than salaries and related expenses	<u>23,187,079</u>	<u>165,426</u>	<u>425,731</u>	<u>23,778,236</u>	<u>21,977,796</u>
Total expense before depreciation and interest	25,388,036	611,191	565,032	26,564,259	24,556,960
Depreciation	369,938	19,889	7,956	397,783	402,277
Total expenses	<u>25,757,974</u>	<u>631,080</u>	<u>572,988</u>	<u>26,962,042</u>	<u>24,959,237</u>
Less: Direct benefit to donor	-	-	(64,515)	(64,515)	(47,549)
Expenses in statement of activities	<u>\$ 25,757,974</u>	<u>\$ 631,080</u>	<u>\$ 508,473</u>	<u>\$ 26,897,527</u>	<u>\$ 24,911,688</u>

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF CASH FLOWS
For the year ended June 30, 2018
(With comparative totals for 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in total net assets	\$ 160,963	\$ 514,936
Adjustments for non cash items and investing activities affecting changes in total net assets:		
Net (gain)/loss on investments	(143,220)	(189,959)
(Gain)/loss on disposal of assets	(4,865)	-
Depreciation	397,783	402,277
Change in right-of-use asset	(17,999)	(95,869)
Change in operating lease	18,779	90,883
Changes in:		
Accounts receivable	68,723	(119,439)
Prepaid assets	19,548	(59,241)
Change in inventory	26,689	(124,787)
Promises to give	(43,280)	12,274
Accounts payable	255,175	(79,096)
Other current liabilities	1,975	2,035
Accrued salaries	(62,701)	12,962
Deferred revenue	126,217	(27,055)
Net cash (used)/provided by operating activities	803,787	339,921
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	35,730
Purchases of investments	(79,926)	(65,789)
Purchases of equipment and improvements	(273,822)	(209,250)
Net cash (used)/provided by investing activities	(353,748)	(239,309)
NET CHANGE IN CASH	450,039	100,612
CASH AT BEGINNING OF YEAR		
Unrestricted	\$ 1,973,920	\$ 1,848,930
Restricted	52,875	52,934
Cash held in investments	130,829	155,148
Total	\$ 2,157,624	\$ 2,057,012
CASH AT END OF YEAR		
Unrestricted	\$ 2,489,535	\$ 1,973,920
Restricted	52,928	52,875
Cash held in investments	65,200	130,829
Total	\$ 2,607,663	\$ 2,157,624
Supplemental Cash Flow Information		
Noncash activity		
Food donations	(18,320,509)	(16,457,433)
Distribution to other agencies	18,259,090	16,712,358

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2018

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, 2018.

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, 2018

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, 2018

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 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.

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, 2018

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, 2017, from which the summarized information was derived.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2018

NOTE B BOARD DESIGNATIONS

1. Funded Depreciation Fund – Board Designated

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.

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 unrestricted cash into the fund throughout the year.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2018

NOTE B BOARD DESIGNATIONS - CONTINUED

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

	Funded Depreciation Fund	Board Designated Endowment Fund	Total
Beginning designated funds	\$ 1,194,937	\$ 1,273,903	\$ 2,468,840
Contributions	-	14,297	14,297
Withdrawals	-	-	-
Appropriated for expenditure	-	-	-
Total activity	-	14,297	14,297
Investment earnings	39,346	31,673	71,019
Investment expenses	(10,454)	(11,398)	(21,852)
Net realized gains (losses) on securities sales	-	10,682	10,682
Unrealized gains (losses) in value of investments	13,265	70,106	83,371
Total appreciation/depreciation	42,157	101,063	143,220
Ending designated funds	<u>\$ 1,237,094</u>	<u>\$ 1,389,263</u>	<u>\$ 2,626,357</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, 2018

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 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, 2018, is set forth in the following table. Investments are stated at fair market value.

	2018	
	Carrying Amount	Fair Value
Cash held		
in investment accounts	\$ 65,200	\$ 65,200
Trading securities:		
Equities and Options	202,013	202,013
Mutual funds, ETFs, and closed end-funds	2,359,144	2,359,144
Total investments	2,561,157	2,561,157
Total cash held for investments	\$2,626,357	\$2,626,357

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.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2018

NOTE D FAIR VALUE MEASUREMENTS - CONTINUED

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, 2018:

	Amount	Level 1
Cash held		
in investment accounts	\$ 65,200	\$ 65,200
Trading securities:		
Equities and Options	202,013	202,013
Mutual funds, ETFs, and closed end-funds	2,359,144	2,359,144
Total investments	2,561,157	2,561,157
Total cash held for investments and investments	\$2,626,357	\$2,626,357

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 43,591 volunteer hours valued at approximately \$1,020,030, 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 \$36,206 the year ended June 30, 2018.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2018

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 redistributes 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.

At June 30, 2018 accounts receivable include \$88,505 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, 2018. 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 DEFERRED REVENUE

Deferred revenue consists of the difference between USDA foods received and distributed during the year ended June 30, 2018.

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, 2018, cash and cash equivalents included \$2,362,596 held in commercial banks. As of June 30, 2018, the uninsured and uncollateralized portion of this balance was \$1,862,043.

In addition, as of June 30, 2018, the Organization held \$65,200 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, 2018, 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, 2018

NOTE J SPECIAL EVENTS

During the year ended June 30, 2018, 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	\$ 496,651	87,823	60,015	\$ 348,813
Eat Lunch, Fight Hunger Fundraiser	7,418	-	4,500	2,918
Total	<u>\$ 504,069</u>	<u>\$ 87,823</u>	<u>\$ 64,515</u>	<u>\$ 351,731</u>

NOTE K FOOD INVENTORY

Food inventory as of June 30, 2018, consisted of 1,175,895 lbs at a value of \$1,218,068. Of the total above, USDA inventory consisted of 368,236 lbs at a value of \$286,817 and the purchased products, backpack, and after school snack inventory consisted of 464,499 lbs valued at \$398,768. The remaining inventory consisted of 532,483 lbs valued at \$532,483.

As of June 30, 2018, public food donations received in pounds was 10,187,169. The amount of public food distributed in pounds for the years ended June 30, 2018 was 9,520,195. 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. 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 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.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2018

NOTE L TEMPORARILY RESTRICTED NET ASSETS - CONTINUED

During the year ended June 30, 2018, the Organization expended none of this grant except \$59 in investment fees. As of June 30, 2018, temporarily restricted net assets under the grant totaled \$52,928.

Temporarily restricted net assets are those whose use by The Organization 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, 2018:

Food Bank Friends	\$ 176,213
BackPack Program	443,833
Robert D. Wilson Foundation grant	52,875
Kids Café After School Snacks Program	26,638
Supplemental Nutrition Assistance Program (SNAP)	74,948
Summer Food Program	208,313
Advocacy	4,150
Buildings	192,698
Warehouse Equipment	28,512
Celebrity Chef Fundraiser	<u>58,000</u>
Total temporarily restricted net assets	<u><u>\$1,266,180</u></u>

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2018

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, 2018 were as follows:

BackPack program	\$ 1,205,186
Food Bank Friends	17,819
Emergency food program	27,844
Kids Café program	1,536
Mobile pantries program	146,428
Supplemental Nutrition Assistance Program (SNAP)	159,966
Summer food program	22,616
Buildings	165,091
Warehouse equipment	9,509
Transportation	67,800
Advocacy	4,070
Celebrity Chef Fundraiser	50,000
Total net assets released from restriction	<u><u>\$ 1,877,865</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, 2018 was \$203,054.

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 \$264,809 at June 30, 2018.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2018

NOTE P OPERATING LEASES

Operating lease expense and liability consisted of the following as of June 30, 2018.

	Discount rate	Year ended June 30, 2018		
		Variable Expense	Lease Expense	Remaining Lease Liability
On November 18, 2015, the Organization entered into a lease agreement for the use of three copiers. The lease is payable in 60 monthly payments of \$1,048. The final lease payment is due October 18, 2020 with a fair market purchase option.	5.25%	\$ -	\$ 12,576	\$ 27,561
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%	7,736	15,576	77,163
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	6,523
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%	-	5,400	11,418
		\$ 7,736	\$ 35,268	\$ 122,665
Less: Current Portion				30,924
Total				<u>\$ 91,741</u>

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2018

NOTE P OPERATING LEASES - CONTINUED

As of June 30, 2018, the total remaining operating lease payments under non-cancelable lease agreements are as follows:

<u>Year ending June 30,</u>		
2019	\$	36,628
2020		35,088
2021		21,484
2022		17,292
2023		16,005
Thereafter		11,682
	<u>\$</u>	<u>138,179</u>

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, 2018, \$100,561 was paid to the Organization by the Iowa Food Bank Association as a reimbursement for services. As of June 30, 2018, \$25,292 was due to the Organization.

NOTE R SUBSEQUENT EVENTS

Subsequent events have been assessed through October 26, 2018, 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, 2018

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	\$ 305,599
Emergency Food Assistance Program (Food Commodities)	U.S. Department of Agriculture	Nebraska Department of Health and Human Services	10.569	16163NE826Y8105	1,656,977
Emergency Food Assistance Program (Administrative Costs)	U.S. Department of Agriculture	Iowa Department of Human Services	10.568	ACFS 16-192	34,308
Emergency Food Assistance Program (Food Commodities)	U.S. Department of Agriculture	Iowa Department of Human Services	10.569	ACFS 16-192	664,854
<i>Total Food Distribution Cluster</i>					<u>2,661,738</u>
Child and Adult Care Food Program	U.S. Department of Agriculture	Nebraska Department of Education	10.558	2017IN202043 2018IN202043	50,338 276,875 <u>327,213</u>
Summer Food Service Program	U.S. Department of Agriculture	Nebraska Department of Education	10.559	201717N109943 201818N109943	102,595 114,620 <u>217,215</u>
Volunteers in Service to America	U.S. Department of Agriculture	Nebraska Department of Education	94.013	17VSNNE002	2,352
SNAP Nebraska State Outreach Plan	U.S. Department of Agriculture	Nebraska Department of Health and Human Services	10.561	173NE406S2514 183NE406S2514	92,532 274,991 <u>367,523</u>
					<u>\$ 3,576,041</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, 2018

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.



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, 2018, 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 October 26, 2018.

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, 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
Omaha, Nebraska
October 26, 2018



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, 2018. 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, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, L.L.C.

Hayes & Associates
Omaha, Nebraska
October 26, 2018

Food Bank for the Heartland
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2018

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:	Yes, 2018-001
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

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, 2018

II. FINDINGS—FINANCIAL STATEMENTS

None Noted

III. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS

2018-001 Inspection of Agency Eligibility Documentation

Condition: During the review of agency files maintained by the Organization it was noted the Organization does not maintain sufficient documentation providing evidence for the review of agency eligibility forms, which are required to be maintained by the agency partners, during the Organization's on-site inspections.

Criteria: Nebraska TEFAP handbook requires agencies receiving TEFAP commodities to complete and maintain FDP 105 form for eligibility of recipients. The Organization is required to ensure agency partners are complying with all eligibility requirements.

Effect: Insufficient documentation was available to verify the inspection of eligibility forms had been conducted during the agency review process within the agency files provided.

Cause: While it is the policy of the Organization to inspect the eligibility forms while they are performing the onsite inspections, there was not sufficient documentation within the agency files to verify this.

Recommendation: We recommend the organization add steps within their agency inspection documentation noting the inspection of eligibility documentation has been conducted.

View of Responsible Officials and Planned Corrective Actions: The Organization conducts interviews during site inspections to confirm that our agency partners are requiring that our neighbors receiving TEFAP commodities certify that they are eligible to receive TEFAP commodities. The eligibility certification happens when a person completes form FDP-105. The FDP-105 income eligibility form requires a signature, address, number of people in household, and the date. No additional information is required to obtain TEFAP foods such a pay stub. The Food Bank will implement the recommendation to add inspection of eligibility forms to our annual site monitoring procedures.

Food Bank for the Heartland
CORRECTIVE ACTION PLAN
For the year ended June 30, 2018

I. FINANCIAL STATEMENT FINDINGS

None noted

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-001 - Inspection of Agency Eligibility Documentation

Name of contact person – Alexandra Goswami, Director of Finance and Accounting

Findings – During the review of agency files maintained by the Organization it was noted the Organization does not maintain sufficient documentation providing evidence for the review of agency eligibility forms, which are required to be maintained by the agency partners, during the Organization’s on-site inspections.

Recommendation – We recommend the organization add steps within their agency inspection documentation noting the inspection of eligibility documentation has been conducted.

Agency Response – The Organization conducts interviews during site inspections to confirm that our agency partners are requiring that our neighbors receiving TEFAP commodities certify that they are eligible to receive TEFAP commodities. The eligibility certification happens when a person completes form FDP-105. The FDP-105 income eligibility form requires a signature, address, number of people in household, and the date. No additional information is required to obtain TEFAP foods such a pay stub. The Food Bank will implement the recommendation to add inspection of eligibility forms to our annual site monitoring procedures.

Plan of Action – Food Bank staff completing a site visit will inspect a sample of income eligibility forms. The staff will select a sample of two months in a twelve-month time frame. Staff will compare the number of forms on site to the number the agency reports to the Organization through our online system. If those numbers do not match, the site visit will be deemed “unsatisfactory” and a follow-up visit will be scheduled.

Proposed Completion Date – January 1, 2019

Food Bank for the Heartland
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2018

II. FINDINGS—FINANCIAL STATEMENTS

2017-001 Valuation of Donated Food Inventory

Condition: The Organization uses an industry-specific estimate to value a pound of donated food product. In the current year, the Organization valued donated inventory using the same estimate methodology as in prior years, however, in the current year, an estimate that excludes non-food inventory was made available to the Organization that is considered to be more appropriate.

Criteria: The Organization's estimate for the value of a pound of donated food is provided by a Feeding America product valuation report. In years past, this report included a weighted average price per pound that includes both food and non-food categories. In the current year, the report contains a second estimate that excludes non-food items. The Organization distributes significantly more food items than non-food items, so the food-only estimate is more appropriate.

Effect: The original valuation of the Organization's donated food contributions, distributions, and ending inventory differed significantly from the valuation resulting from applying the food-only estimate.

Cause: The Feeding America report offered more than one estimate methodology this year, and the Organization used the estimate that includes non-food items.

Recommendation: We recommend that, if in subsequent years, the Feeding America report continues to offer a food-only valuation, the Organization use that valuation for donated inventory.

View of Responsible Officials and Planned Corrective Actions: The financial statements for the year ended June 30, 2017 present a food-only estimated value for donated inventory. The Organization will use the estimate for food-only donated inventory in the current year and in subsequent years if that estimate is available in the Feeding America report as an agreed upon procedure.

Follow-up: At June 30, 2018 the Organization properly utilized the food-only estimated value for donated inventory. No valuation issues were noted in the current year.

Food Bank for the Heartland
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2018

III. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS

None Noted