

Food Bank for the Heartland
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the year ended June 30, 2024

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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, 2024, 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, 2024, 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.

Report on Summarized Comparative Information

We have previously audited the Food Bank for the Heartland's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, 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
January 17, 2025

Food Bank for the Heartland
STATEMENT OF FINANCIAL POSITION
June 30, 2024
(With comparative totals for 2023)

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
General cash	\$ 7,201,805	\$ 9,878,456
Restricted cash	7,430,690	20,000
Cash held in investment accounts	156,772	68,469
Accounts receivable (net of allowance of \$0 and \$0, respectively)	3,437,418	1,856,743
Unconditional promises to give	2,724,462	828,663
Prepaid expenses	758,584	181,609
Donated food inventory	1,511,170	1,284,808
Purchased food inventory	582,388	517,813
Investments	4,600,743	2,769,139
Total current assets	28,404,032	17,405,700
NONCURRENT ASSETS		
Restricted cash, net of current portion	33,040	32,982
Unconditional promises to give, net of current portion	3,122,114	1,944,166
Software development costs, (net of accumulated amortization of \$266,902 and \$188,481, respectively)	130,256	208,677
Right-of-use assets, net	100,858	155,116
Property and equipment		
Land	292,700	292,700
Building	2,342,409	2,342,409
Equipment	1,640,667	1,361,590
Building improvements	4,967,193	4,891,463
Vehicles	2,884,885	1,687,703
Construction in progress	10,530,059	9,346,271
Total property and equipment	22,657,913	19,922,136
Less: accumulated depreciation	(4,627,786)	(4,346,991)
Total property and equipment	18,030,127	15,575,145
Total noncurrent assets	21,416,395	17,916,086
 Total assets	 \$ 49,820,427	 \$ 35,321,786

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF FINANCIAL POSITION - CONTINUED
June 30, 2024
(With comparative totals for 2023)

	2024	2023
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,117,091	\$ 407,922
Accrued salaries	425,892	371,497
Operating lease liability	27,165	54,258
Refundable advance	-	600,000
Notes payable	7,130,000	7,130,000
Other current liabilities	254,097	251,752
Total current liabilities	8,954,245	8,815,429
 NONCURRENT LIABILITIES		
Operating leases, net of current portion	73,693	100,857
Total noncurrent liabilities	73,693	100,857
Total liabilities	9,027,938	8,916,286
 NET ASSETS		
Without donor restriction		
Operating fund	29,898,738	18,021,915
Funded depreciation fund - board designated	1,330,357	1,205,228
Quasi-endowment fund - board designated	3,427,158	1,632,380
Emergency or strategic initiative reserve fund - board designated	3,729,024	3,605,352
Total net assets without donor restriction	38,385,277	24,464,875
With donor restriction	2,407,212	1,940,625
Total net assets	40,792,489	26,405,500
Total liabilities and net assets	\$ 49,820,427	\$ 35,321,786

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF ACTIVITIES
For the year ended June 30, 2024
(With comparative totals for 2023)

	2024		2023	
	Without donor restriction	With donor restriction	Total	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Public support				
Contributed nonfinancial assets - donated food and commodities	\$ 22,532,216	\$ -	\$ 22,532,216	\$ 23,560,830
Public contributions	19,101,400	2,859,906	21,961,306	15,845,909
Contributed nonfinancial assets - Celebrity Chef	262,984	-	262,984	209,158
Contributed nonfinancial assets - building	-	-	-	1,870,000
Contributed nonfinancial assets - other	27,722	-	27,722	-
Special event (net of direct donor benefit of \$101,131, and \$65,717 respectively)	564,638	50,000	614,638	597,666
Public support services donations	-	-	-	260,317
Total public support	<u>42,488,960</u>	<u>2,909,906</u>	<u>45,398,866</u>	<u>42,343,880</u>
Government support and cost reimbursements				
Contributed nonfinancial assets - USDA commodities	9,913,542	-	9,913,542	4,490,288
Coronavirus state and local fiscal recovery funds	6,508,902	-	6,508,902	4,989,411
Emergency food assistance programs	1,425,903	-	1,425,903	1,437,705
SNAP	782,487	-	782,487	702,551
Purchased product	132,033	-	132,033	24,132
Total government support and cost reimbursements	<u>18,762,867</u>	<u>-</u>	<u>18,762,867</u>	<u>11,644,087</u>
Revenue and gains/(losses)				
Net investment income/(loss)	1,885,014	-	1,885,014	190,097
Agency handling fee	-	-	-	-
Interest income on cash accounts	420,152	58	420,210	147,229
Gain/(loss) on disposal of capital asset	20,881	-	20,881	11,577
Operating lease - Rental income	-	-	-	258,065
Other revenue	1,350	-	1,350	5,463
Total revenue and gains/(losses)	<u>2,327,397</u>	<u>58</u>	<u>2,327,455</u>	<u>612,431</u>
Total support and revenue before net assets released from restrictions	63,579,224	2,909,964	66,489,188	54,600,398
Net assets released from restrictions				
Satisfaction of program restrictions	2,443,377	(2,443,377)	-	-
Total support, revenue, and reclassifications	<u>66,022,601</u>	<u>466,587</u>	<u>66,489,188</u>	<u>54,600,398</u>
EXPENSES				
Program services	50,202,167	-	50,202,167	43,047,825
Management and general	896,865	-	896,865	789,878
Fundraising	1,003,167	-	1,003,167	1,196,576
Total expenses and losses	<u>52,102,199</u>	<u>-</u>	<u>52,102,199</u>	<u>45,034,279</u>
CHANGE IN TOTAL NET ASSETS	13,920,402	466,587	14,386,989	9,566,119
NET ASSETS, BEGINNING OF YEAR	<u>24,464,875</u>	<u>1,940,625</u>	<u>26,405,500</u>	<u>16,839,381</u>
NET ASSETS, END OF YEAR	<u>\$ 38,385,277</u>	<u>\$ 2,407,212</u>	<u>\$ 40,792,489</u>	<u>\$ 26,405,500</u>

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2024
(With comparative totals for 2023)

	2024			2023	
	Program Services	Supporting Services		Total	Total
		General & Administrative	Fundraising		
Salaries and related expenses					
Salaries	\$ 4,314,439	\$ 456,823	\$ 304,549	\$ 5,075,811	\$ 4,561,844
Employee benefits	763,115	80,800	53,867	897,782	836,598
Payroll taxes	305,745	32,373	21,582	359,700	326,732
Payroll service expense	24,057	2,547	1,698	28,302	23,083
Total salaries and related expenses	5,407,356	572,543	381,696	6,361,595	5,748,257
Food distributed to agencies					
Public support	28,047,151	-	-	28,047,151	22,729,878
USDA commodities	9,597,807	-	-	9,597,807	9,597,807
Kids Café	299,336	-	-	299,336	323,591
BackPack	1,179,452	-	-	1,179,452	1,040,915
Agencies	187,593	-	-	187,593	46,722
SNAP	183,927	-	-	183,927	170,481
Summer food	155,400	-	-	155,400	84,828
Grants refunded	242,828	-	-	242,828	-
Freight	616,491	-	-	616,491	494,550
Maintenance:					
Building	125,401	22,130	-	147,531	93,399
Equipment	56,334	5,007	1,252	62,593	47,350
Computer	606,988	53,954	13,489	674,431	783,100
Other	61,759	-	-	61,759	44,614
Public relations	373,153	-	559,729	932,882	925,518
Utilities	125,563	6,609	-	132,172	81,400
Insurance	137,546	14,564	9,709	161,819	164,351
Warehouse rent	23,143	-	-	23,143	11,269
Warehouse supplies	328,275	-	-	328,275	319,050
Conference and travel	124,258	13,157	8,771	146,186	85,077
Postage and printing	20,772	2,199	1,466	24,437	20,582
Memberships	19,447	-	-	19,447	36,233
Vehicle expense	542,637	57,456	38,304	638,397	669,240
Telephone and internet	26,228	2,777	1,851	30,856	57,870
In-kind donation	247,100	26,164	17,442	290,706	209,158
Office supplies	16,094	1,704	1,136	18,934	24,967
Professional fees	132,076	13,984	9,323	155,383	142,246
Administrative fees	121,200	12,833	8,555	142,588	295,725
Other	226,428	23,975	15,983	266,386	86,303
Total expense other than salaries and related expenses	43,824,387	256,513	687,010	44,767,910	38,586,224
Total expense before depreciation and interest	49,231,743	829,056	1,068,706	51,129,505	44,334,481
Depreciation	670,428	36,045	14,417	720,890	530,225
Interest	299,996	31,764	21,175	352,935	235,290
Total expenses	50,202,167	896,865	1,104,298	52,203,330	45,099,996
Less: Direct benefit to donor	-	-	(101,131)	(101,131)	(65,717)
Total expenses in statement of activities	<u>\$ 50,202,167</u>	<u>\$ 896,865</u>	<u>\$ 1,003,167</u>	<u>\$ 52,102,199</u>	<u>\$ 45,034,279</u>

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
STATEMENT OF CASH FLOWS
For the year ended June 30, 2024
(With comparative totals for 2023)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Reconciliation of Change in Net Assets to Net Cash		
from (used for) Operating Activities		
Change in total net assets	\$ 14,386,989	\$ 9,566,119
Adjustments for non cash items and investing		
activities affecting changes in total net assets:		
Net unrealized (gain)/loss on investments	(403,643)	(190,098)
(Gain)/loss on disposal of assets	(20,881)	(11,577)
Depreciation	663,350	541,801
Amortization of software development costs	78,421	123,621
Change in right-of-use asset	54,258	44,302
Change in operating lease	(54,257)	(44,303)
Changes in:		
Accounts receivable	(1,580,675)	(1,206,013)
Prepaid assets	(576,975)	(123,013)
Change in inventory	(290,937)	(848,068)
Promises to give	(3,073,747)	(2,524,175)
Accounts payable	709,169	(230,694)
Other current liabilities	2,345	251,752
Accrued salaries	54,395	77,398
Refundable advance	(600,000)	600,000
Deferred revenue	-	(118,493)
Net cash (used)/provided by operating activities	9,347,812	5,908,559
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,427,961)	2,697
Purchases for software development	-	(72,860)
Purchases of equipment and improvements	(3,097,451)	(10,160,787)
Net cash (used)/provided by investing activities	(4,525,412)	(10,230,950)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) of long-term debt	-	7,130,000
Net cash (used)/provided by financing activities	-	7,130,000
NET CHANGE IN CASH	\$ 4,822,400	\$ 2,807,609
CASH AT BEGINNING OF YEAR		
Unrestricted	\$ 9,878,456	\$ 7,073,582
Restricted	52,982	52,944
Cash held in investments	68,469	65,772
Total	\$ 9,999,907	\$ 7,192,298
CASH AT END OF YEAR		
Unrestricted	\$ 7,201,805	\$ 9,878,456
Restricted	7,463,730	52,982
Cash held in investments	156,772	68,469
Total	\$ 14,822,307	\$ 9,999,907
Supplemental Cash Flow Information		
Noncash activity		
Food donations	(32,445,758)	(28,051,118)
Distribution to other agencies	31,221,509	26,315,704
Amounts included in accounts payable for equipment and improvements	127,150	-

See accompanying notes and independent auditor's report.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

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, 2024.

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
For the year ended June 30, 2024

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.

Cash and cash equivalents are measured at amortized cost, thus included in the scope of ASC 326, however, management has not historically experienced any losses on such accounts, and is not aware of current events or scenarios that would lead management to believe an expected credit loss is likely, and also does not have any information that would provide for a reasonable or supportable forecast of expected credit loss and therefore believes these financial assets have a current expected credit loss of zero.

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. Accounts Receivable and Allowance for Credit Loss

Management reviews receivables regularly to determine any amount that may not be collected based on prior collection history. The estimated rate is then adjusted based upon future forecasted changes in unemployment rates over the next 12 months. The change in projected unemployment rate for 2025 is not considered material. Management considers all receivables as of June 30, 2024, to be 100% collectible; therefore, no allowance for credit loss has been recorded. All receivables are due within one year and accrue no interest.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Accounts Receivable and Allowance for Credit Loss - Continued

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with our accounting policy election. There were no write offs for the year ended June 30, 2024.

8. 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.

9. 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.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Promises to Give and Contributions - Continued

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, 2024 there are no conditional promises to give.

10. 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.

11. Leases

The Organization determines if an arrangement is a lease at inception. If an arrangement contains a lease, the Organization performs a lease classification test to determine if the lease is an operating lease or a finance lease. Leases with a lease term of 12 months or less at inception are not recorded in the statement of financial position and are expensed on a straight-line basis over the lease term in the statement of activities. The Organization recognizes leases with terms exceeding 12 months as right-of-use (ROU) assets and related liabilities. Operating lease right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease, both of which are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Leases - Continued

To determine the present value of lease payments on lease commencement, we use the implicit rate when readily determinable, however as most leases do not provide an implicit rate, we use our incremental borrowing rate based on information available at commencement date.

12. Special Events

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

13. 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.

14. 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).

15. 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, 2023, from which the summarized information was derived.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. 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.

17. Newly Adopted Accounting Standards

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. During the years ended June 30, 2024 and 2023 no financial assets, material to the financial statements, were held by the Organization that are subject to the guidance in FASB ASC 326. All receivable balances are immaterial and considered fully collectible.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

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. Quasi-Endowment Fund – Board Designated

The Board established the Quasi-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.

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:

3. Emergency or Strategic Initiative Reserve Fund – Board Designated

The Emergency or Strategic Initiative Reserve Fund was established by the Board for use when management determines it is necessary to respond to a local, regional, national, or global emergency or disaster, or to support ongoing and long-term strategic initiatives. The board designates up to \$130,000 to be used without board approval. Any transfer greater than \$130,000 requires board approval.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE B BOARD DESIGNATIONS - CONTINUED

	Funded Depreciation Fund	Board Designated Endowment Fund	Emergency or Strategic Initiative Reserve Fund	Total
Beginning designated funds	\$ 1,205,228	\$ 1,632,380	\$ 3,605,352	\$ 6,442,960
Contributions	-	1,551,157	123,672	1,674,829
Withdrawals	-	-	-	-
Appropriated for expenditure	-	-	-	-
Total activity	-	1,551,157	123,672	1,674,829
Investment earnings	41,544	68,772	-	110,316
Investment expenses	(9,284)	(17,995)	-	(27,279)
Net realized gains (losses) on securities sales	-	-	-	-
Unrealized gains (losses) in value of investments	92,869	192,844	-	285,713
Total appreciation/depreciation	125,129	243,621	-	368,750
Ending designated funds	<u>\$ 1,330,357</u>	<u>\$ 3,427,158</u>	<u>\$ 3,729,024</u>	<u>\$ 8,486,539</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.

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.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE C INVESTMENTS - CONTINUED

The composition of the Organization's investments at June 30, 2024, is set forth in the following table. Investments are stated at fair market value.

	2024	
	Cost	Fair Value
Cash held		
in investment accounts	\$ 156,772	\$ 156,772
Trading securities:		
Equities and Options	275,952	280,788
Mutual funds, ETFs, and closed end-funds	3,910,950	4,319,955
Total investments	4,186,902	4,600,743
Total cash held for		
investments and investments	\$4,343,674	\$4,757,515

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.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE D FAIR VALUE MEASUREMENTS – CONTINUED

The table below presents the amounts of assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 which were all considered Level 1:

	Amount	Level 1
Cash held		
in investment accounts	\$ 156,772	\$ 156,772
Trading securities:		
Equities and Options	280,788	280,788
Mutual funds, ETFs, and closed end-funds	4,319,955	4,319,955
Total investments	4,600,743	4,600,743
Total cash held for investments and investments	\$4,757,515	\$4,757,515

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

NOTE E CONTRIBUTED NONFINANCIAL ASSETS

The Organization recognized contributed nonfinancial assets within revenue, including \$22,532,216 in public donations of foods and commodities, \$9,913,542 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.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE E **CONTRIBUTED NONFINANCIAL ASSETS - CONTINUED**

The Organization also recognized contributed nonfinancial assets of \$87,212 in donated goods and \$175,772 in services for the Celebrity Chef special event. Of the donated goods \$67,350 were for items auctioned off at the special event and \$19,862 was for food provided for the event.

The Organization received an additional \$4,877 in other donated goods and \$22,845 in other services throughout the year.

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 52,497 volunteer hours valued at approximately \$1,758,125, 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 \$103,077 for the year ended June 30, 2024.

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.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE G CONCENTRATION OF RISK - CONTINUED

As of June 30, 2024, cash and cash equivalents included \$15,568,872 held in commercial banks. As of June 30, 2024, the Organization's held funds in excess of FDIC coverage of \$422,987. In addition, as of June 30, 2024, the Organization held \$156,772 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, 2024, cash held with the investment company was fully insured.

NOTE H SPECIAL EVENTS

During the year ended June 30, 2024, the Organization recognized the following net revenues from special fund-raising events:

	Gross Revenue	Special Event Expenses	Direct Benefit to Donors	Net Revenues
Celebrity Chef Fundraiser	715,769	132,297	\$ 101,131	\$ 482,341
Total	\$ 715,769	\$ 132,297	\$ 101,131	\$ 482,341

NOTE I FOOD INVENTORY

Food inventory as of June 30, 2024, consisted of 1,555,206 lbs. at a value of \$2,093,558. Of the total above, USDA inventory consisted of 624,438 lbs. at a value of \$853,523 and the purchased products, and Backpack products inventory consisted of 601,830 lbs. valued at \$582,388. The remaining inventory consisted of 328,938 lbs. valued at \$657,647.

As of June 30, 2024, public food donations received in pounds was 12,207,684. The amount of food distributed in pounds for the years ended June 30, 2024, was 11,540,234. These amounts do not include purchased product or USDA commodities.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE J CAPITAL CAMPAIGN

On October 25, 2022, the Organization closed on the purchase of a new office building with a total cost of \$7,130,000. The building has been recorded as construction in progress with an appraised valuation of \$9,000,000. The building was financed with a loan for \$7,130,000 with an interest rate of 4.95%. The loan is due in full on October 27, 2024. The Organization has initiated a capital campaign to fund the loan. Any potential shortfall will be covered either from reserves or refinancing of the loan. During the year the Organization raised \$9,803,471 for its capital campaign. As of June 30, 2024, a total of \$12,748,327 has been raised through the capital campaign.

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, 2024, the Organization expended none of this grant. As of June 30, 2024, donor restricted net assets under the grant totaled \$53,040.

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.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE K NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED

Net assets with donor restrictions consist of the following at June 30, 2024:

Advocacy	\$ 207,114
BackPack Program	597,111
Digital Marketing	35,000
Emergency Food Assistance Program	341,107
Kids Café program	19,006
Mobile Pantries	197,921
Production Center Improvements	827,916
Robert D. Wilson Foundation grant	53,044
See What I Mean Program (SWIM)	799
Travel	9,970
2025 Operations	68,224
2025 Celebrity Chef Fundraiser	50,000
Total	<u>\$ 2,407,212</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, 2024, were as follows:

Advocacy	\$ 77,727
BackPack Program	1,303,022
Clean Room/Protein Packing Activities	41,218
Emergency food program	158,892
Kids Café program	6,192
Mobile pantries program	213,891
Parent Feeding	25,980
Production Center Improvements	8,132
See What I Mean Program (SWIM)	21,357
Supplemental Nutrition Assistance Program (SNAP)	21,849
Travel	4,530
UHC Catalyst Program	250,000
Vehicle	15,424
Celebrity Chef Fundraiser	50,000
2024 Operations	245,163
Total	<u>\$ 2,443,377</u>

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE M UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are classified as net assets without donor restrictions in the statement of activities. During the year ended June 30, 2023 the Organization received a \$200,000 multi-year grant to be distributed over a four-year period. During the year ended June 30, 2024 the Organization received a \$300,000 multi-year grant to be distributed over a three year period. The final payment for both grants 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% and 4.49%, respectively, based on the risk-free interest rate of treasury bills of similar maturity length.

The Organization also recognizes promises to give of \$5,570,022 for capital campaign contributions with varying multi-year terms. The Organization has recognized the noncurrent portion at net present value with an unamortized discount of 4.49%.

Unconditional promises to give amounted to \$5,846,576 at June 30, 2024 and consist of the following:

Promises due in:	
Less than one year	\$ 2,724,462
One to five years	3,340,904
Less unamortized discount at 5.25%	<u>(218,790)</u>
	<u>\$ 5,846,576</u>

NOTE N DEFERRED REVENUE

Deferred revenue consists of the difference between USDA foods received and distributed during the year ended June 30, 2024.

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, 2024, was \$115,888.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

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, 2024, \$323,639 was paid to the Organization by the Iowa Food Bank Association as a reimbursement for services. As of June 30, 2024, \$101,225 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, 2024. The line bears interest at the bank's prime lending rate. There are no binding financial covenants associated with this revolving line of credit.

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 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.

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE R LIQUIDITY DISCLOSURE – CONTINUED

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, the board-designated Endowment Fund, and the Emergency or Strategic Initiative Reserve 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. The Emergency or Strategic Initiative Reserve fund is board-designated for u

As of June 30, 2024, the following financial assets could be made available within one year of the balance sheet date to meet general expenditure:

Liquid financial assets:	
Cash	\$ 3,699,079
Unconditional promises to give	345,000
Accounts receivable	3,906,863
	7,950,942
Liquidity resources:	
Line of credit available	500,000
Resources dependent on board approval:	
Emergency or Strategic Initiative Reserve Fund	3,729,024
Capital Campaign	7,184,392
Board Designated Endowment Fund	3,427,158
Funded Depreciation Fund	1,330,357
	15,670,931
Total	\$ 24,121,873

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE S OPERATING LEASES

Operating leases consisted of the following as of June 30, 2024.

	Year ended June 30, 2024					
	Discount rate	Variable Expense	Lease Expense	Remaining Lease Liability	Right of Use Asset Ammortization	Remaining Right of Use Asset
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%	\$ 8,635	\$ 28,104	\$ 91,618	22,645	91,618
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%	-	6,433	-	6,600	-
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%	9,310	12,238	-	11,430	-
On October 1, 2022 the Organization entered into a lease agreement for the use of a postage meter. The lease is payable in 60 monthly installments of \$242. The final lease payment is due on September 1, 2027.	6.25%	-	2,900	8,244	2,124	8,244
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	\$ 996	11,615	996
		\$ 17,945	\$ 61,676	\$ 100,858	\$ 54,414	\$ 100,858
Less: Current Portion				27,165		
Total			\$ 61,676	\$ 73,693	\$ 54,414	\$ 100,858

Food Bank for the Heartland
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE S OPERATING LEASES - CONTINUED

Operating lease payments for the year ended June 30, 2024, totaled \$61,129 with a weighted average discount rate of 5.33% and a weighted average lease term of 3.52 years.

As of June 30, 2024, the total remaining operating lease payments under non-cancelable lease agreements are as follows:

<u>Year ending June 30,</u>		
2025	\$	32,004
2026		31,004
2027		31,004
2028		17,119
Total		111,131
Less Interest		(10,273)
Total Lease Liabilities	\$	100,858

NOTE T COMMITMENTS

During the year ended June 30, 2024, the Organization entered into a construction agreement for the purpose of the development of real estate and construction of a new office building and warehouse disclosed in Note J, Capital Campaign. The construction agreement has a guaranteed maximum price of \$21,698,671, with construction activities to commence during the fall of 2024.

NOTE U SUBSEQUENT EVENTS

Subsequent events have been assessed through January 17, 2025, which is the date the financial statements were issued. Subsequent to June 30, 2024, the Organization entered into a \$16,000,000 construction line-of-credit to fund the construction of a new office building disclosed in Note T, Commitments. The line-of-credit is secured by a construction deed of trust and real estate and has a fixed interest rate of 7.25% with any advances and accrued interest due upon maturity on August 1, 2029. In January 2025, the Organization closed on the sale of its current office building and warehouse in the amount of \$7,600,000. As part of the sale, a sale leaseback agreement was entered into between the Organization and the buyer for the continued use of the Organization’s current location until completion of the new office building and warehouse disclosed in Note T, Commitments. The lease is payable in monthly installments of \$49,083 through February 2026.