

**THE FOOD BANK
OF NORTHEAST ARKANSAS
JONESBORO, ARKANSAS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
AS OF AND FOR
THE YEARS ENDED
June 30, 2021 AND 2020**

Employer Identification Number: 71-0810999

Telephone Number: 870-932-3663

Director: Christie Jordan

Contact Person: Christie Jordan



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Food Bank of Northeast Arkansas
Jonesboro, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of The Food Bank of Northeast Arkansas (a nonprofit corporation) (the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021 and 2020, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors PLLC
Jonesboro, Arkansas

October 25, 2021

The Food Bank of Northeast Arkansas
Statements of Financial Position

<u>ASSETS</u>	June 30, 2021	June 30, 2020
Current Assets		
Cash	\$ 1,646,340	\$ 1,391,070
Accounts receivable	14,499	8,399
Grants and other receivables	1,000	4,000
Food inventory	811,417	1,152,176
Prepaid expenses	4,088	18,047
	<u>\$ 2,477,344</u>	<u>\$ 2,573,692</u>
 Property and Equipment		
Building	\$ 7,679,797	\$ 7,679,797
Furniture and equipment	798,830	615,661
Land	68,000	68,000
Vehicles	699,792	526,627
	<u>\$ 9,246,419</u>	<u>\$ 8,890,085</u>
Less accumulated depreciation	2,633,446	2,435,263
	<u>\$ 6,612,973</u>	<u>\$ 6,454,822</u>
 Other Assets		
Building maintenance fund investments	\$ 2,554,537	\$ 2,042,353
Program fund investments	5,000,300	1,332,163
	<u>\$ 7,554,837</u>	<u>\$ 3,374,516</u>
 Total Assets	<u>\$ 16,645,154</u>	<u>\$ 12,403,030</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 11,625	\$ 39,901
Accrued payroll and payroll liabilities	103,036	93,347
Agency food credits	-	13,344
Note payable - current portion	-	157,156
Note payable - PPP	-	130,155
	<u>\$ 114,661</u>	<u>\$ 433,903</u>
 Total Liabilities	<u>\$ 114,661</u>	<u>\$ 433,903</u>
 Net Assets		
Without donor restrictions		
Undesignated	\$ 7,970,737	\$ 1,764,747
Board designated	7,554,837	3,374,516
With donor restrictions	1,004,919	6,829,864
	<u>\$ 16,530,493</u>	<u>\$ 11,969,127</u>
 Total Net Assets	<u>\$ 16,530,493</u>	<u>\$ 11,969,127</u>
 Total Liabilities and Net Assets	<u>\$ 16,645,154</u>	<u>\$ 12,403,030</u>

The accompanying notes are an integral part of these financial statements.

The Food Bank of Northeast Arkansas
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Contributions income	\$ 4,237,497	\$ 306,072	\$ 4,543,569
Grants	374,545	1,350,907	1,725,452
In-kind food donations	17,156,888	-	17,156,888
TEFAP food received	-	2,409,817	2,409,817
CSFP food received	-	416,662	416,662
TEFAP administrative expense reimbursement	-	602,198	602,198
CSFP administrative expense reimbursement	-	125,142	125,142
In-kind contributions - services and non-food	54,537	-	54,537
Interest income	1,173	-	1,173
Investment income, net of fees	813,755	-	813,755
Shared maintenance fees and sale of purchased food	167,755	-	167,755
United Way	-	60,494	60,494
Paycheck Protection Program	-	130,155	130,155
Facilities, recycling and other	35,608	-	35,608
 Net Assets Released from Restriction			
Expiration of time restrictions	239,931	(239,931)	-
Restrictions satisfied by payments	5,243,516	(5,243,516)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	\$ 28,325,205	\$ (82,000)	\$ 28,243,205
Expenses			
Program services	\$ 23,114,299	\$ -	\$ 23,114,299
Fundraising	258,747	-	258,747
Support services	308,793	-	308,793
TOTAL EXPENSES	\$ 23,681,839	\$ -	\$ 23,681,839
CHANGE IN NET ASSETS	\$ 4,643,366	\$ (82,000)	\$ 4,561,366
 NET ASSETS, beginning of year	 \$ 5,139,263	 \$ 6,829,864	 \$ 11,969,127
Reclassification	5,742,945	(5,742,945)	-
	<u>\$ 10,882,208</u>	<u>\$ 1,086,919</u>	<u>\$ 11,969,127</u>
 NET ASSETS, end of year	 <u>\$ 15,525,574</u>	 <u>\$ 1,004,919</u>	 <u>\$ 16,530,493</u>

The accompanying notes are an integral part of these financial statements.

The Food Bank of Northeast Arkansas
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	<u>Without donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions income	\$ 1,072,408	\$ 148,713	\$ 1,221,121
Grants	42,950	905,361	948,311
In-kind food donations	15,283,963	78,840	15,362,803
TEFAP food received	-	3,523,416	3,523,416
CSFP food received	-	68,220	68,220
TEFAP administrative expense reimbursement	-	312,342	312,342
CSFP administrative expense reimbursement	-	85,940	85,940
In-kind contributions - services and non-food	51,354	-	51,354
Interest income	409	-	409
Investment income, net of fees	230,956	-	230,956
Shared maintenance fees and sale of purchased food	174,031	-	174,031
United Way	2,331	67,500	69,831
Facilities, recycling and other	27,423	-	27,423
 Net Assets Released from Restriction			
Expiration of time restrictions	258,949	(258,949)	-
Restrictions satisfied by payments	5,446,760	(5,446,760)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>\$ 22,591,534</u>	<u>\$ (515,377)</u>	<u>\$ 22,076,157</u>
Expenses			
Program services	\$ 20,777,075	\$ -	\$ 20,777,075
Fundraising	223,129	-	223,129
Support services	302,729	-	302,729
TOTAL EXPENSES	<u>\$ 21,302,933</u>	<u>\$ -</u>	<u>\$ 21,302,933</u>
 CHANGE IN NET ASSETS	 <u>\$ 1,288,601</u>	 <u>\$ (515,377)</u>	 <u>\$ 773,224</u>
 NET ASSETS, beginning of year	 <u>3,850,662</u>	 <u>7,345,241</u>	 <u>11,195,903</u>
 NET ASSETS, end of year	 <u>\$ 5,139,263</u>	 <u>\$ 6,829,864</u>	 <u>\$ 11,969,127</u>

The accompanying notes are an integral part of these financial statements.

The Food Bank of Northeast Arkansas
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Expenses	Fundraising Expenses	Support Services	Total
Agency grants	\$ 652,672	\$ -	\$ -	\$ 652,672
Advertising	24,467	-	-	24,467
Bank service charges	-	-	8,949	8,949
Backpack supplies and food	191,232	-	-	191,232
Contract labor	73,011	-	-	73,011
Depreciation	243,878	-	60,969	304,847
Direct mail	-	109,406	-	109,406
Dues & subscriptions	30,868	-	7,717	38,585
Gas and oil	21,037	-	-	21,037
Insurance	144,507	-	36,127	180,634
Licenses and permits	11,744	-	-	11,744
Meetings and training	8,415	-	-	8,415
Miscellaneous	6,280	-	1,570	7,850
Postage	7,843	-	1,961	9,804
Printing and publication	10,230	-	-	10,230
Professional fees	11,489	-	11,489	22,978
Professional fees in-kind	4,468	-	4,468	8,936
Purchased food	549,136	-	-	549,136
Food-in-kind	17,439,067	-	-	17,439,067
TEFAP food in-kind	2,533,006	-	-	2,533,006
CSFP food in-kind	352,183	-	-	352,183
Repairs & maintenance	142,690	-	-	142,690
Salaries, wages & employee benefits	553,340	79,049	158,097	790,486
Sanitation	1,662	-	415	2,077
Special events	-	15,825	-	15,825
Special events in-kind	-	54,467	-	54,467
Supplies	38,349	-	9,587	47,936
Telephone	8,211	-	-	8,211
Training	1,628	-	-	1,628
Travel	4,286	-	-	4,286
Trucking	18,826	-	-	18,826
Utilities	29,774	-	7,444	37,218
	<u>\$ 23,114,299</u>	<u>\$ 258,747</u>	<u>\$ 308,793</u>	<u>\$ 23,681,839</u>

The accompanying notes are an integral part of these financial statements.

The Food Bank of Northeast Arkansas
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Expenses	Fundraising Expenses	Support Services	Total
Agency grants	\$ 299,049	\$ -	\$ -	\$ 299,049
Advertising	2,940	-	-	2,940
Bank service charges	-	-	6,416	6,416
Backpack supplies and food	150,558	-	-	150,558
Contract labor	5,457	-	-	5,457
Cooking matters	3,483	-	-	3,483
Depreciation	233,358	-	58,339	291,697
Direct mail	-	98,552	-	98,552
Dues & subscriptions	34,274	-	8,568	42,842
Gas and oil	21,892	-	-	21,892
Insurance	122,288	-	30,572	152,860
Licenses and permits	1,935	-	-	1,935
Meetings and training	8,210	-	-	8,210
Miscellaneous	4,127	-	1,767	5,894
Postage	5,638	-	1,409	7,047
Printing and publication	10,315	-	-	10,315
Professional fees	18,753	-	18,753	37,506
Professional fees in-kind	7,293	-	7,293	14,586
Purchased food	213,308	-	-	213,308
Food-in-kind	15,019,384	-	-	15,019,384
TEFAP food in-kind	3,740,177	-	-	3,740,177
CSFP food in-kind	130,480	-	-	130,480
Repairs & maintenance	97,664	-	-	97,664
Salaries, wages & employee benefits	532,125	76,018	152,036	760,179
Sanitation	1,453	-	363	1,816
Special events	-	34,264	-	34,264
Special events in-kind	-	14,295	-	14,295
Supplies	36,711	-	9,178	45,889
Telephone	6,675	-	-	6,675
Training	2,515	-	-	2,515
Travel	14,649	-	-	14,649
Trucking	20,226	-	-	20,226
Utilities	32,138	-	8,035	40,173
	<u>\$ 20,777,075</u>	<u>\$ 223,129</u>	<u>\$ 302,729</u>	<u>\$ 21,302,933</u>

The accompanying notes are an integral part of these financial statements.

The Food Bank of Northeast Arkansas
Statements of Cash Flows
For the Years Ended

	June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,561,366	\$ 773,224
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	304,847	291,697
Unrealized (gains) losses on investment accounts	(714,036)	(119,943)
(Gain) loss on sale of fixed assets	572	-
(Increase) decrease in:		
Accounts, grants & other receivables	(3,100)	28,779
Food inventory	340,759	(64,398)
Prepaid expenses	13,959	(12,872)
Increase (decrease) in:		
Accounts payable	(28,276)	11,117
Accrued and other liabilities	(3,655)	18,296
Net cash (used for) provided by operating activities	\$ 4,472,436	\$ 925,900
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (463,570)	\$ (28,200)
Proceeds from sale of investments	-	100,000
Purchase of investments	(3,366,566)	-
Investment income reinvested, net of fees	(99,719)	(118,596)
Net cash (used for) provided by investing activities	\$ (3,929,855)	\$ (46,796)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	\$ -	\$ 287,311
Repayment of notes payable	(157,156)	-
PPP loan advance (forgiveness)	(130,155)	-
Net cash (used for) provided by financing activities	\$ (287,311)	\$ 287,311
NET CHANGE IN CASH	\$ 255,270	\$ 1,166,415
Cash, Beginning of the Year	1,391,070	224,655
Cash, End of the Year	\$ 1,646,340	\$ 1,391,070
<i>Supplemental Disclosures for Cash Flows</i>		
Non-Cash Activities		
Donation of food inventory	\$ 19,983,367	\$ 18,954,439
Donations for special events	\$ 54,537	\$ 51,354

The accompanying notes are an integral part of these financial statements

The Food Bank of Northeast Arkansas

Notes to the Financial Statements

NOTE 1: NATURE OF BUSINESS

Organization

The Food Bank of Northeast Arkansas (the "Organization") was formed to provide food for families in need in the Northeast Arkansas area through a network of other nonprofit agencies. The Organization also functions as a central warehouse for donated food to be distributed through the agencies. The Organization's support comes primarily through grants, contributions, in-kind donations, and shared maintenance fees.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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 ("U.S. GAAP"). Under this method of accounting, revenue is recognized when amounts are earned and when the amount and timing of the revenue can be reasonably estimated. Expenses are recognized as they are incurred.

Basis of Presentation

Financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210, *Presentation of Statements of Not-For-Profit Entities*. Under FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increase in net assets with donor restrictions.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable class of net assets.

The Food Bank of Northeast Arkansas

Notes to the Financial Statements

Accounts Receivable

Accounts receivables are reported at the amount the Organization expects to collect on balances outstanding at year end. If necessary, the Organization provides for an allowance for doubtful accounts receivable. Accounts are written off against the allowance when deemed to be uncollectible. Accounts receivable have been adjusted for all known uncollectible accounts, and no reserve was considered necessary.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Contributions

FASB ASC 958-605, *Revenue Recognition for Contributions*; states contributions received are recorded as either net assets with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose of the restriction. Contributions that have donor restrictions are reported as an increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Donations are recorded at their fair market value at the date of their receipt.

Date of Management Review

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 25, 2021, the date the financial statements were available to be issued.

Donated Noncash Assets

The Organization receives donated food from its food bank network affiliations and local retailers and manufacturers. Contributions of in-kind foods, as well as the related food disbursement expense and the food inventory amounts, are computed by valuing the Organization's respective pounds of food at a weighted average wholesale price per pound, as determined by a valuation report issued by Feeding America, The Nation's Food Bank Network. The Organization treats donated food as a contribution without donor restriction, unless identified otherwise according to distribution agreements.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During the years ended June 30, 2021 and 2020, there were not any impairment losses recognized for long-lived assets.

Income Taxes

The Organization is exempt from federal income tax under the provisions of Internal Revenue Code Section 501(c)(3). Therefore, no provision for federal or state income taxes has been made. U.S. GAAP require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization has analyzed all tax positions and does not feel any meet the requirements for reporting under the standard. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Food Bank of Northeast Arkansas
Notes to the Financial Statements

Investments

Investments with readily determinable fair values are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Cash and cash equivalent carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation and are depreciated using the straight-line method over estimated lives as follows:

Building	10-39 years
Furniture and equipment	5-10 years
Vehicles	5 years

Depreciation expense for the years ended June 30, 2021 and 2020 was \$304,847 and \$291,697, respectively. Additions that extend the lives of the assets are capitalized while repairs and maintenance costs are expensed as incurred. When property and equipment are retired, the related cost and accumulated depreciation is removed from the statement of financial position and the resultant gain or loss is recorded.

Reclassifications

Certain reclassifications have been made to the financial statements as of and for the year ending June 30, 2020, to conform to the financial statements as of and for the year ending June 30, 2021.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: DONATED SERVICES

In addition to the significant number of hours donated by volunteers for the Organization's programs, the Organization also receives donated transportation, advertising and other services. These services meet the criteria for financial statement recognition in accordance with FASB ASC 958-605 *Not-for-Profit Entities Revenue Recognition*. However, the value to the Organization is indeterminable and therefore is not recognized.

NOTE 4: ACCOUNTS, GRANTS AND OTHER RECEIVABLES

The Organization receives reimbursement for a small portion of its storage, handling and other redistribution expenses from the recipient agencies and charitable organizations receiving donated food and other items. Food distributions by the Organization are charged to agencies through a shared maintenance fee of \$0.18 or less per pound for donated food items and at cost for items purchased by the Organization. The receivable arises from the policy of allowing agencies to pay for cooperative support on a monthly billing basis. The receivable totaled \$14,499 and \$8,399 as of June 30, 2021 and 2020, respectively.

As of June 30, 2021 and 2020 the Organization had administrative fees receivable of \$0 and \$0, respectively, from the Arkansas Department of Human Services, The Emergency Food Assistance Program – Administrative Costs. No allowance is deemed necessary.

As of June 30, 2021 and 2020 the Organization had grant funds receivable of \$1,000 and \$4,000, respectively. No allowance is deemed necessary.

The Food Bank of Northeast Arkansas
Notes to the Financial Statements

NOTE 5: INVENTORY

The estimated value of donated food inventory is valued at a weighted average price per pound of \$1.79 based on the most current determination as calculated by KMPG, LLP on behalf of Feeding America, and totals \$110,126 as of June 30, 2021. The weighted average price as of June 30, 2020 was \$1.74 and the value of the donated food inventory was \$416,250. Purchased food is valued at cost as paid by the Organization and was \$138,684 and \$114,738 as of June 30, 2021 and 2020, respectively. Donated commodities received from USDA are valued at USDA prices as provided, and this inventory was \$1,117,537 and \$621,188 at June 30, 2021 and 2020, respectively. For purposes of grant expenditures, food acquired through programs is not considered expended until it is distributed, and revenue is temporarily restricted until the expenses are realized.

During the year ended June 30, 2021 approximately 9,584,853 food pounds at an average price per pound of \$1.79 totaling \$17,156,888 were donated. During the year ended June 30, 2020 approximately 8,829,197 food pounds at an average price per pound of \$1.74 totaling \$15,362,803 were donated. Food commodities received from the USDA for the years ended June 30, 2021 and 2020 totaled \$2,826,479 and \$3,591,636, respectively. Donated food is recorded in the period received.

NOTE 6: EMPLOYEE RETIREMENT PLAN

The Organization maintains a defined contribution plan. Substantially all employees are eligible and participate. Eligibility requirements include a minimum of ninety days of service and a minimum age of eighteen. For the years ended June 30, 2021 and 2020, the Organization contributed \$29,986 and \$13,887, respectively.

NOTE 7: INVESTMENTS

The market value of the Organization's portfolio of investments as of June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Certificates of deposit	\$ 796,000	\$ 596,888
Money market	103,694	23,035
Mutual funds and common stocks	6,655,143	2,754,593
	<u>\$ 7,554,837</u>	<u>\$ 3,374,516</u>

The Organization's investments are in general exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment, it is reasonably possible that changes in the values of the investments will occur in the near term, and that such changes could materially affect the amounts reported in the statement of activities.

Net investment income for the year ended June 30, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Dividend and interest income	\$ 99,719	\$ 59,997
Net realized and unrealized gain	764,807	201,746
Investment fees	(50,771)	(30,787)
Net investment income	<u>\$ 813,755</u>	<u>\$ 230,956</u>

The Food Bank of Northeast Arkansas
Notes to the Financial Statements

NOTE 8: FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides 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 unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We have evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets. For the years ended June 30, 2021 and 2020 there were no transfers in or out of levels 1, 2, or 3.

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used.

Certificates of Deposit: Certificates of deposit are valued at amortized cost, which approximates fair value.

Common Stock – Valued at the closing price reported on one of the major U.S. stock exchanges.

Money Market and Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Food Bank of Northeast Arkansas
Notes to the Financial Statements

The following table sets forth, by level, within the fair value hierarchy, amounts recorded in the Organization's financial statements at fair value as of June 30, 2021 and 2020:

	June 30, 2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 103,694	\$ -	\$ -	\$ 103,694
Certificates of deposit	-	796,000	-	796,000
Common stock	20,270	-	-	20,270
Mutual funds				
Bond	3,090,067	-	-	3,090,067
Equity	2,023,941	-	-	2,023,941
Small cap	551,262	-	-	551,262
Real estate	147,357	-	-	147,357
Large cap	822,246	-	-	822,246
	<u>\$ 6,758,837</u>	<u>\$ 796,000</u>	<u>\$ -</u>	<u>\$ 7,554,837</u>
	June 30, 2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 23,035	\$ -	\$ -	\$ 23,035
Certificates of deposit	-	596,888	-	596,888
Common stock	13,498	-	-	13,498
Mutual funds				
Bond	1,099,822	-	-	1,099,822
Equity	482,824	-	-	482,824
Small cap	309,090	-	-	309,090
International	51,740	-	-	51,740
Large cap	797,619	-	-	797,619
	<u>\$ 2,777,628</u>	<u>\$ 596,888</u>	<u>\$ -</u>	<u>\$ 3,374,516</u>

NOTE 9: BOARD DESIGNATED NET ASSETS

The Organization has established two funds to provide for the future capital maintenance and repairs as well as the operations and programs of the Donald W. Reynolds Food Distribution Center. The "Restricted Maintenance Fund" (Building Maintenance Fund) consists of a grant awarded in the amount of \$1,590,039 by the Donald W. Reynolds Foundation for the purpose of maintenance and upkeep of the Donald W. Reynolds Food Distribution Center. As a condition of the grant funding, the Organization was required to fund the "Restricted Program Fund" (Program Fund) for the purpose of program and operations of the Donald W. Reynolds Distribution Center. These are hereafter collectively referred to as the "Funds."

These Funds were originally directed by the Donald W. Reynolds Foundation to provide resources for the specified purposes, for a minimum of 20 years. The Organization received notice that the funds had been released from the original restrictions and as a result, were reclassified as net assets without donor restrictions. The board has designated these funds for the purpose of maintenance.

The Food Bank of Northeast Arkansas
Notes to the Financial Statements

The Funds balances as of June 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Building maintenance fund investments	\$ 2,554,537	\$ 2,042,353
Program fund investments	5,000,300	1,332,163
	<u>\$ 7,554,837</u>	<u>\$ 3,374,516</u>

Changes in the Funds' net assets for the years ended June 30, 2021 and 2020, are summarized as follows:

The Funds' Net Assets as of June 30, 2019	\$ 3,235,977
Investment income, net of fees	228,765
Donation of stock	9,774
Program fund investments	(100,000)
The Funds' Net Assets as of June 30, 2020	<u>\$ 3,374,516</u>
Investment income, net of fees	813,755
Purchase of investments	3,366,566
The Funds' Net Assets as of June 30, 2021	<u>\$ 7,554,837</u>

The Organization has adopted investment policies for the Funds that attempt to provide a predictable stream of funding for capital improvements, maintenance, and programs. Under this policy, as approved by the Board of Directors, the Funds are invested in a manner that is intended to produce results that preserve the capital with moderate growth and income; to provide market (S&P 500) equivalent returns for the equity portion of the investments, and Barclays Capital Aggregate Bond index (average maturity four to five years) for the fixed income portion; and to provide asset growth at a rate greater than inflation as measured by Consumer Price Index (CPI). Actual results in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation plan that places a greater emphasis on fixed income investments for the Program Fund (a maximum position of 100% to 60% fixed income and maximum of 40% to 0% equities) and emphasis on equity-based investments for the Maintenance Fund (a maximum position of 75% and minimum of 25%) to achieve objectives within prudent risk constraints. The Board of Directors requires approval for any deviation of fifteen percentage points or more of the total portfolio beyond these limits in any asset category.

NOTE 10: CONCENTRATIONS

The Organization maintains cash balances at several banks, which are insured by the FDIC up to \$250,000. Amounts in excess of insured limits at June 30, 2021, were \$1,206,357. A portion of the risk has been minimized by pledged securities at Centennial Bank in an amount above the FDIC limit. The Organization does not believe that it is subject to any unusual credit risk beyond the normal risk associated with commercial banking relationships.

The Food Bank of Northeast Arkansas
Notes to the Financial Statements

NOTE 11: MEMBERSHIPS

The Organization is a member of the Arkansas Hunger Relief Alliance and Feeding America and pays annual membership dues to each organization. Dues for the Arkansas Hunger Relief Alliance are based on the following formula: 2% times (total operating expenses from the Statement of Functional Expenses, less the in-kind value of food and less fundraising expenses). The dues are billed on a quarterly basis. Dues for Feeding America are billed on a quarterly basis and are based upon a flat fee provided by the national organization.

NOTE 12: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Back pack program	\$ 124,589	\$ 116,538
Donald W. Reynolds Foundation Distribution Center	-	5,976,845
Donald W. Reynolds Foundation Enrichment & Sustainability	-	83,396
USDA commodities	562,478	621,188
Service insights	53,947	-
Fresh produce program	26,101	19,053
COVID related	-	12,844
Other	237,804	-
	<u>\$ 1,004,919</u>	<u>\$ 6,829,864</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended June 30, 2021 and 2020, as follows:

	<u>2021</u>	<u>2020</u>
Purpose for restriction accomplished:		
Amounts appropriated for expenditures	\$ -	\$ -
Cooking Matters at the Store	-	500
Distributions of USDA commodities	2,885,189	3,870,657
USDA storage and distribution	727,340	398,282
Other food distribution programs:		
Back pack	386,997	344,372
Service insights	164,818	-
Enrichment & sustainability	77,366	15,836
Fresh produce	24,189	51,190
Feeding America Senior Hunger	-	8,834
COVID related	891,395	757,089
Other	86,222	-
	<u>\$ 5,243,516</u>	<u>\$ 5,446,760</u>

The Food Bank of Northeast Arkansas
Notes to the Financial Statements

NOTE 13: FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program, fundraising, and supporting services benefited, based upon various subjective factors including an estimate of employees' time dedicated to program services and the amount of physical space utilized.

NOTE 14: AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets as of June 30, 2021:

Financial assets at year end:

Cash	\$ 1,646,340
Accounts receivable	14,499
Grants receivable	1,000
Investments	7,554,837
	<u>\$ 9,216,676</u>

**Less amounts not available to be used
within one year:**

Board designated assets	7,554,837
Net assets with donor restrictions	443,441
Less net assets with purpose restrictions to be met in less than one year	(443,441)
	<u>7,554,837</u>

**Financial assets available to meet general
expenditures over the next twelve months:**

\$ 1,661,839

The Organization structures its financial assets to be available for its general expenditures, liabilities and other obligations that come due. The CEO and board of directors review the cash position on a quarterly basis.

The Food Bank of Northeast Arkansas
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2021

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Identification Number	Subrecipients	Expenditures
<u>Food Distribution Cluster</u>				
U.S. Department of Agriculture, Pass-Through from Arkansas Department of Human Services - The Emergency Food Assistance Program - Administrative Costs	10.568	9070	\$ -	\$ 602,198
U.S. Department of Agriculture, Pass-Through from Arkansas Department of Human Services - The Commodity Supplemental Food Program - Administrative Costs	10.565	9070	-	125,142
U.S. Department of Agriculture, Pass-Through from Arkansas Department of Human Services - The Commodity Supplemental Food Program - Food Commodities	10.565	9070	352,183	352,183
U.S. Department of Agriculture, Pass-Through from Arkansas Department of Human Services - The Emergency Food Assistance Program - Food Commodities	10.569	9070	2,533,006	2,533,006
Total Federal			<u>\$ 2,885,189</u>	<u>\$ 3,612,529</u>

Notes to Schedule

1 Significant Accounting Policies

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared in accordance with the requirements of Title 2, *U.S. Cost of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit and Administrative Requirements for Federal Awards* (the "Uniform Guidance"). The purpose of the Schedule is to present a summary of those activities of The Food Bank of Northeast Arkansas (the "Organization") for the year ended June 30, 2020, which have been financed by the U. S. Government ("Federal Awards") they are not intended to and do not present the financial position, changes in net assets or cash flows of the Organization.

For the purposes of the Schedule, Federal awards include all Federal assistance entered into directly between the Organization and the federal government and also between the Organization and other primary recipients of Federal government funds (pass-through), recorded on the accrual basis of accounting.

2 Food Commodities

Food commodities are expended when distributed to agencies. Distributed food is valued at the amounts provided by the U.S. Department of Agriculture.

3 Administrative Costs

The Organization elects not to use the 10% de minimus rate allowed under Uniform Guidance.

4 Federal Loan Programs

The organization did not have any federal loan programs during the year ended June 30, 2020.

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

To the Board of Directors
The Food Bank of Northeast Arkansas
Jonesboro, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America, the financial statements of The Food Bank of Northeast Arkansas (a nonprofit corporation)(the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC
Jonesboro, Arkansas

October 25, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
The Food Bank of Northeast Arkansas

Report on Compliance for Each Major Federal Program

We have audited The Food Bank of Northeast Arkansas' (The "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2021. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

The Organization's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC

October 25, 2021

**The Food Bank of Northeast Arkansas
Schedule of Findings and Questioned Cost
For the Year Ended June 30 , 2020**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified		
Internal controls over financial reporting:			
- Material weakness(es) identified?	_____ Yes	_____ X _____ No	
- Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ X _____ No	
Noncompliance material to financial statements noted?	_____ Yes	_____ X _____ No	

Federal awards

Internal controls over major program:			
- Material weakness(es) identified?	_____ Yes	_____ X _____ No	
- Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ X _____ No	
Type of auditors' report issued on compliance for major program:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	_____ Yes	_____ X _____ No	

Identification of Major Programs:

CFDA Number	<u>Name of Federal Program or Cluster</u>
10.569 10.565 10.568	U.S. Department of Agriculture, Food Distribution Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	_____ X _____ Yes _____ No

**The Food Bank of Northeast Arkansas
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2021**

SECTION II - FEDERAL PROGRAMS FINDINGS AND QUESTIONED COSTS

None.

**The Food Bank of Northeast Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020**

SECTION III - SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None.