

**Food Bank for the Heartland**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**For the year ended June 30, 2023**

## TABLE OF CONTENTS

	Page
Independent Auditor's Report	2 - 4
Financial Statements:	
Statement of financial position (with comparative totals for 2022)	5 – 6
Statement of activities (with comparative totals for 2022)	7
Statement of functional expenses (with comparative totals for 2022)	8
Statement of cash flows (with comparative totals for 2022)	9
Notes to financial statements	10 – 28



## 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, 2023, 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, 2023, 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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 20, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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  
March 27, 2024

Food Bank for the Heartland  
STATEMENT OF FINANCIAL POSITION  
June 30, 2023  
(With comparative totals for 2022)

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
General cash	\$ 9,878,456	\$ 7,073,582
Restricted cash	20,000	20,000
Cash held in investment accounts	68,469	65,772
Accounts receivable		
(net of allowance of \$0 and \$0, respectively)	1,856,743	650,730
Unconditional promises to give	828,663	120,000
Prepaid expenses	181,609	58,596
Donated food inventory	1,284,808	572,661
Purchased food inventory	517,813	381,892
Investments	2,769,139	2,581,738
Total current assets	17,405,700	11,524,971
<b>NONCURRENT ASSETS</b>		
Restricted cash, net of current portion	32,982	32,944
Unconditional promises to give, net of current portion	1,944,166	128,654
Software development costs, (net of accumulated amortization of \$188,481 and \$64,860, respectively)	208,677	259,438
Right-of-use assets, net	155,116	199,418
Property and equipment		
Land	292,700	292,700
Building	2,342,409	2,342,409
Equipment	1,361,590	1,107,766
Building improvements	4,891,463	4,765,760
Vehicles	1,687,703	1,458,952
Construction in progress	9,346,271	60,950
Total property and equipment	19,922,136	10,028,537
Less: accumulated depreciation	(4,346,991)	(4,083,955)
Total property and equipment	15,575,145	5,944,582
Total noncurrent assets	17,916,086	6,565,036
 Total assets	 \$ 35,321,786	 \$ 18,090,007

See accompanying notes and independent auditor's report.

Food Bank for the Heartland  
STATEMENT OF FINANCIAL POSITION - CONTINUED  
June 30, 2023  
(With comparative totals for 2022)

	2023	2022
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 407,922	\$ 638,616
Accrued salaries	371,497	294,099
Operating leases	54,258	54,670
Refundable advance	600,000	-
Other current liabilities	251,752	-
Deferred revenue	-	118,493
Total current liabilities	1,685,429	1,105,878
<b>LONG-TERM LIABILITIES</b>		
Operating leases, net of current portion	100,857	144,748
Notes payable, net of current portion	7,130,000	-
Total long-term liabilities	7,230,857	144,748
Total liabilities	8,916,286	1,250,626
<b>NET ASSETS</b>		
Without donor restriction		
Operating fund	21,627,267	13,672,309
Funded depreciation fund - board designated	1,205,228	1,126,933
Quasi-endowment fund - board designated	1,632,380	1,520,577
Total net assets without donor restriction	24,464,875	16,319,819
With donor restriction	1,940,625	519,562
Total net assets	26,405,500	16,839,381
Total liabilities and net assets	\$ 35,321,786	\$ 18,090,007

See accompanying notes and independent auditor's report.

**Food Bank for the Heartland**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2023  
(With comparative totals for 2022)

	2023		2022	
	Without donor restriction	With donor restriction	Total	Total
<b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>				
Public support				
Contributed nonfinancial assets - donated food and commodities	\$ 23,560,830	\$ -	\$ 23,560,830	\$ 25,854,604
Public contributions	12,931,280	2,914,629	15,845,909	10,772,790
Contributed nonfinancial assets - Celebrity Chef	209,158	-	209,158	105,382
Contributed nonfinancial assets - building	1,870,000	-	1,870,000	-
Special event (net of direct donor benefit of \$65,717, and \$29,103 respectively)	547,666	50,000	597,666	376,944
Public support services donations	10,317	250,000	260,317	-
Total public support	39,129,251	3,214,629	42,343,880	37,109,720
Government support and cost reimbursements				
Contributed nonfinancial assets - USDA commodities	4,490,288	-	4,490,288	5,832,184
Coronavirus state and local fiscal recovery funds	4,989,411	-	4,989,411	-
Emergency food assistance programs	1,437,705	-	1,437,705	2,154,175
SNAP	702,551	-	702,551	684,372
Purchased product	24,132	-	24,132	-
Total government support and cost reimbursements	11,644,087	-	11,644,087	8,670,731
Revenue and gains/(losses)				
Net investment income/(loss)	190,097	-	190,097	(365,811)
Agency handling fee	-	-	-	2,992
Interest income on cash accounts	147,191	38	147,229	23,781
Gain/(loss) on disposal of capital asset	11,577	-	11,577	5,000
Operating lease - Rental income	258,065	-	258,065	-
Other revenue	5,463	-	5,463	-
Total revenue and gains/(losses)	612,393	38	612,431	(334,038)
Total support and revenue before net assets released from restrictions	51,385,731	3,214,667	54,600,398	45,446,413
Net assets released from restrictions				
Satisfaction of program restrictions	1,793,604	(1,793,604)	-	-
Total support, revenue, and reclassifications	53,179,335	1,421,063	54,600,398	45,446,413
<b>EXPENSES AND LOSSES</b>				
Program services	43,047,825	-	43,047,825	48,308,601
Management and general	789,878	-	789,878	637,596
Fundraising	1,196,576	-	1,196,576	922,342
Total expenses and losses	45,034,279	-	45,034,279	49,868,539
CHANGE IN TOTAL NET ASSETS	8,145,056	1,421,063	9,566,119	(4,422,126)
NET ASSETS, BEGINNING OF YEAR	16,319,819	519,562	16,839,381	21,261,507
NET ASSETS, END OF YEAR	\$ 24,464,875	\$ 1,940,625	\$ 26,405,500	\$ 16,839,381

See accompanying notes and independent auditor's report.



**Food Bank for the Heartland**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended June 30, 2023  
(With comparative totals for 2022)

	2023			2022	
	Program Services	Supporting Services		Total	Total
		General & Administrative	Fundraising		
Salaries and related expenses					
Salaries	\$ 3,877,567	\$ 410,566	\$ 273,711	\$ 4,561,844	\$ 3,812,143
Employee benefits	711,108	75,294	50,196	836,598	741,278
Payroll taxes	277,722	29,406	19,604	326,732	282,012
Payroll service expense	19,621	2,077	1,385	23,083	16,995
Total salaries and related expenses	4,886,018	517,343	344,896	5,748,257	4,852,428
Food distributed to agencies					
Public support	22,729,878	-	-	22,729,878	29,758,773
USDA commodities	9,597,807	-	-	9,597,807	9,597,807
Kids Café	323,591	-	-	323,591	279,408
BackPack	1,040,915	-	-	1,040,915	944,368
Agencies	46,722	-	-	46,722	26,169
SNAP	170,481	-	-	170,481	106,532
Summer food	84,828	-	-	84,828	48,528
Vista program	-	-	-	-	14,487
Freight	494,550	-	-	494,550	364,590
Maintenance:					
Building	79,389	14,010	-	93,399	63,417
Equipment	42,615	3,788	947	47,350	32,766
Computer	704,790	62,648	15,662	783,100	448,659
Other	44,614	-	-	44,614	29,141
Public relations	343,920	-	581,598	925,518	912,470
Utilities	77,330	4,070	-	81,400	79,063
Insurance	139,698	14,792	9,861	164,351	139,761
Warehouse rent	11,269	-	-	11,269	-
Warehouse supplies	319,050	-	-	319,050	398,333
Conference and travel	72,315	7,657	5,105	85,077	38,651
Postage and printing	17,495	1,852	1,235	20,582	21,182
Memberships	36,233	-	-	36,233	29,026
Vehicle expense	568,854	60,232	40,154	669,240	524,689
Telephone and internet	49,190	5,208	3,472	57,870	94,912
Inkind donation	6,312	1,160	201,686	209,158	-
Office supplies	21,222	2,247	1,498	24,967	25,379
Professional fees	120,909	12,802	8,535	142,246	39,564
Administrative fees	251,366	26,615	17,744	295,725	196,178
Other	73,358	7,767	5,178	86,303	252,532
Total expense other than salaries and related expenses	37,468,701	224,848	892,675	38,586,224	44,466,385
Total expense before depreciation and interest	42,354,719	742,191	1,237,571	44,334,481	49,318,813
Depreciation	493,109	26,511	10,605	530,225	578,829
Interest	199,997	21,176	14,117	235,290	-
Total expenses	43,047,825	789,878	1,262,293	45,099,996	49,897,642
Less: Direct benefit to donor	-	-	(65,717)	(65,717)	(29,103)
Expenses in statement of activities	<u>\$ 43,047,825</u>	<u>\$ 789,878</u>	<u>\$ 1,196,576</u>	<u>\$ 45,034,279</u>	<u>\$ 49,868,539</u>

See accompanying notes and independent auditor's report.

Food Bank for the Heartland  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2023  
(With comparative totals for 2022)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Reconciliation of Change in Net Assets to Net Cash from (used for) Operating Activities		
Change in total net assets	\$ 9,566,119	\$ (4,422,126)
Adjustments for non cash items and investing activities affecting changes in total net assets:		
Net (gain)/loss on investments	(190,098)	365,812
(Gain)/loss on disposal of assets	(11,577)	(5,000)
Depreciation	541,801	578,829
Amortization of software development costs	123,621	64,860
Change in right-of-use asset	44,302	54,545
Change in operating lease	(44,303)	(52,889)
Changes in:		
Accounts receivable	(1,206,013)	(292,552)
Prepaid assets	(123,013)	(20,606)
Change in inventory	(848,068)	501,338
Promises to give	(2,524,175)	(99,314)
Accounts payable	(230,694)	(380,707)
Other current liabilities	251,752	-
Accrued salaries	77,398	(56,138)
Refundable advance	600,000	-
Deferred revenue	(118,493)	(346,819)
Net cash (used)/provided by operating activities	5,908,559	(4,110,767)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	2,697	1,245
Purchases for software development	(72,860)	(324,298)
Purchases of equipment and improvements	(10,160,787)	(292,937)
Net cash (used)/provided by investing activities	(10,230,950)	(615,990)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings (repayments) of long-term debt	7,130,000	-
Net cash (used)/provided by financing activities	7,130,000	-
<b>NET CHANGE IN CASH</b>	<b>\$ 2,807,609</b>	<b>\$ (4,726,757)</b>
<b>CASH AT BEGINNING OF YEAR</b>		
Unrestricted	\$ 7,073,582	\$ 11,801,542
Restricted	52,944	52,986
Cash held in investments	65,772	64,527
Total	\$ 7,192,298	\$ 11,919,055
<b>CASH AT END OF YEAR</b>		
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
<b>Supplemental Cash Flow Information</b>		
Noncash activity		
Food donations	(28,051,118)	(31,686,788)
Distribution to other agencies	26,315,704	31,668,311

See accompanying notes and independent auditor's report.

**Food Bank for the Heartland**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2023

**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, 2023.

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, 2023

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, 2023

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, 2023 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, 2023

NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10.      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. 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.

11.      Special Events

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

12.      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.

**Food Bank for the Heartland**  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For the year ended June 30, 2023

NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13.      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).

14.      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, 2022**, from which the summarized information was derived.

15.      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.

**Food Bank for the Heartland**  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For the year ended June 30, 2023

NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

15.      Revenue and Cost Recognition on Contracts - Continued

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.

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.



**Food Bank for the Heartland**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
For the year ended June 30, 2023

**NOTE B BOARD DESIGNATIONS – CONTINUED**

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

	Funded Depreciation Fund	Board Designated Endowment Fund	Total
Beginning designated funds	\$ 1,126,933	\$ 1,520,577	\$ 2,647,510
Contributions	-	-	-
Withdrawals	-	-	-
Appropriated for expenditure	-	-	-
Total activity	-	-	-
Investment earnings	47,979	57,212	105,191
Investment expenses	(9,042)	(12,202)	(21,244)
Net realized gains (losses) on securities sales	-	-	-
Unrealized gains (losses) in value of investments	39,358	66,793	106,151
Total appreciation/depreciation	78,295	111,803	190,098
Ending designated funds	<u>\$ 1,205,228</u>	<u>\$ 1,632,380</u>	<u>\$ 2,837,608</u>

**NOTE C INVESTMENTS**

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

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

**Food Bank for the Heartland**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
For the year ended June 30, 2023

**NOTE C INVESTMENTS – CONTINUED**

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

The composition of the Organization’s investments at June 30, 2023, is set forth in the following table. Investments are stated at fair market value.

	2023	
	Cost	Fair Value
Cash held		
in investment accounts	\$ 68,469	\$ 68,469
Trading securities:		
Equities and Options	-	-
Mutual funds, ETFs, and closed end-funds	2,681,983	2,769,139
Total investments	2,681,983	2,769,139
Total cash held for investments and investments	\$2,750,453	\$2,837,608

**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.

**Food Bank for the Heartland**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
For the year ended June 30, 2023

**NOTE D FAIR VALUE MEASUREMENTS - CONTINUED**

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, 2023 which were all considered Level 1:

	<u>Amount</u>	<u>Level 1</u>
Cash held		
in investment accounts	\$ 68,469	\$ 68,469
Trading securities:		
Equities and Options	-	-
Mutual funds, ETFs, and closed end-funds	<u>2,769,141</u>	<u>2,769,141</u>
Total investments	<u>2,769,141</u>	<u>2,769,141</u>
Total cash held for investments and investments	<u>\$ 2,837,610</u>	<u>\$ 2,837,610</u>

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 \$23,560,830 in public donations of foods and commodities, \$4,490,288 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 - CONTINUED  
For the year ended June 30, 2023

NOTE E            CONTRIBUTED NONFINANCIAL ASSETS - CONTINUED

The Organization also recognized contributed nonfinancial assets of \$88,565 in donated goods and \$120,593 in services for the Celebrity Chef special event. Of the donated goods \$62,698 were for items auctioned off at the special event and \$25,867 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 recognized \$1,870,000 in nonfinancial contributions for the purchase of an office building with a cost of \$7,130,000 at an appraised value of \$9,000,000.

The Organization also received 39,800 volunteer hours valued at approximately \$1,265,640, 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 \$100,436 for the year ended June 30, 2023.

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 - CONTINUED**  
For the year ended June 30, 2023

**NOTE G CONCENTRATION OF RISK - CONTINUED**

As of June 30, 2023, cash and cash equivalents included \$10,511,973 held in commercial banks. As of June 30, 2023, the Organization's held funds in excess of FDIC coverage of \$4,882,804. In addition, as of June 30, 2023, the Organization held \$68,469 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, 2023, cash held with the investment company was fully insured.

**NOTE H SPECIAL EVENTS**

During the year ended June 30, 2023, the Organization recognized the following net revenues from special fund-raising events:

	Gross Revenue	Event Expenses	Direct Benefit to Donors	Net Revenues
Celebrity Chef Fundraiser	\$ 663,383	\$ 183,415	\$ 65,717	\$ 414,251
Total	\$ 663,383	\$ 183,415	\$ 65,717	\$ 414,251

**NOTE I FOOD INVENTORY**

Food inventory as of June 30, 2023, consisted of 1,303,973 lbs. at a value of \$1,802,621. Of the total above, USDA inventory consisted of 252,594 lbs. at a value of \$431,046 and the purchased products, Backpack products, and Kids Café after school snack inventory consisted of 609,015 lbs. valued at \$517,813. The remaining inventory consisted of 442,364 lbs. valued at \$853,762.

As of June 30, 2023, public food donations received in pounds was 12,078,175. The amount of food distributed in pounds for the years ended June 30, 2023, was 11,460,717. These amounts do not include purchased product or USDA commodities.

**Food Bank for the Heartland**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
For the year ended June 30, 2023

**NOTE J CAPITAL ADDITION**

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 their reserves or refinancing of the loan. As of June 30, 2023, \$2,944,856 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, 2023, the Organization expended none of this grant. As of June 30, 2023, donor restricted net assets under the grant totaled \$52,982.

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 - CONTINUED**  
For the year ended June 30, 2023

**NOTE K      NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED**

Net assets with donor restrictions consist of the following at June 30, 2023:

Advocacy	\$ 39,842
BackPack Program	712,843
Clean Room/Protein Packing Activities	41,218
Emergency Food Assistance Program	500,000
Kids Café program	25,199
Parent Feeding	25,980
Production Center Improvements	8,132
Robert D. Wilson Foundation grant	52,982
See What I Mean Program (SWIM)	22,156
Supplemental Nutrition Assistance Program (SNAP)	21,849
UHC Catalyst Program	250,000
Vehicle	15,424
2024 Operations	175,000
2024 Celebrity Chef Fundraiser	50,000
Total	\$ 1,940,625

**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, 2023, were as follows:

Advocacy	\$ 10,158
BackPack Program	1,045,015
Clean Room/Protein Packing Activities	101,004
Kids Café program	27,207
Parent Feeding	17,020
See What I Mean Program (SWIM)	296,853
Supplemental Nutrition Assistance Program (SNAP)	33,151
Production Center Improvements	40,255
Vehicle	222,941
Total	\$ 1,793,604

**Food Bank for the Heartland**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
For the year ended June 30, 2023

**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 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 \$2,772,829 at June 30, 2023 and consist of the following:

Promises due in:	
Less than one year	\$ 828,663
One to five years	2,129,239
Less unamortized discount at 5.25%	<u>(185,073)</u>
Total	<u><u>\$ 2,772,829</u></u>

**NOTE N REFUNDABLE ADVANCE**

During the year the organization received conditional grant funds from trust of \$600,000. While the donor trust has indicated that the donation is to be used for specific purposes with conditions placed on amounts, as of June 30, 2023, the conditions of the grant have not been enumerated, and thus not met. No amount has been recognized as revenue as of June 30, 2023.

**NOTE O DEFERRED REVENUE**

Deferred revenue consists of the difference between USDA foods received and distributed during the year ended June 30, 2023.

**NOTE P 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, 2023, was \$105,159.



**Food Bank for the Heartland**  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For the year ended June 30, 2023

NOTE Q RELATED PARTY TRANSACTION

Pursuant to an agreement dated July 15, 2015, the Organization and the Iowa Food Bank Association agreed to cooperate to facilitate SNAP expansion in the State of Iowa. The CEO and President of the 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, 2023, \$269,172 was paid to the Organization by the Iowa Food Bank Association as a reimbursement for services. As of June 30, 2023, \$77,612 was due to the Organization.

NOTE R 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, 2023. 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 S 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 - CONTINUED**  
For the year ended June 30, 2023

NOTE S      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 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.

As of June 30, 2023, the following financial assets could be made available within one year of the balance sheet date to meet general expenditure:

Liquid financial assets:	
Cash	\$ 5,516,524
Unconditional promises to give	828,663
Accounts receivable	1,856,743
	8,201,930
Liquidity resources:	
Line of credit available	500,000
Resources dependent on board approval:	
Emergency or Strategic Initiative Reserve Fund	3,475,352
Capital Campaign	886,580
Board Designated Endowment Fund	1,520,577
Funded Depreciation Fund	1,126,933
	7,009,442
Total	\$ 15,711,372

**Food Bank for the Heartland**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
For the year ended June 30, 2023

**NOTE T OPERATING LEASES**

Operating leases consisted of the following as of June 30, 2023.

	Year ended June 30, 2023					
	Discount rate	Variable Expense	Lease Expense	Remaining Lease Liability	Right of Use Asset Amortization	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%	\$ 18,473	\$ 28,104	\$ 114,264	21,489	114,263
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%	-	7,720	6,443	7,175	6,443
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%	12,252	16,318	11,430	14,557	11,432
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%	-	429	-	425	-
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%	-	2,175	10,368	1,482	10,368

**Food Bank for the Heartland**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
For the year ended June 30, 2023

**NOTE T OPERATING LEASES - CONTINUED**

	Year ended June 30, 2023					
	Discount rate	Variable Expense	Lease Expense	Remaining Lease Liability	Right of Use Asset Amortization	Remaining Right of Use Asset
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	\$ 12,610	11,022	12,610
		\$ 30,725	\$ 66,746	\$ 155,115	\$ 56,150	\$ 155,116
Less: Current Portion				54,258		
Total			\$ 66,746	\$ 100,857	\$ 56,150	\$ 155,116

Operating lease payments for the year ended June 30, 2023, totaled \$66,004 with a weighted average discount rate of 5.32% and a weighted average lease term of 11.81 years.

As of June 30, 2023, the total remaining operating lease payments under non-cancelable lease agreements are as follows:

Year ending June 30,	
2024	\$ 61,286
2025	32,004
2026	31,004
2027	31,004
Thereafter	17,119
Total	172,417
Less Interest	(17,302)
Total Lease Liabilities	\$ 155,115

**Food Bank for the Heartland**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
For the year ended June 30, 2023

**NOTE U      LEASEBACK**

During the year the Organization purchased an office building and entered into an agreement to leaseback office space to the seller. The lease commenced on October 27, 2022, and ended on March 31, 2023. Rent revenue for the term of the lease totaled \$258,065.

**NOTE V      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.

The Organization maintained an aggressive food purchase program and invested in infrastructure and systems to boost capacity and bolster services during fiscal years 2022 and 2023 because of the heightened consumer demand for food during the pandemic. For the fiscal year ended June 30, 2023, the Organization received \$56,900 in CARES ACT funding, which was utilized to purchase food that was not covered by other funding sources.

**NOTE W      SUBSEQUENT EVENTS**

Subsequent events have been assessed through March 27, 2024 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.