

**THE FOOD BANK
OF NORTHEAST ARKANSAS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2025 AND 2024

with

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2025 and 2024, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. 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 with the Organization and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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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 and *Government 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 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 and *Government 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 December 19, 2025 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 the effectiveness of the Organization's 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.

HCI CPA & Advisors, PLLC

Jonesboro, Arkansas
December 19, 2025

FINANCIAL STATEMENTS

THE FOOD BANK OF NORTHEAST ARKANSAS
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2025 and 2024

<u>Assets</u>	<u>2025</u>	<u>2024</u>
Current Assets		
Cash	\$ 927,087	\$ 898,481
Restricted Cash	164,253	606,268
Accounts Receivable	14,427	10,292
Government Funds Receivable	82,003	444,053
Food Inventory	982,554	758,458
Prepaid Expenses	1,071	1,071
	<u>2,171,395</u>	<u>2,718,623</u>
Property and Equipment		
Building	8,593,629	7,685,968
Furniture and Equipment	941,367	960,789
Land	68,000	68,000
Vehicles	939,634	699,792
Construction in Progress	-	841,895
	<u>10,542,630</u>	<u>10,256,444</u>
Less Accumulated Depreciation	3,859,152	3,545,746
	<u>6,683,478</u>	<u>6,710,698</u>
Other Assets		
Building Maintenance Fund Investments	2,930,143	2,696,351
Program Fund Investments	4,476,514	4,296,506
	<u>7,406,657</u>	<u>6,992,857</u>
Total Assets	<u>\$ 16,261,530</u>	<u>\$ 16,422,178</u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities		
Accounts Payable	\$ -	\$ 133,832
Accrued Payroll and Payroll Liabilities	127,116	127,116
	<u>127,116</u>	<u>260,948</u>
Total Liabilities	<u>127,116</u>	<u>260,948</u>
Net Assets		
Without Donor Restrictions		
Undesignated	7,964,953	8,132,941
Board Designated	7,406,657	6,992,857
With Donor Restrictions	<u>762,804</u>	<u>1,035,432</u>
Total Net Assets	<u>16,134,414</u>	<u>16,161,230</u>
Total Liabilities and Net Assets	<u>\$ 16,261,530</u>	<u>\$ 16,422,178</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
YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions Income	\$ 1,141,522	\$ 113,013	\$ 1,254,535
Grants	-	457,002	457,002
In-Kind Food Donations	10,311,082	-	10,311,082
Government Funds			
TEFAP Food Received	-	1,331,123	1,331,123
CSFP Food Received	-	487,708	487,708
TEFAP Administrative Expense Reimbursement	-	220,594	220,594
CSFP Administrative Expense Reimbursement	-	268,059	268,059
Temporary Assistance for Needy Families	-	853,853	853,853
Local Food Purchase Assistance Program	-	589,662	589,662
In-Kind Contributions - Services and Non-Food	10,059	-	10,059
Interest Income	3,448	-	3,448
Investment Income, Net of Fees	560,442	-	560,442
Shared Maintenance Fees and Sale of			
Purchased Food	441,211	-	441,211
United Way	-	42,500	42,500
Facilities, Recycling and Other	26,981	-	26,981
Net Assets Released from Restriction			
Restrictions Satisfied by Payments	4,636,142	(4,636,142)	-
Total Revenues, Gains, and Other Support	<u>17,130,887</u>	<u>(272,628)</u>	<u>16,858,259</u>
Expenses			
Program Services	16,172,823	-	16,172,823
Fundraising	245,364	-	245,364
Support Services	466,888	-	466,888
Total Expenses	<u>16,885,075</u>	<u>-</u>	<u>16,885,075</u>
Change in Net Assets	<u>245,812</u>	<u>(272,628)</u>	<u>(26,816)</u>
Net Assets at Beginning of the Year	15,125,798	1,035,432	16,161,230
Net Assets at End of the Year	<u>\$ 15,371,610</u>	<u>\$ 762,804</u>	<u>\$ 16,134,414</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
THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions Income	\$ 1,098,368	\$ 204,064	\$ 1,302,432
Grants	-	761,330	761,330
In-Kind Food Donations	7,676,231	-	7,676,231
Government Funds			
TEFAP Food Received	-	3,514,974	3,514,974
CSFP Food Received	-	585,767	585,767
TEFAP Administrative Expense Reimbursement	-	138,737	138,737
CSFP Administrative Expense Reimbursement	-	137,488	137,488
Temporary Assistance for Needy Families	-	764,181	764,181
Local Food Purchase Assistance Program	-	571,734	571,734
In-Kind Contributions - Services and Non-Food	16,970	-	16,970
Interest Income	9,584	-	9,584
Investment Income, Net of Fees	729,654	-	729,654
Shared Maintenance Fees and Sale of			
Purchased Food	317,740	-	317,740
United Way	-	47,500	47,500
Facilities, Recycling and Other	23,135	-	23,135
Net Assets Released from Restriction			
Restrictions Satisfied by Payments	6,938,326	(6,938,326)	-
Total Revenues, Gains, and			
Other Support	16,810,008	(212,551)	16,597,457
Expenses			
Program Services	15,901,932	-	15,901,932
Fundraising	231,373	-	231,373
Support Services	418,356	-	418,356
Total Expenses	16,551,661	-	16,551,661
Change in Net Assets	258,347	(212,551)	45,796
Net Assets at Beginning of the Year	14,867,451	1,247,983	16,115,434
Net Assets at End of the Year	\$ 15,125,798	\$ 1,035,432	\$ 16,161,230

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

THE FOOD BANK OF NORTHEAST ARKANSAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025

	Program Services	Supporting Services		
	Food	Fundraising	Administration	
	Distribution	Expenses		Total
Agency Grants	\$ 161,150	\$ -	\$ -	\$ 161,150
Advertising	36,987	-	-	36,987
Bank Service Charges	-	-	20,391	20,391
Backpack Supplies and Food	202,814	-	-	202,814
Depreciation	266,262	-	66,566	332,828
Direct Mail	-	107,973	-	107,973
Disaster Relief	5,000	-	-	5,000
Dues & Subscriptions	51,699	-	12,925	64,624
Gas and Oil	22,818	-	-	22,818
Insurance	224,951	-	56,238	281,189
Licenses and Permits	2,654	-	-	2,654
LFPA Food Purchases	587,411	-	-	587,411
Meetings and Training	12,153	-	-	12,153
Miscellaneous	7,388	-	1,846	9,234
Postage	6,730	-	1,682	8,412
Printing and Publication	9,147	-	-	9,147
Professional Fees	38,336	-	38,336	76,672
Purchased Food	633,561	-	-	633,561
Food-In-Kind	10,256,372	-	-	10,256,372
TEFAP Food In-Kind	1,148,436	-	-	1,148,436
CSFP Food In-Kind	501,009	-	-	501,009
Repairs & Maintenance	149,157	-	-	149,157
Salaries, Wage, and Employee Benefits	863,472	123,353	246,706	1,233,531
Sanitation	2,293	-	573	2,866
Special Events	-	3,979	-	3,979
Special Events In-Kind	-	10,059	-	10,059
Supplies	52,534	-	13,133	65,667
TANF School Pantry	823,095	-	-	823,095
Telephone	12,750	-	-	12,750
Training	3,021	-	-	3,021
Travel	38,203	-	-	38,203
Trucking	19,448	-	-	19,448
Utilities	33,971	-	8,493	42,464
	<u>\$ 16,172,823</u>	<u>\$ 245,364</u>	<u>\$ 466,888</u>	<u>\$ 16,885,075</u>

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

THE FOOD BANK OF NORTHEAST ARKANSAS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	Program Services	Supporting Services		
	Food	Fundraising	Administration	Total
	Distribution	Expenses		
Agency Grants	\$ 270,035	\$ -	\$ -	\$ 270,035
Advertising	53,584	-	-	53,584
Bank Service Charges	-	-	14,867	14,867
Backpack Supplies and Food	243,823	-	-	243,823
Cooking Matters	6,000	-	-	6,000
Depreciation	230,654	-	57,664	288,318
Direct Mail	-	88,459	-	88,459
Disaster Relief	23,390	-	-	23,390
Dues & Subscriptions	46,766	-	11,692	58,458
Gas and Oil	24,732	-	-	24,732
Insurance	188,311	-	47,078	235,389
Licenses and Permits	2,571	-	-	2,571
LFPA Food Purchases	534,234	-	-	534,234
Meetings and Training	15,245	-	-	15,245
Miscellaneous	3,337	-	835	4,172
Postage	6,682	-	1,671	8,353
Printing and Publication	10,682	-	-	10,682
Professional Fees	33,071	-	33,071	66,142
Purchased Food	609,754	-	-	609,754
Food-In-Kind	7,665,119	-	-	7,665,119
TEFAP Food In-Kind	3,634,796	-	-	3,634,796
CSFP Food In-Kind	628,609	-	-	628,609
Repairs & Maintenance	125,501	-	-	125,501
Salaries, Wage, and Employee Benefits	799,251	114,179	228,357	1,141,787
Sanitation	1,983	-	496	2,479
Service Insights	3,499	-	-	3,499
Special Events	-	15,625	-	15,625
Special Events In-Kind	-	13,110	-	13,110
Supplies	57,090	-	14,272	71,362
TANF School Pantry	573,281	-	-	573,281
Telephone	11,783	-	-	11,783
Training	4,203	-	-	4,203
Travel	34,196	-	-	34,196
Trucking	26,335	-	-	26,335
Utilities	33,414	-	8,354	41,768
	<u>\$ 15,901,932</u>	<u>\$ 231,373</u>	<u>\$ 418,356</u>	<u>\$ 16,551,661</u>

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

THE FOOD BANK OF NORTHEAST ARKANSAS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Change in Net Assets	\$ (26,816)	\$ 45,796
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:		
Depreciation and Amortization	332,828	288,318
Unrealized (Gains) Losses on Investment Accounts	(436,121)	(551,249)
Changes in:		
Accounts, Grants & Other Receivables	357,915	(439,585)
Food Inventory	(224,096)	151,552
Accounts Payable	(133,832)	133,832
Accrued and Other Liabilities	-	14,574
Net Cash (Used For) Operating Activities	<u>(130,122)</u>	<u>(356,762)</u>
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(305,608)	(51,232)
Construction in Progress Additions	-	(841,895)
Proceeds From Sale of Investments	146,642	775,446
Investment Income Reinvested, Net of Fees	(124,321)	(178,405)
Net Cash (Used For) Investing Activities	<u>(283,287)</u>	<u>(296,086)</u>
Net Change in Cash	(413,409)	(652,848)
Cash and Restricted Cash, Beginning of the Year	<u>1,504,749</u>	<u>2,157,597</u>
Cash and Restricted Cash, End of the Year	<u><u>1,091,340</u></u>	<u><u>1,504,749</u></u>
Total of Cash and Restricted Cash		
Cash	927,087	898,481
Restricted Cash	164,253	606,268
	<u><u>\$ 1,091,340</u></u>	<u><u>\$ 1,504,749</u></u>
<i>Supplemental Disclosures for Cash Flows</i>		
Non-Cash Activities		
Donation of Food Inventory	\$ 12,129,913	\$ 11,776,972
Donations for Special Events	<u><u>\$ 10,059</u></u>	<u><u>\$ 16,970</u></u>

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 receivable are stated at the amount the Organization expects to collect. The Organization estimates expected credit losses on accounts receivable using a current expected credit loss (CECL) model. Management evaluates expected credit losses based on historical collection experience, the aging of receivables, known trends affecting collectability, and reasonable and supportable forecasts of future economic conditions. Accounts receivable primarily consist of amounts due from government agencies, program partners, and other organizations, which management considers to be low credit risk. Based on this evaluation, management determined that no allowance for expected credit losses was necessary at year end. Accounts are written off when determined to be uncollectible.

Advertising

Advertising costs are expensed when incurred. Advertising expense for the years ended June 30, 2025 and 2024, was \$36,987 and \$53,584, respectively.

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.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 19, 2025, 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, 2025 and 2024, there were not any impairment losses recognized for long-lived assets.

THE FOOD BANK OF NORTHEAST ARKANSAS

NOTES TO THE FINANCIAL STATEMENTS

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.

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. The Organization capitalizes additions of property and equipment in excess of \$5,000 cost or fair value, if donated. Annual depreciation is primarily computed using the straight line method over estimated useful lives as follows:

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

Depreciation expense for the years ended June 30, 2025 and 2024 was \$332,828 and \$288,318, 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 are 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, 2024, to conform to the financial statements as of and for the year ending June 30, 2025.

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. Significant estimates include the valuation of inventory, estimated useful lives of depreciable assets, and the allocation of expenses by function.

THE FOOD BANK OF NORTHEAST ARKANSAS

NOTES TO THE FINANCIAL STATEMENTS

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 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 \$14,427 and \$10,292 as of June 30, 2025 and 2024, respectively.

Note 5: Inventory

The estimated value of donated food inventory is valued at a weighted average price per pound of \$1.90 based on the most current determination as calculated by KMPG, LLP on behalf of Feeding America, and totals \$273,383 as of June 30, 2025. The weighted average price as of June 30, 2024 was \$1.97 and the value of the donated food inventory was \$226,950. Purchased food is valued at cost as paid by the Organization and was \$110,491 and \$102,343 as of June 30, 2025 and 2024, respectively. Donated commodities received from USDA are valued at USDA prices as provided, and this inventory was \$598,551 and \$429,165 at June 30, 2025 and 2024, 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, 2025 approximately 5,426,884 pounds of food at an average price per pound of \$1.90 totaling \$10,311,082 were donated. During the year ended June 30, 2024 approximately 3,896,564 pounds of food at an average price per pound of \$1.97 totaling \$7,676,231 were donated. Food commodities received from the USDA for the years ended June 30, 2025 and 2024 totaled \$1,818,831 and \$4,100,741, 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 2025 and 2024, the Organization contributed \$19,194 and \$18,997, respectively.

Note 7: Investments

The market value of the Organization's portfolio of investments as of June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Certificates of Deposit	\$ 440,000	\$ 591,000
Money Market	88,387	407,906
Mutual Funds	6,878,270	5,959,203
Common Stock	-	34,748
	<u>\$ 7,406,657</u>	<u>\$ 6,992,857</u>

THE FOOD BANK OF NORTHEAST ARKANSAS

NOTES TO THE FINANCIAL STATEMENTS

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 investments, 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, 2025 and 2024 is summarized as follows:

	2025	2024
Dividend and Interest Income	\$ 197,758	\$ 178,405
Net Realized and Unrealized Gain	421,406	610,336
Investment Fees	<u>(58,722)</u>	<u>(59,087)</u>
Net Investment Income	<u>\$ 560,442</u>	<u>\$ 729,654</u>

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 Plan 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, 2025 and 2024 there were no transfers in or out of levels 1, 2, or 3.

THE FOOD BANK OF NORTHEAST ARKANSAS

NOTES TO THE FINANCIAL STATEMENTS

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 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, 2025:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 88,387	\$ 88,387	\$ -	\$ -
Certificates of Deposit	440,000	-	440,000	-
Mutual Funds:				
Bond	2,927,093	2,927,093	-	-
Equity	1,217,217	1,217,217	-	-
Small	811,034	811,034	-	-
Real Estate	209,299	209,299	-	-
Large Cap	1,713,627	1,713,627	-	-
	<u>\$ 7,406,657</u>	<u>\$ 6,966,657</u>	<u>\$ 440,000</u>	<u>\$ -</u>

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, 2024:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 407,906	\$ 407,906	\$ -	\$ -
Certificates of Deposit	591,000	-	591,000	-
Common Stock	34,748	34,748	-	-
Mutual Funds:				
Bond	2,272,315	2,272,315	-	-
Equity	1,160,319	1,160,319	-	-
Small	737,091	737,091	-	-
Real Estate	213,470	213,470	-	-
Large Cap	1,576,008	1,576,008	-	-
	<u>\$ 6,992,857</u>	<u>\$ 6,401,857</u>	<u>\$ 591,000</u>	<u>\$ -</u>

THE FOOD BANK OF NORTHEAST ARKANSAS

NOTES TO THE FINANCIAL STATEMENTS

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 Funds balances as of June 30, 2025 and 2024 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Building Maintenance Fund Investments	\$ 2,930,143	\$ 2,696,351
Program Fund Investments	<u>4,476,514</u>	<u>4,296,506</u>
	<u>\$ 7,406,657</u>	<u>\$ 6,992,857</u>

Changes in the Funds' net assets for the years ended June 30, 2025 and 2024, are summarized as follows:

The Funds' Net Assets as of July 1, 2023	\$ 7,038,649
Investment Income, Net of Fees	729,654
Distribution/Withdrawal	<u>(775,446)</u>
The Funds' Net Assets as of June 30, 2024	6,992,857
Investment Income, Net of Fees	560,442
Distribution/Withdrawal	<u>(146,642)</u>
The Funds' Net Assets as of June 30, 2025	<u>\$ 7,406,657</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.

THE FOOD BANK OF NORTHEAST ARKANSAS

NOTES TO THE FINANCIAL STATEMENTS

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, 2025 and 2024, were \$469,706 and \$887,868, respectively. The Organization does not believe that it is subject to any unusual credit risk beyond the normal risk associated with commercial banking relationships.

In 2025 and 2024, a significant amount of contributions were provided by a few major contributors. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term. The Organization's market is concentrated in the Northeast Arkansas geographical area.

For the years ended June 30, 2025 and 2024, approximately 57% and 64% of the Organization's revenue, respectively, excluding in-kind contributions, was provided under various contracts with the Arkansas Department of Education and Arkansas Department of Human Services. In the event funding is terminated, the organization's ability to continue as a going concern would be greatly diminished.

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, 2025 and 2024, consist of the following:

	<u>2025</u>	<u>2024</u>
Backpack Program	\$ -	\$ 39,371
USDA Commodity Food	598,551	429,164
Fresh Produce Program	21,298	10,000
Service Insights	-	22,339
Other	<u>142,955</u>	<u>534,558</u>
	<u>\$ 762,804</u>	<u>\$ 1,035,432</u>

The restricted cash related to the programs above are included with cash on the Statements of Financial Position.

THE FOOD BANK OF NORTHEAST ARKANSAS

NOTES TO THE FINANCIAL STATEMENTS

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, 2025 and 2024, as follows:

	<u>2025</u>	<u>2024</u>
Purpose for Restriction Accomplished:		
Distributions of USDA Commodity Food	\$ 1,635,389	\$ 4,263,404
USDA Storage and Distribution	488,653	276,225
Other Food Distribution Programs:		
Backpack	218,080	265,193
Service Insights	22,339	56,161
Fresh produce	47,756	35,000
Disaster Relief	-	55,000
Temporary Assistance for Needy Families	853,853	764,181
Local Food Purchase Assistance Program	589,662	571,734
Other	<u>780,410</u>	<u>651,428</u>
	<u>\$ 4,636,142</u>	<u>\$ 6,938,326</u>

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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Financial Assets at Year End:		
Cash	\$ 927,087	\$ 898,481
Restricted Cash	164,253	606,268
Accounts Receivable	14,427	10,292
Government Funds	82,003	444,053
Investments	<u>7,406,657</u>	<u>6,992,857</u>
	<u>\$ 8,594,427</u>	<u>\$ 8,951,951</u>
Less Amounts not Available to be Used Within One Year:		
Board Designated Assets	\$ 7,406,657	\$ 6,992,857
Net Assets with Donor Restrictions	762,804	1,035,432
Less Net Assets with Purpose Restrictions to be Met in Less than One Year	<u>(762,804)</u>	<u>(1,035,432)</u>
	<u>\$ 7,406,657</u>	<u>\$ 6,992,857</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,187,770</u>	<u>\$ 1,959,094</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Note 15: Contributed Nonfinancial Assets

The Organization received contributed nonfinancial assets comprised of inventory received during the years ended June 30, 2025 and 2024 as follows:

<u>Nonfinancial Contributions Category</u>	<u>Utilization</u>	<u>Valuation</u>	<u>2025</u>	<u>2024</u>
Inventory	Program Services	USDA Prices/Valuation Report	\$12,129,913	\$11,776,972
Silent Auction Items	Fundraising	Donor Provided Fair Market Value	\$10,059	\$16,970

No in-kind contributions were restricted.

Note 16: Restatement of Prior Year Financial Statements

During 2025, the Organization determined that certain amounts previously reported as revenue, expense, cash, and restricted cash for the year ended June 30, 2024 were incorrectly recorded. The correction of these errors had no effect on the change in net assets or on total net assets at June 30, 2024. Accordingly, the accompanying 2024 financial statements have been restated to correct these errors. The effect of the restatement is summarized below:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Total Revenue	\$25,421,501	(\$8,824,044)	\$16,597,457
Total Expenses	\$25,375,705	(\$8,824,044)	\$16,551,661
Cash	\$469,317	\$429,164	\$898,481
Restricted Cash	\$1,035,432	(\$429,164)	\$606,268

SUPPLEMENTARY INFORMATION

The Food Bank of Northeast Arkansas
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Identification Number	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	\$ 135,654
U.S. Department of Agriculture, Pass-Through from Arkansas Department of Human Services - The Commodity Supplemental Food Program - Administrative Costs	10.565	9070	155,993
U.S. Department of Agriculture, Pass-Through from Arkansas Department of Human Services - The Commodity Supplemental Food Program - Food Commodities	10.565	9070	501,009
U.S. Department of Agriculture, Pass-Through from Arkansas Department of Human Services - The Emergency Food Assistance Program - Food Commodities	10.569	9070	1,148,436
<u>Total Food Distribution Cluster</u>			<u>1,941,092</u>
<u>Other Programs</u>			
U.S. Department of Agriculture - Local Food Purchase Assistance Program	10.182		589,662
U.S. Department of Health and Human Services - Temporary Assistance for Needy Families	93.558		853,853
U.S. Department of Agriculture - Commodity Supplemental Food Program Commodity Credit Corporation	10.194		112,066
U.S. Department of Agriculture - The Emergency Food Assistance Program Commodity Credit Corporation	10.187		84,940
<u>Total Other Programs</u>			<u>1,640,521</u>
Total Federal			<u>\$ 3,581,613</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, 2025, 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, 2025.

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

To the Board of Directors
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, 2025, 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 December 19, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Jonesboro Office

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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.

HCI CPA & Advisors, PLLC

Jonesboro, Arkansas
December 19, 2025

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Food Bank of Northeast Arkansas' (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2025. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

HCS CPA, & Advisors, PLLC

Jonesboro, Arkansas
December 19, 2025

The Food Bank of Northeast Arkansas
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I - Summary of Auditor's Results

A. SUMMARY OF AUDITOR'S RESULTS

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America(GAAP):

X			
Unmodified	Modified	Adverse	Disclaimed

2. Internal control over financial reporting:

- Material weakness(es) identified?	_____ Yes	_____ X	_____ No
- Significant deficiency(ies) identified?	_____ Yes	_____ X	_____ No

3. Non compliance material to financial statements noted?

_____ Yes	_____ X	_____ No
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Federal Awards

1. Internal control over major federal programs:

- Material weakness(es) identified?	_____ Yes	_____ X	_____ No
- Significant deficiency(ies) identified?	_____ Yes	_____ X	_____ No

2. Type of auditor's report issued on compliance for major federal programs:

Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes	_____ X	_____ No
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Identification of Major Federal Programs

Assistance Listing Number

93.558

Name of Federal Program

Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs:

_____ \$750,000

Auditee qualified as low-risk auditee?

_____ X	_____ Yes	_____ No
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Section II - Findings - Financial Statement Audit

None

Section III - Findings and Questioned Costs-Major Federal Award Program Audit

None

Section IV - Summary of Prior Year Audit Findings and Questioned Costs

None