



**THE FOOD BANK FOR CENTRAL AND NORTHEAST  
MISSOURI**

**FINANCIAL STATEMENTS**

For the year ended December 31, 2021





## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors

### **THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI**

#### **Report on the Audit of the Financial Statements**

##### ***Opinion***

We have audited the accompanying financial statements of The Food Bank for Central and Northeast Missouri (the "Organization") which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Food Bank for Central and Northeast Missouri as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Basis for Opinion***

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

##### ***Correction of Error***

As discussed in Note 2 to the financial statements, the Organization has corrected certain errors arising from conditional inventory contributions received and the valuation of inventory. Accordingly, an adjustment has been made to net assets as of December 31, 2020 to correct the error. Our opinion is not modified with respect to this matter.

##### ***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 for one year after the date that the financial statements are available to be issued.

##### ***Auditors' 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 auditors' 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 GAAS 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 GAAS, 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.

*Mayer Hoffman McCann P.C.*

Kansas City, Missouri  
September 27, 2022

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI

STATEMENT OF FINANCIAL POSITION

December 31, 2021

**ASSETS**

CURRENT ASSETS	
Cash and restricted cash	\$ 6,431,457
Cash - quasi-endowment	258,973
Accounts receivable	2,013,271
Inventory	2,271,734
Prepaid expenses and other assets	141,360
TOTAL CURRENT ASSETS	11,116,795
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	7,477,164
INVESTMENTS	2,227,453
INVESTMENTS - QUASI-ENDOWMENT	1,552,454
TOTAL ASSETS	<u>\$ 22,373,866</u>

**LIABILITIES**

CURRENT LIABILITIES	
Accounts payable	\$ 346,548
Accrued expenses	291,248
Refundable advance	1,138,266
TOTAL CURRENT LIABILITIES	1,776,062
LONG-TERM DEBT	19,000
TOTAL LIABILITIES	<u>1,795,062</u>

**NET ASSETS**

NET ASSETS WITHOUT DONOR RESTRICTIONS	
Foodbank	
Undesignated	17,739,907
Board designated - quasi-endowment	1,811,427
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	19,551,334
NET ASSETS WITH DONOR RESTRICTIONS	1,027,470
TOTAL NET ASSETS	20,578,804
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,373,866</u>

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Year Ended December 31, 2021

NET ASSETS WITHOUT DONOR RESTRICTIONS

OPERATING SUPPORT

AND REVENUE

Contributions	\$ 11,453,352
Contributed food received	43,746,399
Handling fees and other revenues	113,329
Other income	85,328

TOTAL OPERATING

SUPPORT AND REVENUE

55,398,408

EXPENSES

Food distribution	49,495,507
Food pantry	480,163
Children's programs	1,764,681
Management and general	709,916
Fund development	1,255,806

TOTAL EXPENSES

53,706,073

CHANGE IN NET ASSETS

BEFORE OTHER INCOME (EXPENSES)

1,692,335

OTHER INCOME (EXPENSE)

Investment income, net	290,853
Depreciation expense	(640,878)
Gain on forgiveness of Paycheck Protection Program	611,500
Gain on disposal of assets	12,428

TOTAL OTHER INCOME

273,903

CHANGE IN NET ASSETS WITHOUT RESTRICTIONS

1,966,238

NET ASSETS WITH DONOR RESTRICTIONS

Contributions	<u>1,027,470</u>
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CHANGE IN NET ASSETS

2,993,708

NET ASSETS, BEGINNING OF YEAR, as restated

17,585,096

NET ASSETS, END OF YEAR

\$ 20,578,804

**THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2021

	<b>Food Distribution</b>	<b>Food Pantry</b>	<b>Children's Programs</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fund Development</b>	<b>Total</b>
Personnel	\$ 1,663,153	\$ 380,988	\$ 350,850	\$ 2,394,991	\$ 551,943	\$ 601,014	\$ 3,547,948
Food Distributed	3,598,476	1,522	998,873	4,598,871	-	113	4,598,984
Professional Fees	8,534	1,411	1,280	11,225	13,258	3,119	27,602
Supplies	153,858	8,602	1,645	164,105	14,719	138,852	317,676
Occupancy	102,987	44,862	165,479	313,328	16,501	16,480	346,309
Equipment	77,600	7,987	2,058	87,645	5,333	20,008	112,986
Printing and Publications	7,460	448	1,006	8,914	11,518	400,956	421,388
Meetings	6,338	685	60	7,083	3,299	742	11,124
Dues	120,896	1,040	431	122,367	68,294	4,693	195,354
Insurance	39,766	19,209	5,964	64,939	16,584	14,116	95,639
Fleet Maintenance	189,681	12,102	172	201,955	218	4,837	207,010
Miscellaneous expense	25,703	1,307	4,069	31,079	8,249	50,876	90,204
Expenses before depreciation and contributed food distributed	5,994,452	480,163	1,531,887	8,006,502	709,916	1,255,806	9,972,224
Depreciation expense	457,719	115,994	628	574,341	33,186	33,351	640,878
Contributed food distributed	43,501,055	-	232,794	43,733,849	-	-	43,733,849
<b>TOTAL EXPENSES</b>	<b>\$ 49,953,226</b>	<b>\$ 596,157</b>	<b>\$ 1,765,309</b>	<b>\$ 52,314,692</b>	<b>\$ 743,102</b>	<b>\$ 1,289,157</b>	<b>\$ 54,346,951</b>
Percentage of total expenses	91.92%	1.10%	3.24%	96.26%	1.37%	2.37%	100.00%

See Notes to Financial Statements

**THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI**

**STATEMENT OF CASH FLOWS**

Year ended December 31, 2021

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$	2,993,708
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net contributed food activity		(12,550)
Gain on disposal of assets		(12,428)
Realized and unrealized gain on investments		(245,964)
Depreciation		640,878
Forgiveness of Paycheck Protection Program loan		(611,500)
Change in operating assets:		
Accounts receivable		(1,641,766)
Inventory		895,494
Prepaid expenses and other assets		544,733
Change in operating liabilities:		
Accounts payable and accrued expenses		(3,241)
Accrued expenses		105,487
Deferred revenue		(116,500)
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,536,351

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sale of investments		474,962
Purchases of investments		(502,491)
Acquisition of property and equipment		(1,943,060)
Proceeds from sale of property and equipment		12,749
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1,957,840)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Receipts to finance long-term capital improvements		1,025,995
NET CHANGES IN CASH AND RESTRICTED CASH		1,604,506
CASH AND RESTRICTED CASH, BEGINNING OF YEAR		5,085,924
CASH AND RESTRICTED CASH, END OF YEAR	\$	6,690,430

Cash and restricted cash per the statement of financial position

Cash	\$	5,662,960
Restricted cash		1,027,470
Total cash and restricted cash	\$	6,690,430

# THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI

## NOTES TO FINANCIAL STATEMENTS

### (1) Summary of significant accounting policies

**Organization** - The Food Bank for Central and Northeast Missouri, Inc. (the "Organization") was formed in September 1981. It is a regional disaster and hunger relief network that acquires and distributes millions of pounds of donated food annually. The Organization is a centralized food collection and distribution facility that provides food and household products to agencies service people in need in a 32 county area. Its mission is to help and feed people in need. The Organization distributes food to/for various entities and programs, as follows:

Soup Kitchens	Rehabilitation Centers	Veterans Pack Program
Food Pantries	Children's Programs	Other Food Banks
Shelters for Homeless and Abused	Senior Programs	

**Basis of presentation** - The Organization's financial statements are prepared on the accrual basis of accounting.

**Cash** - Cash consists of available cash balances on deposit at financial institutions. At times, the Organization maintains deposits in financial institutions in excess of federally insured limits. At December 31, 2021 the Organization's uninsured balances totaled \$5,864,853. The Organization has not experienced any losses in such accounts and management believes the risk of loss is negligible.

**Restricted cash** - Amounts included in restricted cash represent those funds required to be set aside by donor restriction. These restricted cash amounts are reflected as assets on the statement of financial position and as net assets with donor restrictions. The restriction will lapse when the Organization's donor restrictions are satisfied.

**Accounts receivable** - Accounts receivable balances result from government reimbursements and handling fees earned. On a periodic basis, the Organization evaluates receivables and establishes an allowance based on history, past write-offs, collections, and current economic conditions. Receivables are written off when it is determined that all collection efforts have been exhausted.

**Inventory** - Contributed food is valued on a first-in, first-out basis using a weighted average wholesale price per pound as determined by the Feeding America national food bank network. For the year ended December 31, 2021 contributed food from governmental sources was valued at \$1.79. Purchased food is valued on a first-in, first-out basis.

**Property and equipment** - Expenditures for property, buildings, and equipment over \$1,000, which have a useful life of one year or more are capitalized at cost. The cost of normal maintenance and repairs that do not add to the value of the asset nor materially extend the asset's life are not capitalized. Assets are depreciated over their estimated useful lives using the straight-line method. Donations of property, buildings, and equipment are recorded as contributions at their estimated fair value as of the date received, and are reported as contributions without restrictions unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-term assets are reported when these assets are placed in service. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished).



THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of significant accounting policies (continued)**

Property, buildings, and equipment are reported at historical cost, net of accumulated depreciation. Donated assets are recorded at estimated fair value at the date of donation. Property, buildings, and equipment are depreciated using the straight-line method, as follows:

<b><u>Assets</u></b>	<b><u>Estimated Useful Lives</u></b>
Buildings	20 - 40 years
Improvements	7 - 30 years
Furniture and equipment	5 - 10 years
Automotive equipment	5 years
Computer Software	3 years

**Investments** - Investments consisting of equity funds, international funds, fixed income funds, and alternative investment funds are recorded at their aggregate fair value. Investment return is reported in the statement of activities and change in net asset and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

**Fair value measurements** - The Organization measures financial assets and liabilities at fair value in accordance with ASC 820-10, *Fair Value Measurements and Disclosures*. Fair value measurements involve various valuation techniques and assume that the transaction would occur between market participants in the most advantageous market for the Organization. ASC 820-10 establishes a fair value hierarchy and prioritizes the valuation techniques used to measure fair value into three tiers and gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The maximization of observable inputs and the minimization of the use of unobservable inputs are required. Classification within the fair value hierarchy is based upon the objectivity of the inputs that are significant to the valuation of an asset or liability as of the measurement date.

The three levels within the fair value hierarchy are characterized as follows:

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

*Level 2* - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; 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.

*Level 3* - Unobservable inputs for the asset or liability for which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the Organization's own assumptions about what market participants would use to price the asset or liability. These inputs may include internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

# THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI

## NOTES TO FINANCIAL STATEMENTS

### (1) Summary of significant accounting policies (continued)

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

**Refundable advance** - Refundable advances and expense are recorded in accordance with ASC Topic 958, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Under this guidance, grants are recognized in the accompanying financial statements when the Organization has an obligation to transfer assets to a grantee.

**Net asset classifications** - Net assets are presented in two net asset classes: those without donor restrictions and with donor restrictions. These categories allow for the presentation and use of resources consistent with the array of stipulations that donors impose over the use of funds from contributions and pledges. The categories are defined as follows:

*Net assets without donor restrictions* - All contributions and grants are considered to be available for use unless specifically restricted by the donor. Net assets without donor restrictions may be designated for specific purposes by action of the Organization's Board of Trustee. The Board has designated certain investments to be used for general operations through regular quarterly withdrawals and on an as-needed basis with Board approval.

*Net assets with donor restrictions* - These net assets are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity.

**Revenue recognition** - All contribution and grant revenue is recognized in accordance with Topic 958, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Under this guidance all contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted contributions and increase net assets with donor restrictions.

Contributions other than cash, including unconditional promises to give and donated materials with clearly measurable bases, are recorded at their estimated fair value at the date of receipt. Revenue from fees and grants from government agencies are recognized as they are earned through expenditure in accordance with the agreement. Conditional promises to give – that is, those with a measurable performance or other barrier and right of return – are not recognized until the conditions on which they depend have been met.

Revenue from contributed food received, as well as the related food distributed expense and the contributed food inventory accounts, are computed by valuing the Organization's respective pounds of food at a weighted average wholesale price per pound as determined by the Feeding America national food bank network. The Organization treats non-federal contributed food as contributions without donor restrictions.

# THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI

## NOTES TO FINANCIAL STATEMENTS

### (1) Summary of significant accounting policies (continued)

Revenue from contracts is recognized in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Revenue recognition is based on the five-step model: (i) identify the contract with the customer; (ii) identify the performance obligation in the contract; (iii) determine the contract price; (iv) allocate the transaction price; and (v) recognize revenue (or as) each performance obligation is satisfied. If it is determined that a contract with an enforceable right and obligation does not exist, revenues are deferred until all criteria for an enforceable contract are met.

Revenues from program service fees (handling fees) are recognized as earned from member agencies who receive food. The Organization applies the right to invoice practical expedient to contract revenue, and recognizes revenue as invoiced, since the Organization's right to payment is for an amount that corresponds directly with the value provided to customers based on the Organization's performance to-date.

Donated assets are reflected as contributions at their estimated fair value at the date of receipt. A substantial number of volunteers have donated thousands of hours during the year ended December 31, 2021, which do not meet the requirements of the Not-For-Profit Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") related to revenue recognition of contributions received and, accordingly, are not recorded in these financial statements.

**Functional expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and change in net assets. Certain costs have been allocated among the programs and supporting services benefited as depicted in the accompanying statement of functional expenses. Expenses that can be identified with a specific program and support are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the programs or support source. Specifically, those costs are allocated by department, a full time equivalent measure, or by square footage. Direct benefit to donor costs have been included in fund development costs on the statement of functional expenses as the associated costs are not material in relation to the financial statements taken as a whole.

**Income taxes** - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for federal and state income taxes.

The Organization's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period which, based on all available evidence, it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Organization. No accrual has been recorded at December 31, 2021, as management does not believe any material uncertainties exist.

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI**

**NOTES TO FINANCIAL STATEMENTS**

**(2) Prior period restatement**

Net assets without donor restrictions at December 31, 2020 has been restated to correct an error in the accounting for conditional inventory contributions and the value of inventory.

In the previously issued financial statements, the Organization did not account for conditional inventory contributions received as a refundable advance. Accounting standards require that conditional contributions received be accounted for as a refundable advance, a liability, until the conditions have been substantially met. The Organization has determined that inventory received from Federal programs which has not been disbursed at year-end is a conditional contribution, and as such, should have been recorded as a refundable advance. Correcting this error created a refundable advance liability and reduced the change in net assets and the change in net assets without donor restrictions by \$1,254,766 at December 31, 2020. In addition, the valuation of inventory was not updated from the \$1.68 per pound amount, set in 2019 to the correct per pound value of \$1.74. This results in an increase in the value of inventory, and an increase in net assets without donor restrictions of \$613,294 at December 31, 2020. The corrections resulted in the following restatement in the statement of financial position at December 31, 2020:

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Total Net Assets</u>
Balance, December 31, 2020, as previously stated	\$ 18,226,568	\$ -	\$ 18,226,568
Net adjustment to net assets without donor restrictions as described above	<u>(641,472)</u>	<u>-</u>	<u>(641,472)</u>
Balance, December 31, 2020, as restated	<u>\$ 17,585,096</u>	<u>\$ -</u>	<u>\$ 17,585,096</u>

**(3) Inventory**

Total food inventory, consisted of 1,493,293 pounds of donated, purchased, and received from the State through the USDA at December 31, 2021. The value of the year-end inventory was as follows:

Governmental programs	
The Emergency Food Assistance Program	\$ 911,033
Commodity supplemental food program	227,233
Donated food	960,915
Purchased food	<u>172,553</u>
Total inventory	<u>\$ 2,271,734</u>

The Organization is recognized by the USDA as an Emergency Feeding Organization (EFO). This designation enables the Organization to act as a distributor of food donated by the USDA and consigned by the Division of Family Services of the State of Missouri's Department of Social Services and the Department of Health and Senior Services. The Organization is responsible for storing, handling, and distributing the donated food to needy persons. Primary recipients of the food were soup kitchens and food pantries.

**THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI**

**NOTES TO FINANCIAL STATEMENTS**

**(4) Property and equipment**

Cost		
Land	\$	324,124
Building		5,568,944
Building improvements		3,563,047
Automotive equipment		2,051,588
Furniture and equipment		1,235,167
Computer software		77,502
Total cost		<u>12,820,372</u>
Less: Accumulated depreciation		<u>5,343,208</u>
Net property and equipment	\$	<u><u>7,477,164</u></u>

Depreciation expense charged to operations for the year ended December 31, 2021 was \$640,878.

**(5) Investments**

Investments are comprised of the following:

Equity funds	\$	1,448,700
International funds		344,665
Fixed income funds		1,805,058
Alternative investment funds		181,484
Total investments	\$	<u><u>3,779,907</u></u>

Investment return is comprised of the following:

Interest and dividend income	\$	67,811
Investment fees		(22,922)
Unrealized (loss) gain		(35,831)
Realized gain		281,795
Total investment return	\$	<u><u>290,853</u></u>

The Organization endeavors to utilize the best available information in measuring fair value. The fair values of the Organization's investments can be determined using the following valuation methods as of December 31, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity funds	\$ 1,448,700	\$ 1,448,700	\$ -	\$ -
International funds	344,665	344,665	-	-
Fixed income funds	1,805,058	1,805,058	-	-
Alternative investment funds	181,484	181,484	-	-
	<u>\$ 3,779,907</u>	<u>\$ 3,779,907</u>	<u>\$ -</u>	<u>\$ -</u>

**THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI**

**NOTES TO FINANCIAL STATEMENTS**

**(6) Refundable advances**

At December 31, 2021 \$1,138,266 of food was received in relation to federal grants where a barrier to entitlement and a right of return still exists. As such, these food amounts received are reflected as refundable advances within the statement of financial position until the conditions have been substantially met or waived by the donor. The conditional promises to give will be recognized as revenue within the financial statements when such amounts become unconditional.

**(7) Notes payable**

On June 29, 2020, the Organization entered into a Community Development Block Grant (CDBG) loan with the City of Columbia, Missouri, for the sum of \$19,000; 0% interest per annum, payable and contingent upon the sale, conveyance, or other disposition of the real property. The loan is secured by a deed of trust. As of the year ended December 31, 2021, the loan balance was \$19,000.

**(8) Endowment**

The Organization's endowment consists of three funds established for a variety of purposes. The funds only include board-restricted funds. In accordance with FASB ASC 958, net assets associated with endowment funds and funds designated by the Board of Directors are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment funds include the original value at the date of the gift. The earnings on these funds are restricted until appropriated for expenditure on certain programs.

The Organization had the following endowment-related activities:

	<b>Subject to appropriation or expenditure</b>	<b>Not subject to appropriation or expenditure</b>	<b>Total</b>
Beginning balance, January 1, 2021	\$ 1,361,673	\$ -	\$ 1,361,673
Administrative expenses	(10,044)	-	(10,044)
Investment return	126,657	-	126,657
Contributions and other income	333,141	-	333,141
Total change in endowment funds	449,754	-	449,754
Ending balance, December 31, 2021	<u>\$ 1,811,427</u>	<u>\$ -</u>	<u>\$ 1,811,427</u>

**Return objectives and risk parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is expected to achieve competitive performance relative to a static policy-weighted market benchmark over a period not less than a full market cycle (generally defined as a five-year period) while maintaining acceptable risk levels.

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI

NOTES TO FINANCIAL STATEMENTS

(8) **Endowment (continued)**

Strategies employed for achieving objectives

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 of equity, fixed income, and alternative investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The Organization's objective is to maintain the purchasing power of the endowment assets for a specified term as well as to provide additional real growth through new gifts and investment return. The portfolio shall be rebalanced to tactical targets as deemed advantageous to the Endowment after considering the costs of rebalancing versus the risk associated with portfolio deviation from the desired targets.

(9) **Lease commitments**

The Organization entered into a lease agreement for warehouse space in Jefferson City, Missouri, November 2017, on a month-to-month basis, for \$1,500 per month. Effective September 1, 2019, the rent increased to \$2,000 per month. Lease expense for the year ended December 31, 2021 was \$24,500, with a \$155,000, gift in-kind recognized for a total of \$179,500.

The Organization entered into a lease agreement for warehouse space in Kirksville, Missouri, August 1, 2018, for three years with a monthly lease of \$400. Lease expense for the year ended December 31, 2021 was \$4,800.

The Organization entered into a lease agreement for warehouse space in Columbia, Missouri, June 4, 2020, on a month-to-month basis for \$1,500 per month. Lease expense for the year ended December 31, 2021 was \$18,000.

The future minimum rental payments required under these operating leases are as follows:

Years ending June 30,

2022	\$	20,376
2023		18,876
2024		18,292
2025		18,000
2026		18,000
	\$	<u>93,544</u>

Total rental expense for the year ended December 31, 2021, including in-kind donations, was \$202,300.

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(10) **Liquidity**

For purposes of analyzing resources available to meet general expenditures over a 12-month period, management and the Board consider all expenditures of the organization, including operating expenses, capital acquisition needs and debt service requirements. Based on these expenditures, the Organization prepares a balanced budget; deficit budgets are not prepared except in unusual circumstances. Liquidity is monitored regularly by management and the Board.

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash	\$	6,690,430
Accounts receivable		2,013,271
Investments		3,779,907
	\$	<u>12,483,608</u>

Cash - The amount shown above reflects cash on hand available to meet general expenditures within the next year, which includes amounts related to the Board designated endowment.

Accounts receivable - The amount reflected above includes receivables due within the year from agency partners and others.

Investments - The amount above reflects the value of investments at December 31, 2021, including the Board designated endowment.

(11) **Retirement plan**

The Organization sponsors a non-participatory defined contribution retirement plan for employees following completion of two consecutive years of employment. The Organization contributes 5% of gross compensation of eligible employees. During the year ended December 31, 2021 contributions to the plan charged to operations were \$111,174.

(12) **Concentrations**

During the year ended December 31, 2021, 38% of the Organization's purchases were with one vendor for the acquisition of food items. In addition, 25% and 21% of Organization's donated food came from Feeding America and the United States Department of Agriculture, respectively.

(13) **Cash flow disclosures**

The following is a summary of supplemental cash flow information:

Purchase of property and equipment with accounts payable	\$	<u>7,425</u>
Refundable advance of donated inventory	\$	<u>116,500</u>
Forgiveness of Paycheck Protection Program loan	\$	<u>611,500</u>



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**(14) Contingencies**

The Organization is subject to claims that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims will not have a material adverse effect on the financial position, results of operations, and cash flows of the Organization.

**(15) Subsequent events**

The Organization has evaluated subsequent events through September 27, 2022, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.