

Food Bank for the Heartland
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the year ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Food Bank for the Heartland

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Bank for the Heartland as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the 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 January 20, 2023, 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, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hayes & Associates, LLC

Hayes & Associates, L.L.C.
Omaha, Nebraska
January 20, 2023

Food Bank for the Heartland
STATEMENT OF FINANCIAL POSITION
June 30, 2022
(With comparative totals for 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
General cash	\$ 7,073,582	\$ 11,801,542
Restricted cash	20,000	20,000
Cash held in investment accounts	65,772	64,527
Accounts receivable		
(net of allowance of \$0 and \$7,342, respectively)	650,730	358,178
Unconditional promises to give	120,000	149,340
Prepaid expenses	58,596	37,990
Donated food inventory	572,661	1,023,925
Purchased food inventory	381,892	431,966
Investments	2,581,738	2,948,795
Total current assets	11,524,971	16,836,263
NONCURRENT ASSETS		
Restricted cash, net of current portion	32,944	32,986
Unconditional promises to give, net of current portion	128,654	-
Software development costs, net of accumulated amortization of \$64,860	259,438	-
Property and equipment		
Land	292,700	292,700
Building	2,342,409	2,342,409
Equipment	1,107,766	928,686
Building improvements	4,765,760	4,741,379
Vehicles	1,458,952	1,444,606
Construction in progress	60,950	-
Right-of-use equipment, operating leases	199,418	253,963
Total property and equipment	10,227,955	10,003,743
Less: accumulated depreciation	(4,083,955)	(3,524,306)
Total property and equipment	6,144,000	6,479,437
Total noncurrent assets	6,565,036	6,512,423
Total assets	\$ 18,090,007	\$ 23,348,686

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF FINANCIAL POSITION - CONTINUED
June 30, 2022
(With comparative totals for 2021)

	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 638,616	\$ 1,019,323
Accrued salaries	294,099	350,237
Operating leases	54,670	52,889
Deferred revenue	118,493	465,312
Total current liabilities	1,105,878	1,887,761
LONG-TERM LIABILITIES		
Operating leases, net of current portion	144,748	199,418
Total liabilities	1,250,626	2,087,179
NET ASSETS		
Without donor restriction		
Operating fund	13,672,309	17,360,915
Funded depreciation fund - board designated	1,126,933	1,263,109
Quasi-endowment fund - board designated	1,520,577	1,750,213
Total net assets without donor restriction	16,319,819	20,374,237
With donor restriction	519,562	887,270
Total net assets	16,839,381	21,261,507
Total liabilities and net assets	\$ 18,090,007	\$ 23,348,686

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF ACTIVITIES
For the year ended June 30, 2022
(With comparative totals for 2021)

	2022		2021	
	Without donor restriction	With donor restriction	Total	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Public support				
Nonfinancial assets - donated food and commodities	\$ 25,854,604	\$ -	\$ 25,854,604	\$ 26,246,650
Public contributions	9,035,830	1,736,960	10,772,790	13,124,131
Nonfinancial assets - In-kind donations	105,382	-	105,382	74,773
Special event (net of direct donor benefit of \$29,103, and \$29,054 respectively)	376,944	-	376,944	347,998
Total public support	<u>35,372,760</u>	<u>1,736,960</u>	<u>37,109,720</u>	<u>39,793,552</u>
Government support and cost reimbursements				
Nonfinancial assets - USDA commodities	5,832,184	-	5,832,184	8,380,397
Emergency food assistance programs	2,154,175	-	2,154,175	13,839,008
SNAP	684,372	-	684,372	648,340
Purchased product	-	-	-	4,773
Total government support and cost reimbursements	<u>8,670,731</u>	<u>-</u>	<u>8,670,731</u>	<u>22,872,518</u>
Revenue and gains/(losses)				
Investment income/(loss)	(365,811)	-	(365,811)	478,878
Agency handling fee	2,992	-	2,992	3,937
Interest income on cash accounts	23,781	-	23,781	19,601
Gain/(loss) on disposal of capital asset	5,000	-	5,000	(1,775)
Total revenue and gains/(losses)	<u>(334,038)</u>	<u>-</u>	<u>(334,038)</u>	<u>500,641</u>
Total support and revenue before net assets released from restrictions				
	43,709,453	1,736,960	45,446,413	63,166,711
Net assets released from restrictions				
Satisfaction of program restrictions	2,104,668	(2,104,668)	-	-
Total support, revenue, and reclassifications	<u>45,814,121</u>	<u>(367,708)</u>	<u>45,446,413</u>	<u>63,166,711</u>
EXPENSES AND LOSSES				
Program services	48,308,601	-	48,308,601	59,055,764
Management and general	637,596	-	637,596	934,008
Fundraising	922,343	-	922,343	675,290
Total expenses and losses	<u>49,868,539</u>	<u>-</u>	<u>49,868,539</u>	<u>60,665,062</u>
CHANGE IN TOTAL NET ASSETS	(4,054,418)	(367,708)	(4,422,126)	2,501,649
NET ASSETS, BEGINNING OF YEAR	<u>20,374,237</u>	<u>887,270</u>	<u>21,261,507</u>	<u>18,759,858</u>
NET ASSETS, END OF YEAR	<u>\$ 16,319,819</u>	<u>\$ 519,562</u>	<u>\$ 16,839,381</u>	<u>\$ 21,261,507</u>

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022
(With comparative totals for 2021)

	2022			2021	
	Program Services	Supporting Services		Total	Total
		General & Administrative	Fundraising		
Salaries and related expenses					
Salaries	\$ 3,240,322	\$ 343,093	\$ 228,729	\$ 3,812,143	\$ 3,440,926
Employee benefits	630,086	66,715	44,477	741,278	638,576
Payroll taxes	239,710	25,381	16,921	282,012	198,855
Payroll service expense	14,446	1,530	1,020	16,995	14,102
Total salaries and related expenses	4,124,564	436,719	291,146	4,852,428	4,292,459
Food distributed to agencies					
Public support	29,758,773	-	-	29,758,773	42,962,148
USDA commodities	9,597,807	-	-	9,597,807	8,193,681
Kids Café	279,408	-	-	279,408	126,427
BackPack	944,368	-	-	944,368	1,360,954
Agencies	26,169	-	-	26,169	64,803
SNAP	106,532	-	-	106,532	298,022
Summer food	48,528	-	-	48,528	64,102
Vista program	14,487	-	-	14,487	26,311
Freight	364,590	-	-	364,590	181,335
Maintenance:					
Building	53,904	9,513	-	63,417	62,854
Equipment	29,490	2,621	655	32,766	50,785
Computer	403,793	35,893	8,973	448,659	226,851
Other	29,141	-	-	29,141	25,628
Public relations	353,347	-	559,123	912,470	692,860
Utilities	75,110	3,953	-	79,063	77,913
Insurance	118,797	12,578	8,386	139,761	120,045
Warehouse supplies	398,333	-	-	398,333	289,805
Conference and travel	32,853	3,479	2,319	38,651	11,748
Postage and printing	18,005	1,906	1,271	21,182	37,637
Memberships	29,026	-	-	29,026	12,115
Vehicle expense	445,986	47,222	31,481	524,689	438,640
Telephone and internet	80,675	8,542	5,695	94,912	65,115
Office supplies	21,572	2,284	1,523	25,379	16,058
Professional fees	33,629	3,561	2,374	39,564	58,274
Administrative fees	166,751	17,656	11,771	196,178	139,509
Other	214,652	22,728	15,152	252,532	271,394
Total expense other than salaries and related expenses	43,645,726	171,936	648,723	44,466,385	55,875,014
Total expense before depreciation and interest	47,770,290	608,655	939,869	49,318,813	60,167,473
Depreciation	538,311	28,941	11,577	578,829	526,643
Total expenses	48,308,601	637,596	951,446	49,897,642	60,694,116
Less: Direct benefit to donor	-	-	(29,103)	(29,103)	(29,054)
Expenses in statement of activities	\$ 48,308,601	\$ 637,596	\$ 922,343	\$ 49,868,539	\$ 60,665,062

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF CASH FLOWS
For the year ended June 30, 2022
(With comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in total net assets	\$ (4,422,126)	\$ 2,501,649
Adjustments for non cash items and investing activities affecting changes in total net assets:		
Net (gain)/loss on investments	365,812	(478,878)
(Gain)/loss on disposal of assets	(5,000)	1,775
Depreciation	578,829	526,643
Amortization of software development costs	64,860	-
Change in right-of-use asset	54,545	(124,478)
Change in operating lease	(52,889)	125,540
Changes in:		
Accounts receivable	(292,552)	1,056,697
Prepaid assets	(20,606)	42,780
Change in inventory	501,338	331,490
Promises to give	(99,314)	936,116
Accounts payable	(380,707)	413,709
Accrued salaries	(56,138)	160,910
Refundable advance	-	(475,864)
Deferred revenue	(346,819)	(186,717)
Net cash (used)/provided by operating activities	<u>(4,110,767)</u>	<u>4,831,372</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	1,245	(87,675)
Purchases for software development	(324,298)	-
Purchases of equipment and improvements	<u>(292,937)</u>	<u>(775,233)</u>
Net cash (used)/provided by investing activities	(615,990)	(862,908)
NET CHANGE IN CASH	(4,726,757)	3,968,464
CASH AT BEGINNING OF YEAR		
Unrestricted	\$ 11,801,542	\$ 7,745,358
Restricted	52,986	53,031
Cash held in investments	64,527	152,202
Total	<u>\$ 11,919,055</u>	<u>\$ 7,950,591</u>
CASH AT END OF YEAR		
Unrestricted	\$ 7,073,582	\$ 11,801,542
Restricted	52,944	52,986
Cash held in investments	65,772	64,527
Total	<u>\$ 7,192,298</u>	<u>\$ 11,919,055</u>
Supplemental Cash Flow Information		
Noncash activity		
Food donations	(31,686,788)	(34,627,047)
Distribution to other agencies	31,668,311	35,037,819

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE A **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

1. Organization

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. Financial Statement Presentation

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

- a. Net assets without donor restrictions; including net assets whose use is not restricted by donors, though their use may be limited in other respects, such as by contract or by board designation.
- b. Net assets with donor restrictions; including net assets whose use by the Organization has been limited by donors either temporarily or in perpetuity, depending on the donor stipulations. Restrictions that are temporary in nature stipulate resources to be used after a specified date, for a particular program or service, or to acquire capital assets. Restrictions that are perpetual in nature stipulate resources be maintained permanently but laws may extend those limits to investment returns or to other enhancements of those resources. The Organization had no restrictions perpetual in nature as of June 30, 2022.

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, 2022

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, 2022

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, 2022 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, 2022

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).

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, 2021, from which the summarized information was derived.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2022

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Revenue and Cost Recognition on Contracts

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

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

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

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

15. New Accounting Pronouncements

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new pronouncement increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. Nonfinancial assets - In-kind donations has been added to the statement of activities and disclosed in Note E.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2022

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

15. New Accounting Pronouncements - Continued

In April 2015, the FASB issued Accounting Standards Update No. 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement, to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. The financial statements have been updated for the capitalization of certain software development costs for the organization’s software hosting arrangement.

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.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2022

NOTE B BOARD DESIGNATIONS - CONTINUED

2. Endowment Fund – Board Designated - Continued

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.

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	\$ 1,263,109	\$ 1,750,213	\$ 3,013,322
Contributions	-	-	-
Withdrawals	-	-	-
Appropriated for expenditure	-	-	-
Total activity	-	-	-
Investment earnings	32,754	50,162	82,916
Investment expenses	(10,246)	(14,155)	(24,401)
Net realized gains (losses) on securities sales	-	-	-
Unrealized gains (losses) in value of investments	(158,684)	(265,643)	(424,327)
Total appreciation/depreciation	(136,176)	(229,636)	(365,812)
Ending designated funds	<u>\$ 1,126,933</u>	<u>\$ 1,520,577</u>	<u>\$ 2,647,510</u>

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2022

NOTE C INVESTMENTS

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

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

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

The composition of the Organization's investments at June 30, 2022, is set forth in the following table. Investments are stated at fair market value.

	2022	
	Carrying Amount	Fair Value
Cash held		
in investment accounts	\$ 65,772	\$ 65,772
Trading securities:		
Equities and Options	-	-
Mutual funds, ETFs, and closed end-funds	2,581,738	2,581,738
Total investments	2,581,738	2,581,738
Total cash held for investments	\$2,647,510	\$2,647,510

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2022

NOTE D FAIR VALUE MEASUREMENTS

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

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

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

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

The table below presents the amounts of assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

	<u>Amount</u>	<u>Level 1</u>
Cash held		
in investment accounts	\$ 65,772	\$ 65,772
Trading securities:		
Equities and Options	-	-
Mutual funds, ETFs, and closed end-funds	<u>2,581,738</u>	<u>2,581,738</u>
Total investments	<u>2,581,738</u>	<u>2,581,738</u>
Total cash held for		
investments and investments	<u><u>\$2,647,510</u></u>	<u><u>\$2,647,510</u></u>

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

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2022

NOTE E CONTRIBUTED NONFINANCIAL ASSETS

The Organization recognized contributed nonfinancial assets within revenue, including \$25,854,604 in public donations of foods and commodities, \$5,832,184 in USDA commodities. All public and USDA donation of foods and commodities are utilized and generally restricted for use in the services provided by the Organizations various programs. These programs include:

- The Emergency Food Assistance Program, providing food to agency partners, including pantries, schools, churches, emergency shelters, and other non-profit organizations to supply emergency and supplemental food to children, families, seniors, and veterans in need.
- The Backpack Program, a partnership with area schools, offers packs of weekend breakfasts and lunches to children.
- Kids Café, a free-meal service programs for at-risk children and serves evening meals to children in partnership with organizations that offer a safe environment after school and during the summer months.
- The Mobile Pantry Program delivers fresh and shelf-stable food directly to communities with a high need but limited food resources.

The Organization also recognized contributed nonfinancial assets of \$69,842 in donated goods and \$35,540 in services for the Celebrity Chef special event. Of the donated goods \$49,528 were for items auctioned off at the special event and \$20,314 was for food provided for the event.

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 Organization also received 32,943 volunteer hours valued at approximately \$986,643, 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.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2022

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 \$80,444 for the year ended June 30, 2022.

NOTE G 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, 2022, cash and cash equivalents included \$7,217,478 held in commercial banks. As of June 30, 2022, the Organization’s held funds in excess of FDIC coverage of \$4,350,300. In addition, as of June 30, 2022, the Organization held \$64,772 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, 2022, cash held with the investment company was fully insured.

NOTE H SPECIAL EVENTS

During the year ended June 30, 2022, 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	\$ 429,705	\$ 160,214	\$ 29,103	\$ 240,388
Total	<u>\$ 429,705</u>	<u>\$ 160,214</u>	<u>\$ 29,103</u>	<u>\$ 240,388</u>

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2022

NOTE I FOOD INVENTORY

Food inventory as of June 30, 2022, consisted of 752,340 lbs. at a value of \$954,553. Of the total above, USDA inventory consisted of 64,526 lbs. at a value of \$109,716 and the purchased products, Backpack products, and Kids Café after school snack inventory consisted of 446,697 lbs. valued at \$381,892. The remaining inventory consisted of 241,117 lbs. valued at \$462,945.

As of June 30, 2022, public food donations received in pounds was 13,465,940. The amount of food distributed in pounds for the years ended June 30, 2022, was 13,012,206. These amounts do not include purchased product or USDA commodities.

NOTE J 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, 2022, the Organization expended none of this grant. As of June 30, 2022, donor restricted net assets under the grant totaled \$52,944.

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, 2022:

BackPack Program	\$ 387,762
Kids Café program	35,856
Robert D. Wilson Foundation grant	52,944
Parent Feeding	43,000
Total	\$ 519,562

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2022

NOTE K 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, 2022, were as follows:

Food Bank Friends	\$ 340,224
BackPack Program	1,231,198
Kids Café program	39,144
Supplemental Nutrition Assistance Program (SNAP)	145,613
Summer food program	276,297
Parent Feeding	43,000
Robert D. Wilson Foundation grant	42
Advocacy	4,150
Marketing	25,000
Total	<u><u>\$ 2,104,668</u></u>

NOTE L UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are classified as net assets without donor restrictions in the statement of activities. During the year the Organization received a \$200,000 multi-year grant to be distributed over a four-year period. The final payment is to be received in the fiscal year ending June 30, 2026. The Organization has recognized the noncurrent portion of the promise to give at net present value with an unamortized discount of 5.25% based on the risk-free interest rate of treasury bills of similar maturity length.

Unconditional promises to give amounted to \$248,654 at June 30, 2022 and consist of the following:

Promises due in:	
Less than one year	\$ 120,000
One to five years	150,000
Less unamortized discount at 5.25%	<u>21,346</u>
Total	<u><u>\$ 248,654</u></u>

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2022

NOTE M DEFERRED REVENUE

Deferred revenue consists of the difference between USDA foods received and distributed during the year ended June 30, 2022.

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, 2022, was \$91,619.

NOTE O 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, 2022, \$189,986 was paid to the Organization by the Iowa Food Bank Association as a reimbursement for services. As of June 30, 2022, \$138,933 was due to the Organization.

NOTE P 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, 2022. 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, 2022

NOTE Q 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 are 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, 2022

NOTE Q LIQUIDITY DISCLOSURE – CONTINUED

As of June 30, 2022, the following financial assets could be made available within one year of the balance sheet date to meet general expenditure:

Liquid financial assets:

Cash	\$ 3,174,234
Unconditional promises to give	120,000
Investments	-
Accounts receivable, agency	3,159
Accounts receivable, government	537,249
Accounts receivable, misc	100
	<u>3,834,742</u>

Liquidity resources:

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

Emergency or Strategic Initiative Reserve Fund	3,899,348
Board Designated Endowment Fund	1,520,577
Funded Depreciation Fund	1,126,933
	<u>6,546,858</u>

Total	<u><u>\$ 10,881,600</u></u>
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Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2022

NOTE R OPERATING LEASES

Operating lease expense and liability consisted of the following as of June 30, 2022.

	<u>Discount rate</u>	<u>Year ended June 30, 2021</u>		
		<u>Variable Expense</u>	<u>Lease Expense</u>	<u>Remaining Lease Liability</u>
On January 31, 2021, the Organization entered into a lease agreement for the use of a truck. The lease is payable in 84 monthly fixed installments of \$2,342, with an additional variable amount based on mileage and refrigeration hours of the truck. The final payment of the lease is due on January 31, 2028.	5.25%	\$ 14,424	\$ 28,104	\$ 135,753
On May 1, 2020, the Organization entered into a lease agreement for the use of parking space. Lease installments are made monthly, \$600 for the first twelve months, \$620 for the second 12 months, \$640 for the third 12 months, and \$660 for the final twelve months. The final lease payment is due April 30, 2024.	5.25%	-	7,560	13,619
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%	9,769	16,318	25,989
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	425

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2022

NOTE R OPERATING LEASES - CONTINUED

	<u>Discount rate</u>	<u>Year ended June 30, 2021</u>		
		<u>Variable Expense</u>	<u>Lease Expense</u>	<u>Remaining Lease Liability</u>
On May 15, 2019, the Organization entered into a lease agreement for the use of three copiers. The lease is payable in 60 monthly payments of \$1,000 beginning August 1, 2019. The final lease payment is due July 1, 2024 with a fair market purchase option.	5.25%	\$ -	\$ 12,000	\$ 23,632
		\$ 24,193	\$ 65,698	\$ 199,418
Less: Current Portion				<u>54,670</u>
Total				<u><u>\$ 144,748</u></u>

As of June 30, 2022, the total remaining operating lease payments under non-cancelable lease agreements are as follows:

<u>Year ending June 30,</u>	
2023	63,829
2024	58,386
2025	29,104
2026	28,104
Thereafter	44,498
	<u><u>\$ 223,921</u></u>

NOTE S COVID PANDEMIC CARES ACT

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

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2022

NOTE S COVID PANDEMIC CARES ACT - CONTINUED

The Organization maintained an aggressive food purchase program and invested in infrastructure and systems to boost capacity and bolster services during fiscal years 2021 because of the heightened consumer demand for food during the pandemic. For the fiscal year ended June 30, 2022, the Organization received \$747,000 in CARES ACT funding, which was utilized to purchase food that was not covered by other funding sources.

NOTE T SUBSEQUENT EVENTS

Subsequent events have been assessed through January 20, 2023 which is the date the financial statements were issued, and we have 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, 2022

Cluster/Program Title	Federal Grantor	Passthrough Grantor	Federal CFDA Number	Grant Number	Expenditures
<i>Food Distribution Cluster</i>					
Emergency Food Assistance Program	U.S. Department of Agriculture	Nebraska Department of Health and Human Services	10.568	223NE826Y8105	\$ 411,325
(Administrative Costs)		Iowa Department of Human Services		16163NE826Y8105	431,685
				ACFS 16-192	86,331
					<u>929,341</u>
Emergency Food Assistance Program (Food Commodities)	U.S. Department of Agriculture	Nebraska Department of Health and Human Services Iowa Department of Human Services	10.569	223NE826Y8105 ACFS 16-192	4,416,073 <u>1,392,756</u> 5,808,829
<i>Total Food Distribution Cluster</i>					
					<u>6,738,170</u>
COVID-19 CARES Act Funds	U.S. Department of Treasury	Iowa Department of Human Services	21.019		747,000
<i>SNAP Cluster</i>					
SNAP Nebraska State Outreach Plan	U.S. Department of Agriculture	Nebraska Department of Health and Human Services	10.561	223NE406S2514	244,289
				213NE406S2514	<u>111,165</u> 355,454
<i>Total SNAP Cluster</i>					
Child and Adult Care Food Program	U.S. Department of Agriculture	Nebraska Department of Education	10.558	202222N119943	247,807
<i>Child Nutrition Cluster</i>					
Summer Food Service Program	U.S. Department of Agriculture	Nebraska Department of Education	10.559	202222N119943	65,911
				202121H170643	39,393
				201121N109943	<u>37,968</u> 143,272
<i>Total Child Nutrition Cluster</i>					
Volunteers in Service to America Block Grant	Corporation for National and Community Service		94.013	17VSNNE002	<u>14,487</u> <u>\$ 8,246,190</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, 2022

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.

Food Bank for the Heartland
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2022

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Indirect Awards

During the year the Organization received Federal awards totaling \$7,484,703 from the U.S. Department of Agriculture, and \$747,000 from the U.S. Department of Treasury. These grants were received indirectly from passthrough agencies. A total of \$5,614,537 was received from the Nebraska Department of Health and Human Services, \$2,226,087 was received from the Iowa Department of Human Services, and \$391,079 was received from the Nebraska Department of Education.



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

To the Board of Directors of
Food Bank for the Heartland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Food Bank for the Heartland (the Organization), which comprise the statement of financial position as of June 30, 2022, 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 January 20, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Hayes & Associates, LLC

Hayes & Associates, L.L.C.

Omaha, Nebraska

January 20, 2023



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

Opinion on 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Hayes & Associates, LLC

Hayes & Associates, L.L.C.

Omaha, Nebraska

January 20, 2023

Food Bank for the Heartland
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2022

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**

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, 2022

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, 2022

II. FINDINGS—FINANCIAL STATEMENTS

None Noted

III. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS

None Noted