

AUDITED FINANCIAL STATEMENTS
THE FOOD BANK FOR CENTRAL AND
NORTHEAST MISSOURI, INC.
FOR THE YEAR ENDED
DECEMBER 31, 2018

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BEARD-BOEHMER & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS
COLUMBIA, MISSOURI

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
COLUMBIA, MISSOURI
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September 26, 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Food Bank for Central and Northeast Missouri, Inc.
Columbia, MO

Report on the Financial Statements

We have audited the accompanying financial statements of The Food Bank for Central and Northeast Missouri, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT
THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Food Bank for Central and Northeast Missouri, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other 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* (CFR) 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2019, on our consideration of The Food Bank for Central and Northeast Missouri, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Food Bank for Central and Northeast Missouri, Inc.'s internal control over financial reporting and compliance.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
 STATEMENT OF FINANCIAL POSITION
 YEAR ENDED DECEMBER 31, 2018

ASSETS

Cash and cash equivalents	\$	415,697
Investments		2,932,257
Pledged contributions and other receivables		63,553
Grants receivable		1,131,114
Unconditional promises to give		61,500
Inventory		1,818,369
Prepaid expense		66,371
Fixed assets, net of accumulated depreciation		<u>6,180,864</u>
 TOTAL ASSETS	 \$	 <u><u>12,669,725</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$	252,317
Accrued payroll		52,198
Accrued employee benefits		<u>83,813</u>
 TOTAL LIABILITIES	 \$	 <u>388,328</u>

NET ASSETS

Net assets without donor restrictions	\$	11,931,281
Net assets with donor restrictions		<u>350,116</u>
 TOTAL NET ASSETS	 \$	 <u>12,281,397</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$	 <u><u>12,669,725</u></u>

THE ACCOMPANYING NOTES ARE AN
 INTEGRAL PART OF THESE FINANCIAL STATEMENTS

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Food donations	\$ 46,576,684	\$ 155,374	\$ 46,732,058
Bequests	5,446	-	5,446
Contributions and donations	1,997,966	721,642	2,719,608
Operational grants	644,980	-	644,980
United Way grants	202,164	-	202,164
Governmental grants and support	2,519,158	19,822	2,538,980
Investment income (loss)	(122,368)	-	(122,368)
Rental income	6,639	-	6,639
In-kind	650,621	-	650,621
Miscellaneous revenues	77,528	-	77,528
Net assets released from restrictions-			
Expiration of purpose	1,111,239	(1,111,239)	-
Expiration of time	94,202	(94,202)	-
 Total Support and Revenues	 \$ 53,764,259	 \$ (308,603)	 \$ 53,455,656
EXPENSES			
Program Services-			
Food Distribution	\$ 51,744,859	\$ -	\$ 51,744,859
Food Pantry	395,120	-	395,120
Children's Programs	938,431	-	938,431
Total Program Services	53,078,410	-	53,078,410
Administration	733,574	-	733,574
Fundraising	1,335,931	-	1,335,931
 Total Expenses	 \$ 55,147,915	 \$ -	 \$ 55,147,915
 Change in net assets	 (1,383,656)	 (308,603)	 (1,692,259)
Net assets, beginning of year	\$ 13,314,937	\$ 658,719	\$ 13,973,656
Net assets, end of year	\$ 11,931,281	\$ 350,116	\$ 12,281,397

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THESE FINANCIAL STATEMENTS

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services						Total
	Distribution	Food Pantry	Children's Programs	Program Services	Administration	Fundraising	
EXPENSES							
Personnel	\$ 1,275,585	\$ 265,209	\$ 329,299	\$ 1,870,093	\$ 560,277	\$ 517,497	\$ 2,947,867
Food distributed	49,439,709	-	434,910	49,874,619	-	-	49,874,619
Professional fees	5,518	1,538	426	7,482	25,076	1,377	33,935
Supplies	101,274	8,103	46,562	155,939	41,175	206,726	403,840
Occupancy	170,327	30,949	109,930	311,206	21,552	21,505	354,263
Equipment	18,219	1,196	183	19,598	10,824	2,677	33,099
Printing and publications	470	40	16,184	16,694	6,987	510,626	534,307
Meetings	14,392	-	-	14,392	7,802	7,238	29,432
Dues	124,627	372	101	125,100	1,262	1,803	128,165
Insurance	34,097	4,098	275	38,470	10,328	5,317	54,115
Fleet maintenance	175,422	16,870	116	192,408	7,617	7,826	207,851
Miscellaneous	29,609	110	265	29,984	4,501	21,117	55,602
Depreciation	355,610	66,635	180	422,425	36,173	32,222	490,820
Total Expenses	\$ 51,744,859	\$ 395,120	\$ 938,431	\$ 53,078,410	\$ 733,574	\$ 1,335,931	\$ 55,147,915

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THESE FINANCIAL STATEMENTS

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (1,692,259)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	\$ 490,820
Unrealized gain (loss) on investments	252,160
Realized gain on investments	(69,732)
Changes in assets and liabilities -	
Decrease (increase) in assets:	
Pledged contributions receivable	116,627
Grants receivable	42,983
Unconditional promises to give	94,202
Inventory	1,041,951
Prepaid expense	(9,838)
Increase (decrease) in liabilities:	
Accounts payable	(182,077)
Accrued payroll	10,682
Accrued employee benefits	(30,931)
Total Adjustments	<u>1,756,847</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>64,588</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Redemption of investments	\$ 500,000
Purchase of investments	(980,482)
Purchases of fixed assets	<u>(239,700)</u>
NET CASH USED BY INVESTING ACTIVITIES	\$ <u>(720,182)</u>
NET INCREASE (DECREASE) IN CASH	(655,594)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ <u>1,071,291</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u><u>415,697</u></u>

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THESE FINANCIAL STATEMENTS

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. Purpose of Reporting Entity – The Food Bank for Central and Northeast Missouri, Inc. (the Organization) was formed in September 1981 and 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 serving 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	Childrens' programs	Other food banks
Shelters for homeless and abused	Senior programs	

B. Method of Accounting – The financial statements have been prepared on an accrual basis and in conformity with the standards promulgated by the American Institute of Certified when incurred.

C. Contributions – Contributions are considered to be available for the general program of the Organization unless specifically restricted by the donor. Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. The Organization's unrestricted programs are the food commodities and central pantry programs. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. The Organization's restricted program is the buddy pack or childrens' program. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donors are reported as an increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are received.

Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. Many of the contributions and support received by the Organization qualify for Neighborhood Assistance Program tax credits and Food Pantry tax credits through the state of Missouri.

D. Donated Services – The Organization reports amounts in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation, and the amounts involved can be objectively measured. The Organization's programs receive donated services from unpaid volunteers for distributing food and for labeling and repackaging of inventories. In accordance with current accounting standards, these donated services have not been recognized as contribution revenue in the financial statements because they do not require specialized skills or impact non-financial assets.

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

- E. **Cash and Cash Equivalents** – For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Organization had one non-interest bearing checking account and one interest-bearing money market account as of December 31, 2018, in two banking facilities. The interest rate on the money market account was 0.05%. The Organization also had eleven individual money market accounts in eleven separate banking facilities. These money market accounts remain open but were not utilized during 2018. Cash on hand is also included in cash and cash equivalents.
- F. **Use of Estimates** – Preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates, primarily related to inventory valuation, the depreciable lives of equipment, and for paid leave accrual. The nature of those estimates, however, is such that variances in actual results are generally immaterial.
- G. **Functional Allocation of Expenses** – The costs of providing the program and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.
- H. **Income Tax** – The Organization is exempt from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation pursuant to Section 509(a) of the code.
- I. **Net Assets** – The Organization has followed the new Financial Accounting Standards Board (FASB) pronouncement No. 2016-14, released August 2016, and effective for fiscal years beginning after December 15, 2017. The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Temporary restrictions are donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Permanent restrictions are donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Assets without donor-imposed restrictions, including assets designated for specific use by the Organization's Board of Directors, are included in net assets without donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted support is reported as an increase in net assets without donor restrictions if the restriction expires or condition is met in the reporting period in which the support is recognized.

NOTE 2: ACCOUNTS RECEIVABLE

- A. Pledged contributions receivable represent monies due to the agency as of December 31, 2018, coming from various outside donors. An allowance for doubtful accounts has not been established for the year ended December 31, 2018, for pledged contributions since management feels that all pledges will be collected.
- B. Grants receivable comes from the state of Missouri for the Commodities Supplemental Food Program (CSFP), the Temporary Assistance to Needy Families Program (TANF), and from USDA food commodities. There has been no allowance for doubtful accounts related to these receivables because management feels that all accounts will be collected.

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2: ACCOUNTS RECEIVABLE (CONTINUED)

C. Unconditional Promises to Give represent monies granted from two organizations to The Food Bank as of December 31, 2018.

NOTE 3: CASH/CONCENTRATION OF CREDIT RISK

The Organization deposits its monies with high quality financial institutions and the total bank balance at December 31, 2018, at these institutions total \$423,174. The total carrying value of all the bank balances was \$415,357 with petty cash also included in total cash. The bank balances in eleven banking institutions are covered entirely by FDIC insurance coverage. The Organization's main checking account is covered only by FDIC in the amount of \$250,000. The Organization's cash is exposed to various risks, such as interest rate, credit, and overall market volatility risks throughout the year and at year-end. Management believes the Organization is not exposed to significant credit risks on the banking amounts since the bank account balance falls below the FDIC limit soon in the subsequent year.

NOTE 4: INVESTMENTS

The Organization carries its investments at fair value. At December 31, 2018, investments consisted of two separate investment funds totaling \$2,932,257 as a board designated Endowment. One fund of \$1,058,626 is designated by the Board as unrestricted for future use and the other fund for \$1,873,631 is designated by the Board for an operating reserve.

The Organization carries its Endowment Fund investments at fair value. The Organization's policy is to include cash and cash equivalents held by a broker in a managed portfolio as investments. Investments consist of the following categories held by a single investment company in the managed portfolio at December 31:

2018	Cost	Unrealized Gain (Loss)	Fair Value
Cash and cash equivalents	\$ 211,981	\$ -	\$ 211,981
Equity investments	1,007,230	(88,260)	918,970
Fixed income investments	1,727,158	(39,893)	1,687,265
Alternative investments	120,162	(6,121)	114,041
Total Investments	<u>\$ 3,066,531</u>	<u>\$ (134,274)</u>	<u>\$ 2,932,257</u>

Since investments are subject to continual market fluctuations, the Organization is subject to concentration of credit risk. Management believes the policy adopted by the Organization's Board of Directors is prudent for the long-term welfare of the Organization and its beneficiaries.

Investment income (loss) consists of the following for the year ended December 31, 2018:

Interest and accrued income	\$ 1,626
Dividends	75,020
Realized gains (losses)	69,732
Unrealized gains (losses)	(252,160)
Investment administrative fees	(16,586)
Total Investment Income (Loss)	<u>\$ (122,368)</u>

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at a fair value on a recurring basis

The following is the major category of assets measured at fair values on a recurring basis at December 31, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	\$ 211,981	\$ -	\$ -	\$ 211,981
Equity investments	918,970	-	-	918,970
Fixed income investments	1,687,265	-	-	1,687,265
Alternative investments	110,049	-	-	110,049
Accrued income	3,992	-	-	3,992
Total investments	<u>\$ 2,932,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,932,257</u>

The following are changes in fair values for items measured at fair value for the year ended December 31, 2018:

Trading gains (losses) on marketable securities	
Realized gains (losses)	\$ 69,732
Unrealized gains (losses)	<u>(252,160)</u>
Total trading gains (losses) on marketable securities	<u>\$ (182,428)</u>

Fair value of financial instruments

Due to their short-term nature, the carrying value of cash, short-term receivables, unconditional promises to give, and short-term payables approximate their fair value at December 31, 2018.

NOTE 6: INVENTORY

Inventory consists of food for distribution to member agencies and various entities as previously noted. Donated inventory (Non-USDA) is valued based upon a weighted average value per pound of \$1.68 as provided by Feeding America. USDA inventory received through the state is recorded at the value of the commodities as figured by the USDA. Purchased inventory is valued at the cost associated with the inventory on hand. Food inventory at December 31, 2018, consisted of 1,474,018 pounds of donated, purchased, and food received from the state through the USDA.

The value of the December 31, 2018, year-end inventory was as follows:

Total food valued per year-end inventory:	
TEFAP	\$ 92,997
CSFP	115,009
Non-USDA	<u>1,610,363</u>
Total ending inventory value	<u>\$ 1,818,369</u>

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 6: INVENTORY (CONTINUED)

The Organization is recognized by the United States Department of Agriculture (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.

NOTE 7: FIXED ASSETS AND ACCUMULATED DEPRECIATION

Fixed assets are reported on the basis of historical cost, net of allowance for depreciation. Donated assets are recorded at estimated market value at the date of donation. A capitalization threshold of \$1,000 is used to record fixed assets. Fixed assets are depreciated using the straight-line method as follows:

Buildings	7 – 40 years	Automotive equipment	5 years
Improvements	7 – 30 years	Computer software	3 years
Furniture and equipment	5 – 10 years		

Total fixed assets purchases for 2018 total \$239,700 and the total depreciation expense recorded for 2018 is \$490,820. The following is a schedule of fixed assets and accumulated depreciation at December 31, 2018:

Land (not depreciable)	\$	324,124
Buildings		3,825,233
Improvements		3,377,739
Automotive equipment		1,435,370
Furniture and equipment		1,313,392
Computer software		97,849
Total fixed assets		<u>10,373,707</u>
Less: accumulated depreciation		<u>(4,192,843)</u>
Net Fixed Assets	\$	<u>6,180,864</u>

NOTE 8: ACCRUED PAYROLL AND EMPLOYEE BENEFITS

The total value of accrued salaries payable is \$52,198 at December 31, 2018. The Organization records the value of earned time off as a liability at the end of the year. The total value of employee benefits for vacation payable is \$112,107 at December 31, 2018. The Organization's total other accrued employee benefits payable total \$(28,294) at December 31, 2018.

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9: DONOR RESTRICTED NET ASSETS

Net assets released from donor restrictions satisfied by purpose and time expiration consist of the following for the year ended December 31, 2018:

	With Donor Restrictions
Buddy Pack Program	\$ 1,111,239
Unconditional promises to give-United Way	94,202
Total	<u>\$ 1,205,441</u>

Net assets with donor restrictions consist of the following at December 31, 2018:

	With Donor Restrictions
Donations for the Buddy Pack Program	\$ 288,616
United Way funding for the next year	61,500
Total	<u>\$ 350,116</u>

NOTE 10: ENDOWMENT

The Food Bank's endowment consists of board designated unrestricted and restricted funds with three components: 1) donor restricted gifts; 2) board designated unrestricted gifts; and, 3) board designated operating reserves necessary to allow The Food Bank to meet its contractual obligation with Feeding America. Assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

A. Interpretation of Relevant Law

The Board of Directors of The Food Bank has interpreted the state Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original investment as of the beginning of the fiscal year. As a result of this interpretation, The Food Bank classifies the investments as net assets without donor restrictions until the amount is appropriated for expenditure by The Food Bank in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with the UPMIFA, The Food Bank considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation or deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the organization.

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10: ENDOWMENT (CONTINUED)

B. Board Designated Endowment Net Asset composition as of December 31, 2018:

	Without donor restrictions	With donor restrictions		Total
		Temporarily Restricted	Permanently Restricted	
Board designated -				
Unrestricted	\$ 1,058,626	\$ -	\$ -	\$ 1,058,626
Operating reserves	1,873,631	-	-	1,873,631
Total	<u>\$ 2,932,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,932,257</u>

C. Changes in Board Designated Endowment Net Asset composition for the year ended December 31, 2018, are as follows:

	Without donor restrictions	With donor restrictions		Total
		Temporarily Restricted	Permanently Restricted	
Net assets, beginning	\$ 2,634,203	\$ -	\$ -	\$ 2,634,203
Contributions (deposits)	921,000	-	-	921,000
Deposits used	(500,000)	-	-	(500,000)
Investment income return:				
Dividends	75,020	-	-	75,020
Accrued income	1,048	-	-	1,048
Unrealized gains (losses)	(252,160)	-	-	(252,160)
Realized gains (losses)	69,732	-	-	69,732
Administrative expenses	(16,586)	-	-	(16,586)
Net assets, ending	<u>\$ 2,932,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,932,257</u>

D. Return Objectives and Risk Parameters

The Food Bank 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.

E. Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, The Food Bank 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 Food Bank targets a diversified asset allocation of equity, fixed income, and alternative investments to achieve its long-term return objectives within prudent risk constraints.

**THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 10: ENDOWMENT (CONTINUED)

F. Spending Policy and How the Investment Objectives Relate to Spending Policy

The Food Bank'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 risks associated with portfolio deviation from the desired targets.

NOTE 11: RELATED PARTY TRANSACTIONS

The Organization is affiliated with Feeding America and pays quarterly affiliation fees to Feeding America. Total affiliate fees were \$8,706 for the year ended December 31, 2018. The Organization is also affiliated with the Missouri Food Bank Association (MFBA) and pays membership dues. Total MFBA membership dues were \$107,943 for the year ended December 31, 2018.

A member of the Board of Directors is the owner of a company that provided innovative technology services to The Food Bank. For the year ended December 31, 2018, The Food Bank paid the company \$21,626.

NOTE 12: CONCENTRATION OF REVENUE

The Organization received approximately 87.4% of its total revenues from food commodities received for the year ended December 31, 2018. Of the general operations revenues, contributions and donations make up approximately 41.7% of the total for the year ended December 31, 2018. Governmental grants and support make up approximately 37.7% of the total for the year ended December 31, 2018.

NOTE 13: LEASES AND SERVICES CONTRACTS

- A. The Organization has entered into several lease agreements for the rental of warehouse space. One three-year lease agreement signed August 26, 2013, in Kirksville and is presently a current month to month lease for \$1,500 per month was paid for five months during 2018 (\$7,500); one lease agreement in Jefferson City started in November 2017 and went through December 2018 at \$1,500 per month with payments in 2018 totaling \$18,000; and one lease agreement started August 1, 2018, in Kirksville and runs for three years with a monthly lease of \$400 (\$2,000). Total rent expense paid for the year ended December 31, 2018, was \$27,500.
- B. In October 2014, the Organization entered into a telecommunication services contract for a period of five years at a monthly recurring charge of \$2,161.

NOTE 14: CHANGE IN INVENTORY METHOD

During 2018, the Organization changed its method of valuing its ending inventory. The beginning inventory valuation method as of January 1, 2018, was not revalued. Instead of valuing the total ending inventory at the amount of pounds times the value assigned by Feeding America each year as previously done, the Organization recognized inventory at various cost rates associated with USDA pricing, purchased costs, and some at the Feeding America rate. The effects of the change in accounting method was not practicable to determine as of January 1, 2018.

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 26, 2019, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Share of Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through:			
Missouri Food Bank Association- Supplemental Nutrition Assistance Program (SNAP)	10.551	ER108120100	\$ 5,955
State of Missouri Department of Health and Senior Services- Child Nutrition Cluster:			
Summer Food Service Program for Children (SFSP)	10.559	EO461725407	19,046
<u>Food Distribution Cluster</u>			
Passed through:			
State of Missouri Department of Health and Senior Services- Commodity Supplemental Food Program (CSFP):			
Administration Costs	10.565	CS170294001	134,089
Food Commodities	10.565	CS170294001	437,007
State of Missouri Department of Social Services- Emergency Food Assistance Program Cluster:			
Emergency Food Assistance Program (TEFAP):			
Administration Costs	10.568	ER113170001	260,857
Food Commodities	10.569	ER113170001	1,558,693
Total Food Distribution Cluster			<u>2,390,646</u>
Total U.S. Department of Agriculture			\$ <u>2,415,647</u>
Total Expenditures of Federal Awards			\$ <u><u>2,415,647</u></u>

No federal awards were provided to any subrecipients.

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

- A. Purpose of Schedule and Reporting Entity** – The accompanying Schedule of Expenditures of Federal Awards of The Food Bank for Central and Northeast Missouri, Inc. has been prepared to comply with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Uniform Guidance requires a schedule of expenditures of federal awards showing total expenditures for each federal financial assistance program as identified in the catalog of federal domestic assistance (“CFDA”), and identification of federal financial assistance programs which have not been assigned a CFDA number.

The accompanying schedule includes all federal financial assistance programs administered (cash and non-cash through food commodities) by The Food Bank for Central and Northeast Missouri, Inc.

- B. Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Uniform Guidance, which defines federal financial assistance as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

The Uniform Guidance establishes the formula for determining the level of expenditures of disbursements to be used in defining Type A and Type B federal financial assistance programs. For 2018, Type A programs are those which exceed \$750,000 in disbursements, expenditures, or distributions. The determination of major and nonmajor programs is based on the risk based approach outlined in the Uniform Guidance.

Food Distribution Programs

The amounts reported for Food Distribution Programs (CFDA #10.565, #10.568, and #10.569) represent the dollar value of food commodities received to be distributed to eligible recipients during the year. The U.S. Department of Agriculture (USDA) provides the current values of the commodities as received by the Organization. The amount of administrative costs presented represents the amounts expended by The Food Bank for Central and Northeast Missouri and reimbursed by the Department of Health and Senior Services and the Department of Social Services.

The amount reported for the Food Distribution Program under CFDA #10.559 represents the amount expended and reimbursed from the Department of Health and Senior Services for child nutrition meals served during the year based upon a contractual agreement.

- C. Basis of Accounting** – The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting.
- D. Indirect Cost Rate** – The Food Bank elected to use the 10% de minimus indirect cost rate for the Commodity Supplemental Food Program (CSFP) but not for the Emergency Food Assistance Program (TEFAP).
- E. Subrecipients** – The Food Bank did not provide any federal awards to any subrecipients.

September 26, 2019

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

To the Board of Directors
The Food Bank for Central and Northeast Missouri, Inc.
Columbia, MO

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, the financial statements of The Food Bank for Central and Northeast Missouri, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2019.

Internal Control Over Financial Reporting

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

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

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

**THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)**

Compliance and Other Matters

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

Purpose of this Report

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

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

September 26, 2019

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

To the Board of Directors
The Food Bank for Central and Northeast Missouri, Inc.
Columbia, MO

Report on Compliance for Each Major Federal Program

We have audited The Food Bank for Central and Northeast Missouri, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Food Bank for Central and Northeast Missouri, Inc.'s major federal programs for the year ended December 31, 2018. The Food Bank for Central and Northeast Missouri, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirement of laws, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Food Bank for Central and Northeast Missouri, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, The Food Bank for Central and Northeast Missouri, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

**THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)**

Report on Internal Control over Compliance

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

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

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

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

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) disclosed?	_____ yes	<u> X </u> no	
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no	

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ yes	<u> X </u> no	
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported	

Type of auditors' report issued on compliance for major programs: Unmodified

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

	_____ yes	<u> X </u> no	
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Identification of major programs:

CFDA NUMBER	Name of Federal Program or Cluster
	Food Distribution Cluster:
10.565	Commodity Supplemental Food Program (Administrative Costs)
10.565	Commodity Supplemental Food Program (Food Commodities)
10.568	USDA Emergency Food Assistance Program (Administrative Costs)
10.569	USDA Emergency Food Assistance Program (Food Commodities)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? X yes _____ no

SECTION II: FINANCIAL STATEMENT FINDINGS

There are no financial statement findings that are required to be reported for the year ended December 31, 2018.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings and questioned costs for the year ended December 31, 2018.

THE FOOD BANK FOR CENTRAL AND NORTHEAST MISSOURI, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

Government Auditing Standards

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by The Food Bank for Central and Northeast Missouri, Inc. on the applicable findings in the prior audit report issued for the year ended December 31, 2017.

The prior audit report issued for the year ended December 31, 2017, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Uniform Guidance (OMB 2 CFR Part 200)

Section 200.511(b) of the Uniform Guidance requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule must also include audit findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except audit findings listed as corrected, no longer valid, or not warranting further action.

The prior audit report issued for the year ended December 31, 2017, included no audit findings that the Uniform Guidance Section 200.516(a) requires to be reported for an audit of federal awards.