

Food Bank for the Heartland
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the year ended June 30, 2019

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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, 2019, 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, 2019, 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.

Emphasis of Matter

As described in Note A.14 to the financial statements, in 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14. Not-for-profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Supplemental Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hayes & Associates, L.L.C.

Hayes & Associates, L.L.C.
Omaha, Nebraska
October 24, 2019

Food Bank for the Heartland
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With comparative totals for 2018)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
General cash	\$ 2,611,347	\$ 2,489,535
Restricted cash	20,000	20,000
Cash held in investment accounts	70,755	65,200
Accounts receivable (net of allowance of \$7,342 and \$7,342, respectively)	533,716	443,342
Unconditional promises to give	19,000	264,809
Prepaid expenses	116,055	179,966
Donated food inventory	1,489,772	819,300
Purchased food inventory	294,838	398,768
Investments	2,680,992	2,561,157
Total current assets	7,836,475	7,242,077
NONCURRENT ASSETS		
Restricted cash, net of current portion	33,030	32,928
Property and equipment		
Land	292,700	292,700
Building	2,342,409	2,342,409
Equipment	694,960	675,032
Building improvements	4,402,247	4,187,639
Vehicles	1,114,182	1,100,614
Construction in progress	2,617	97,491
Right-of-use equipment, operating leases	131,640	126,871
Total property and equipment	8,980,755	8,822,756
Less: accumulated depreciation	(2,816,729)	(2,446,551)
Total property and equipment	6,164,026	6,376,205
Total noncurrent assets	6,197,056	6,409,133
Total assets	\$ 14,033,531	\$ 13,651,210

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF FINANCIAL POSITION - CONTINUED
June 30, 2019
(With comparative totals for 2018)

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 304,916	\$ 683,571
Accrued salaries	221,058	128,405
Operating leases	27,327	30,924
Other current liabilities	500	10,531
Deferred revenue	833,505	305,814
Total current liabilities	1,387,306	1,159,245
LONG-TERM LIABILITIES		
Operating leases, net of current portion	100,566	91,741
Total liabilities	1,487,872	1,250,986
NET ASSETS		
Without donor restriction		
Operating fund	8,387,580	8,487,720
Funded depreciation fund - board designated	1,284,903	1,237,094
Quasi-endowment fund - board designated	1,466,845	1,409,230
Total net assets without donor restriction	11,139,328	11,134,044
With donor restriction	1,406,331	1,266,180
Total net assets	12,545,659	12,400,224
Total liabilities and net assets	\$ 14,033,531	\$ 13,651,210

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019		2018	
	Without donor restriction	With donor restriction	Total	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Public support				
Donated food and commodities	\$ 15,407,235	\$ -	\$ 15,407,235	\$ 15,993,855
Public contributions	3,864,245	2,014,422	5,878,667	5,856,531
In-kind donation	113,527	-	113,527	93,331
Special event (net of direct donor benefit of \$63,392)	322,542	-	322,542	357,548
Total public support	<u>19,707,549</u>	<u>2,014,422</u>	<u>21,721,971</u>	<u>22,301,265</u>
Government support and cost reimbursements				
USDA commodities	4,407,484	-	4,407,484	2,326,654
Emergency food assistance programs	1,233,964	-	1,233,964	937,414
SNAP	375,041	-	375,041	367,523
Purchased product	441,964	-	441,964	506,739
Total government support and cost reimbursements	<u>6,458,453</u>	<u>-</u>	<u>6,458,453</u>	<u>4,138,330</u>
Revenue and gains				
Investment income (loss)	105,424	-	105,424	179,370
Agency handling fee	379,146	-	379,146	434,231
Interest income on cash accounts	2,556	-	2,556	429
Gain on disposal of capital asset	-	-	-	4,865
Total revenue and gains	<u>487,126</u>	<u>-</u>	<u>487,126</u>	<u>618,895</u>
Total support and revenue before net assets released from restrictions				
	26,653,128	2,014,422	28,667,550	27,058,490
Net assets released from restrictions				
Satisfaction of program restrictions	1,734,608	(1,734,608)	-	-
Satisfaction of capital asset acquisition restrictions	139,663	(139,663)	-	-
Total support, revenue, and reclassifications	<u>28,527,399</u>	<u>140,151</u>	<u>28,667,550</u>	<u>27,058,490</u>
EXPENSES AND LOSSES				
Program services	27,237,283	-	27,237,283	25,757,974
Management and general	664,265	-	664,265	631,080
Fundraising	620,567	-	620,567	508,473
Total	<u>28,522,115</u>	<u>-</u>	<u>28,522,115</u>	<u>26,897,527</u>
Total expenses and losses	<u>28,522,115</u>	<u>-</u>	<u>28,522,115</u>	<u>26,897,527</u>
CHANGE IN TOTAL NET ASSETS	5,284	140,151	145,435	160,963
NET ASSETS, BEGINNING OF YEAR	<u>11,134,044</u>	<u>1,266,180</u>	<u>12,400,224</u>	<u>12,239,261</u>
NET ASSETS, END OF YEAR	<u>\$ 11,139,328</u>	<u>\$ 1,406,331</u>	<u>\$ 12,545,659</u>	<u>\$ 12,400,224</u>

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019			2018	
	Program Services	Supporting Services		Total	Total
		General & Administrative	Fundraising		
Salaries and related expenses					
Salaries	\$ 1,865,683	\$ 377,860	\$ 118,081	\$ 2,361,624	\$ 2,177,653
Employee benefits	490,291	99,299	31,031	620,621	431,728
Payroll taxes	145,519	29,472	9,210	184,201	169,881
Payroll service expense	5,643	1,143	357	7,143	6,761
Total salaries and related expenses	2,507,136	507,774	158,679	3,173,589	2,786,023
Food distributed to agencies					
Public support	16,618,442	-	-	16,618,442	17,535,499
USDA commodities	4,374,774	-	-	4,374,774	2,321,831
Kids Café	308,442	-	-	308,442	284,088
BackPack	943,822	-	-	943,822	993,568
Agencies	11,682	-	-	11,682	10,420
SNAP	315,517	-	-	315,517	205,118
Summer food	221,928	-	-	221,928	239,174
Vista program	57,791	-	-	57,791	23,177
Freight	149,593	-	-	149,593	141,361
Maintenance:					
Building	34,688	6,121	-	40,809	47,006
Equipment	24,975	2,220	555	27,750	30,423
Computer	79,858	7,098	1,775	88,731	78,959
Other	22,049	-	-	22,049	33,466
Public relations	337,266	-	505,900	843,166	629,928
Utilities	70,848	3,729	-	74,577	74,984
Insurance	80,224	16,248	5,077	101,549	80,652
Warehouse supplies	182,627	-	-	182,627	193,388
Conference and travel	36,649	7,423	2,320	46,392	60,096
Postage and printing	14,490	2,935	917	18,342	20,864
Memberships	26,071	-	-	26,071	24,130
Vehicle expense	271,008	54,887	17,153	343,048	272,637
Telephone and internet	39,154	7,930	2,478	49,562	41,079
Office supplies	17,822	3,609	1,128	22,559	11,113
Professional fees	23,411	4,741	1,482	29,634	186,079
Administrative fees	46,887	9,496	2,968	59,351	36,584
Other	50,191	10,165	3,176	63,532	202,612
Total expense other than salaries and related expenses	24,360,209	136,602	544,929	25,041,740	23,778,236
Total expense before depreciation and interest	26,867,345	644,376	703,608	28,215,329	26,564,259
Depreciation	369,938	19,889	(19,649)	370,178	397,783
Total expenses	27,237,283	664,265	683,959	28,585,507	26,962,042
Less: Direct benefit to donor	-	-	(63,392)	(63,392)	(64,515)
Expenses in statement of activities	\$ 27,237,283	\$ 664,265	\$ 620,567	\$ 28,522,115	\$ 26,897,527

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in total net assets	\$ 145,435	\$ 160,963
Adjustments for non cash items and investing activities affecting changes in total net assets:		
Net (gain)/loss on investments	(105,424)	(143,220)
(Gain)/loss on disposal of assets	-	(4,865)
Depreciation	370,178	397,783
Change in right-of-use asset	(4,769)	(17,999)
Change in operating lease	5,228	18,779
Changes in:		
Accounts receivable	(90,374)	68,723
Prepaid assets	63,911	19,548
Change in inventory	(566,542)	26,689
Promises to give	245,809	(43,280)
Accounts payable	(378,655)	255,175
Other current liabilities	(10,031)	1,975
Accrued salaries	92,653	(62,701)
Deferred revenue	527,691	126,217
Net cash (used)/provided by operating activities	295,110	803,787
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	-
Purchases of investments	(14,411)	(79,926)
Purchases of equipment and improvements	(153,230)	(273,822)
Net cash (used)/provided by investing activities	(167,641)	(353,748)
NET CHANGE IN CASH	127,469	450,039
CASH AT BEGINNING 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
CASH AT END OF YEAR		
Unrestricted	\$ 2,611,347	\$ 2,489,535
Restricted	53,030	52,928
Cash held in investments	70,755	65,200
Total	\$ 2,735,132	\$ 2,607,663
Supplemental Cash Flow Information		
Noncash activity		
Food donations	(19,814,719)	(18,320,509)
Distribution to other agencies	19,712,393	18,259,090

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2019

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Organization

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

2. Financial Statement Presentation

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

- a. Net assets without donor restrictions; including net assets whose use is not restricted by donors, though their use may be limited in other respects, such as by contract or by board designation.
- b. Net assets with donor restrictions; including net assets whose use by the Organization has been limited by donors either temporarily or in perpetuity, depending on the donor stipulations. Restrictions that are temporary in nature stipulate resources to be used after a specified date, for a particular program or service, or to acquire capital assets. Restrictions that are perpetual in nature stipulate resources be maintained permanently but laws may extend those limits to investment returns or to other enhancements of those resources. The Organization had no restrictions perpetual in nature as of June 30, 2019.

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, 2019

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Estimates

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

5. Cash and Cash Equivalents

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

6. Investments

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

7. Property and Equipment

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

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

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

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2019

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Promises to Give and Contributions

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

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

Promises to give are written or oral agreements to contribute cash or other assets to the Organization. In agreement with FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, unconditional promises to give are recognized as revenue or gain in the period received. Per the codification, conditional promises to give are recognized when the conditions on which they depend are substantially met, that is, when a conditional promise becomes unconditional. As of June 30, 2019 there are no conditional promises to give.

9. Food Inventory

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

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2019

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Special Events

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

11. Functional Expenses

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

12. Income Tax Status

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

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

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2019

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

14. Adoption of New Accounting Pronouncements

The Organization has adopted FASB Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is now effective for the fiscal year ending June 30, 2019. The update changes reporting requirements for current net asset classifications, information about liquidity, financial performance, and cash flows. The former three classes of net assets are reduced to two classes of net assets: with donor restrictions (Note K) and without donor restrictions (Note L.) Information regarding restrictions or limits imposed by donors, grantors, laws, contracts and governing boards that affect the Organization's liquidity are disclosed in the liquidity note (Note R.) The statement of functional expenses and the statement of cash flows are in conformity with the standard, and no changes have been made to the presentation of those statements.

15. Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update seeks to clarify the principles for recognizing revenue in part by identifying revenue through the completion of performance obligation of contracts. The update will be effective for the fiscal year ending June 30, 2020.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2019

NOTE B BOARD DESIGNATIONS

1. Funded Depreciation Fund – Board Designated

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

2. Endowment Fund – Board Designated

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

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

During the year, the Board did not designate contributions or withdrawals from either the Funded Depreciation Fund or the Endowment Fund. These decisions had no effect on the measure of operations for the Organization. In the year ended June 30, 2018, the board designated \$14,297 of net assets without donor restrictions for contribution to the board-designated Endowment Fund.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2019

NOTE B BOARD DESIGNATIONS – CONTINUED

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

	Funded Depreciation Fund	Board Designated Endowment Fund	Total
Beginning designated funds	\$ 1,237,093	\$ 1,389,264	\$ 2,626,357
Contributions	-	19,966	19,966
Withdrawals	-	-	-
Appropriated for expenditure	-	-	-
Total activity	-	19,966	19,966
Investment earnings	51,829	50,178	102,007
Investment expenses	(10,567)	(12,001)	(22,568)
Net realized gains (losses) on securities sales	-	-	-
Unrealized gains (losses) in value of investments	6,548	19,438	25,986
Total appreciation/depreciation	47,810	57,615	105,425
Ending designated funds	<u>\$ 1,284,903</u>	<u>\$ 1,466,845</u>	<u>\$ 2,751,748</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, 2019

NOTE C INVESTMENTS - CONTINUED

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

The composition of the Organization's investments at June 30, 2019, is set forth in the following table. Investments are stated at fair market value.

	2019	
	Carrying Amount	Fair Value
Cash held		
in investment accounts	\$ 70,755	\$ 70,755
Trading securities:		
Equities and Options	217,292	217,292
Mutual funds, ETFs, and closed end-funds	2,463,701	2,463,701
Total investments	2,680,993	2,680,993
Total cash held for investments	\$2,751,748	\$2,751,748

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, 2019

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, 2019:

	Amount	Level 1
Cash held		
in investment accounts	\$ 70,755	\$ 70,755
Trading securities:		
Equities and Options	217,292	217,292
Mutual funds, ETFs, and closed end-funds	2,463,701	2,463,701
Total investments	2,680,993	2,680,993
Total cash held for investments and investments	\$2,751,748	\$2,751,748

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 44,620 volunteer hours valued at approximately \$1,071,326, 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 \$33,873 for the year ended June 30, 2019.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2019

NOTE G SHARED MAINTENANCE FEES

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

At June 30, 2019 accounts receivable include \$63,471 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, 2019. The Organization performs ongoing credit limit evaluations of their agency partners and, generally, requires no collateral from them.

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

NOTE H CONCENTRATION OF RISK

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

As of June 30, 2019, cash and cash equivalents included \$2,622,926 held in commercial banks. As of June 30, 2019, the uninsured and uncollateralized portion of this balance was \$2,098,190.

In addition, as of June 30, 2019, the Organization held \$70,755 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, 2019, 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, 2019

NOTE I SPECIAL EVENTS

During the year ended June 30, 2019, 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	\$ 385,934	\$ 91,470	\$ 63,392	\$ 231,072
Total	<u>\$ 385,934</u>	<u>\$ 91,470</u>	<u>\$ 63,392</u>	<u>\$ 231,072</u>

NOTE J FOOD INVENTORY

Food inventory as of June 30, 2019, consisted of 1,601,217 lbs. at a value of \$1,784,610. Of the total above, USDA inventory consisted of 741,475 lbs. at a value of \$814,509 and the purchased products, Backpack products, and Kids Café after school snack inventory consisted of 415,490 lbs. valued at \$294,838. The remaining inventory consisted of 444,252 lbs. valued at \$675,263.

As of June 30, 2019, public food donations received in pounds was 10,136,339. The amount of food distributed in pounds for the years ended June 30, 2019, was 9,572,442. These amounts do not include purchased product or USDA commodities.

NOTE K NET ASSETS WITH DONOR RESTRICTIONS

In 2007, The Robert D. Wilson Foundation provided a grant to be used to fund the operations of the Organization which is required to be kept in a separate bank account. The Organization must obtain approval from the Robert D. Wilson Foundation's Board of Directors prior to spending any of the grant funds. Under FASB ASC 958, the grant amount was recorded as revenue with donor restrictions based upon the donor-imposed restriction; at the time the monies are used, such amounts will be reclassified to net assets without donor restrictions. During the year ended June 30, 2019, the Organization expended none of this grant except \$141 in investment fees. As of June 30, 2019, donor restricted net assets under the grant totaled \$53,030.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2019

NOTE K NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED

Net assets with donor restrictions are assets whose use by the Organization has been limited by donors to a specific time period or for a specific purpose. Net assets with donor restrictions consist of the following at June 30, 2019:

Food Bank Friends	\$ 243,411
BackPack Program	324,295
Robert D. Wilson Foundation grant	53,030
Kids Café After School Snacks Program	24,533
Supplemental Nutrition Assistance Program (SNAP)	109,126
Summer Food Program	314,742
Advocacy	4,150
Buildings	108,104
Warehouse Equipment	8,583
Vehicle	141,357
Marketing	25,000
Celebrity Chef Fundraiser	50,000
Total	<u><u>\$ 1,406,331</u></u>

NOTE L NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the time or purpose restriction. Net assets released from donor restriction in the year ended June 30, 2019, were as follows:

BackPack program	\$ 1,186,656
Food Bank Friends	19,814
Emergency food program	28,755
Kids Café program	2,105
Mobile pantries program	277,484
Supplemental Nutrition Assistance Program (SNAP)	155,052
Summer food program	2,368
Buildings	119,734
Warehouse equipment	19,929
Feeding America programs	4,374
Celebrity Chef Fundraiser	58,000
Total	<u><u>\$ 1,874,271</u></u>

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2019

NOTE M UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are expected to be realized in one year or less and are classified as net assets without donor restrictions in the statement of activities. Unconditional promises to give amounted to \$19,000 at June 30, 2019.

NOTE N DEFERRED REVENUE

Deferred revenue consists of the difference between USDA foods received and distributed during the year ended June 30, 2019.

NOTE O ADVERTISING COSTS

The Organization uses advertising to promote its programs, request donations, and raise awareness about the issue of hunger. Advertising costs are expensed as incurred and included within the public relations line on the statement of functional expenses. Advertising expense for the year ended June 30, 2019, was \$131,237.

NOTE P RELATED PARTY TRANSACTION

Pursuant to an agreement dated July 15, 2015, the Organization and the Iowa Food Bank Association agreed to cooperate to facilitate SNAP expansion in the State of Iowa. The CEO and President of the Organization serves on the Board of Directors of the Iowa Food Bank Association, and he recused himself from the vote on the terms of the agreement. For the period ending June 30, 2019, \$108,311 was paid to the Organization by the Iowa Food Bank Association as a reimbursement for services. As of June 30, 2019, \$11,438 was due to the Organization.

NOTE Q LINE OF CREDIT

The Organization has a line of credit with a bank of \$500,000. There were no borrowings against the line at June 30, 2019. The line bears interest at the bank's prime lending rate. There are no binding financial covenants associated with this revolving line of credit.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2019

NOTE R LIQUIDITY DISCLOSURE

The Organization experiences seasonal cash flow variation throughout the fiscal year. This variation is attributed to trends in public contributions and grant receipt timing; both trends regularly monitored by management and the Board of Directors. To manage liquidity, the Organization maintains a minimum cash balance in its operating account equal to six weeks of operating expenses. With the addition of cash reserves from investments and savings, the Organization maintains a balance equal to six months of operating expenses. The six-month cash reserve policy is a policy of the Board of Directors. In the event of an emergency, the Board of Directors has an emergency supplemental cash flow policy that guides when the Organization can make unbudgeted withdrawals from cash reserves. There have been no such emergencies and none are anticipated.

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

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

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2019

NOTE R LIQUIDITY DISCLOSURE – CONTINUED

As of June 30, 2019, the following financial assets could be made available within one year of the balance sheet date to meet general expenditure:

Liquid financial assets:

Cash	\$ 1,891,039
Unconditional promises to give	19,000
Investments	369,000
Accounts receivable, agency	56,129
Accounts receivable, government	460,376
Accounts receivable, exchange	17,211
	<u>2,812,755</u>

Liquidity resources:

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

Board Designated Endowment Fund	221,869
Funded Depreciation Fund	987,403
	<u>1,209,272</u>

Total	<u><u>\$ 4,522,027</u></u>
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Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2019

NOTE 5 OPERATING LEASES

Operating lease expense and liability consisted of the following as of June 30, 2019.

	Year ended June 30, 2019			
	Discount rate	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. This lease was terminated without penalty on May 15, 2019.	5.25%	\$ -	\$ 12,576	\$ -
On May 15, 2019, the Organization entered into a lease agreement for the use of three copiers. The lease is payable in 60 monthly payments of \$1,000 beginning August 1, 2019. The final lease payment is due July 1, 2024 with a fair market purchase option.	5.25%	-	-	52,313
On March 1, 2017, the Organization entered into a lease agreement for the use of a truck. The lease is payable in 84 monthly fixed installments of \$1,298, with an additional variable amount based on mileage and refrigeration hours of the truck, and an initial direct cost of \$5,191. The final payment of the lease is due on March 01, 2024.	5.25%	9,656	15,576	65,356
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	5,116

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2019

NOTE S OPERATING LEASES - CONTINUED

	Discount rate	Year ended June 30, 2019		
		Variable Expense	Lease Expense	Remaining Lease Liability
<p>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.</p>	5.25%	\$ -	\$ 6,760	\$ 5,108
		\$ 9,656	\$ 36,628	\$ 127,893
Less: Current Portion				27,327
Total				\$ 100,566

As of June 30, 2019, the total remaining operating lease payments under non-cancelable lease agreements are as follows:

Year ending June 30,	
2020	\$ 33,512
2021	29,292
2022	29,292
2023	28,005
2024	23,682
Thereafter	1,000
	\$ 144,783

NOTE T SUBSEQUENT EVENTS

Subsequent events have been assessed through October 24, 2019 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, 2019

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	\$ 357,311
Emergency Food Assistance Program (Food Commodities)	U.S. Department of Agriculture	Nebraska Department of Health and Human Services	10.569	16163NE826Y8105	3,032,948
Trade Mitigation Program Eligible Recipient Agency Operational Funds	U.S. Department of Agriculture	Nebraska Department of Health and Human Services	10.178	16163NE826Y8105	64,000
Emergency Food Assistance Program (Administrative Costs)	U.S. Department of Agriculture	Iowa Department of Human Services	10.568	ACFS 16-192	51,169
Emergency Food Assistance Program (Food Commodities)	U.S. Department of Agriculture	Iowa Department of Human Services	10.569	ACFS 16-192	1,341,826
Trade Mitigation Program Eligible Recipient Agency Operational Funds	U.S. Department of Agriculture	Iowa Department of Human Services	10.178	ACFS 16-192	8,919
<i>Total Food Distribution Cluster</i>					<u>4,856,173</u>
SNAP Nebraska State Outreach Plan	U.S. Department of Agriculture	Nebraska Department of Health and Human Services	10.561	183NE406S2514 193NE406S2514	93,503 281,538 <u>375,041</u>
Child and Adult Care Food Program	U.S. Department of Agriculture	Nebraska Department of Education	10.558	2018IN202043 2019IN202043	59,967 286,801 <u>346,768</u>
Summer Food Service Program	U.S. Department of Agriculture	Nebraska Department of Education	10.559	201818N109943 201918N109943	118,506 81,121 <u>199,627</u>
Volunteers in Service to America	Corporation for National and Community Service	Nebraska Department of Education	94.013	17VSNNE002	<u>27,648</u>
					<u>\$ 5,805,257</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, 2019

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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2019.

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, L.L.C.

Hayes & Associates, L.L.C.
Omaha, Nebraska
October 24, 2019



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, 2019. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Hayes & Associates, L.L.C.

Hayes & Associates, L.L.C.
Omaha, Nebraska
October 24, 2019

Food Bank for the Heartland
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2019

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal controls over financial reporting:	
• Material weaknesses identified:	None reported
• Significant deficiencies identified:	None reported
Noncompliance material to financial statements noted:	None reported

Federal Awards

Internal control over major programs:	
• Material weaknesses identified:	None reported
• Significant deficiencies identified:	None reported
Type of auditor's report issued on Compliance for major programs:	Unmodified
Any audit findings disclosed that are required to Be reported in accordance with Section 200.516 of Uniform Guidance:	No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.568 & 10.569	Food Distribution Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Audit qualified as low-risk auditee:	Yes
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Food Bank for the Heartland
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the year ended June 30, 2019

II. FINDINGS—FINANCIAL STATEMENTS

None Noted

III. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS

None Noted

Food Bank for the Heartland
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2019

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.

Follow-up: At June 30, 2019 the Organization has implemented new procedures and controls over on-site inspection that sufficiently address the issue. No issues were noted in the current year.