

Northeast Iowa Food Bank

Financial Statements

June 30, 2017 and 2016



**Northeast Iowa Food Bank
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Independent Auditor's Report

Board of Directors
Northeast Iowa Food Bank

Report on the Financial Statements

We have audited the accompanying financial statements of Northeast Iowa Food Bank, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Northeast Iowa Food Bank as of June 30, 2017 and 2016, 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.

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, is presented for purposes of additional analysis 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* (Uniform Guidance), 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 14, 2017, on our consideration of Northeast Iowa Food Bank'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 Northeast Iowa Food Bank'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 Northeast Iowa Food Bank's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BerganKDV, Ltd." in a cursive, slightly stylized font.

Waterloo, Iowa
December 14, 2017

Northeast Iowa Food Bank
Statements of Financial Position
As of June 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 1,020,942	\$ 1,081,528
Trade receivables	49,842	55,607
Promises to give	349,149	326,817
Food inventory		
Purchased	131,304	172,777
In-kind	1,879,580	1,482,990
Total current assets	3,430,817	3,119,719
Beneficial interest in assets held by Community Foundation	12,443	11,636
Promises to give	-	200,000
Assets restricted and designated for investment in property and equipment	40,100	4,585
Property and equipment		
Land and land improvements	293,698	293,698
Buildings	5,552,273	5,549,872
Equipment	1,489,505	1,449,434
Total	7,335,476	7,293,004
Less accumulated depreciation	1,192,351	1,096,689
Net property and equipment	6,143,125	6,196,315
Total assets	\$ 9,626,485	\$ 9,532,255

Northeast Iowa Food Bank
Statements of Financial Position
As of June 30, 2017 and 2016

	2017	2016
Liabilities and Net Assets		
Current liabilities		
Current portion of capital lease obligation	\$ 10,242	\$ -
Accounts payable	54,259	48,458
Accrued expenses	90,228	76,715
Total current liabilities	154,729	125,173
Capital lease obligation	66,060	-
Net assets		
Unrestricted		
Operating	378,894	457,599
Board designated - operating reserve	697,106	697,593
Board designated - capital expenditures	50,000	50,000
In-kind food for distribution	1,879,580	1,482,990
Net investment in property and equipment	6,066,823	6,196,315
Total unrestricted	9,072,403	8,884,497
Temporarily restricted	333,293	522,585
Total net assets	9,405,696	9,407,082
Total liabilities and net assets	\$ 9,626,485	\$ 9,532,255

**Northeast Iowa Food Bank
Statement of Activities
Year Ended June 30, 2017**

	Unrestricted			Temporarily Restricted	Total
	Operations	In-Kind Product	Total		
Revenue, gains and other support					
Contributions	\$ 1,230,768	\$ -	\$ 1,230,768	\$ 11,220	\$ 1,241,988
In-kind donations	30,034	10,344,672	10,374,706	-	10,374,706
Foundations and grants	207,139	-	207,139	45,000	252,139
Special events	83,278	-	83,278	-	83,278
United Way	28,722	-	28,722	65,973	94,695
Governmental agencies	241,612	2,226,965	2,468,577	-	2,468,577
Interest	5,120	-	5,120	-	5,120
Agency support fee	429,609	-	429,609	-	429,609
Gain on sale of assets	6,000	-	6,000	-	6,000
Miscellaneous income	5,974	-	5,974	-	5,974
Net assets released from restrictions	311,485	-	311,485	(311,485)	-
Total revenue, gains and other support	<u>2,579,741</u>	<u>12,571,637</u>	<u>15,151,378</u>	<u>(189,292)</u>	<u>14,962,086</u>
Expenses					
Program services					
Food pantry	277,264	153,291	430,555	-	430,555
Member agency distribution	1,389,877	11,674,554	13,064,431	-	13,064,431
Other	652,134	347,202	999,336	-	999,336
Management and general	157,648	-	157,648	-	157,648
Fundraising	311,502	-	311,502	-	311,502
Total expenses	<u>2,788,425</u>	<u>12,175,047</u>	<u>14,963,472</u>	<u>-</u>	<u>14,963,472</u>
Increase (decrease) in net assets	(208,684)	396,590	187,906	(189,292)	(1,386)
Net assets - beginning of year	<u>7,401,507</u>	<u>1,482,990</u>	<u>8,884,497</u>	<u>522,585</u>	<u>9,407,082</u>
Net assets - end of year	<u>\$ 7,192,823</u>	<u>\$ 1,879,580</u>	<u>\$ 9,072,403</u>	<u>\$ 333,293</u>	<u>\$ 9,405,696</u>

See notes to financial statements.

**Northeast Iowa Food Bank
Statement of Activities
Year Ended June 30, 2016**

	Unrestricted			Temporarily Restricted	Total
	Operations	In-Kind Product	Total		
Revenue, gains and other support					
Contributions	\$ 1,218,208	\$ -	\$ 1,218,208	\$ 2,000	\$ 1,220,208
In-kind donations	48,225	8,288,915	8,337,140	-	8,337,140
Foundations and grants	420,758	-	420,758	400,000	820,758
Special events	90,593	-	90,593	-	90,593
United Way	48,757	-	48,757	107,000	155,757
Governmental agencies	224,403	2,152,226	2,376,629	-	2,376,629
Interest	3,575	-	3,575	-	3,575
Agency support fee	416,863	-	416,863	-	416,863
Net assets released from restrictions	390,464	-	390,464	(390,464)	-
Total revenue, gains and other support	<u>2,861,846</u>	<u>10,441,141</u>	<u>13,302,987</u>	<u>118,536</u>	<u>13,421,523</u>
Expenses					
Program services					
Food pantry	305,364	142,153	447,517	-	447,517
Member agency distribution	1,351,599	9,241,093	10,592,692	-	10,592,692
Other	715,211	268,298	983,509	-	983,509
Management and general	146,971	-	146,971	-	146,971
Fundraising	270,977	-	270,977	-	270,977
Total expenses	<u>2,790,122</u>	<u>9,651,544</u>	<u>12,441,666</u>	<u>-</u>	<u>12,441,666</u>
Increase in net assets	71,724	789,597	861,321	118,536	979,857
Net assets - beginning of year	<u>7,329,783</u>	<u>693,393</u>	<u>8,023,176</u>	<u>404,049</u>	<u>8,427,225</u>
Net assets - end of year	<u>\$ 7,401,507</u>	<u>\$ 1,482,990</u>	<u>\$ 8,884,497</u>	<u>\$ 522,585</u>	<u>\$ 9,407,082</u>

See notes to financial statements.

**Northeast Iowa Food Bank
Statement of Functional Expenses
Year Ended June 30, 2017**

	Programs			Management and General	Fundraising	Total Expenses
	Food Pantry	Member Agency Distribution	Other			
Salaries and wages	\$ 153,374	\$ 401,605	\$ 151,858	\$ 107,102	\$ 118,753	\$ 932,692
Employee benefits	13,164	56,140	17,292	9,301	7,264	103,161
Payroll taxes	16,589	41,679	16,598	11,666	13,514	100,046
Total salaries and related expenses	<u>183,127</u>	<u>499,424</u>	<u>185,748</u>	<u>128,069</u>	<u>139,531</u>	<u>1,135,899</u>
In-kind product	153,291	11,674,554	347,202	-	-	12,175,047
Cost of product purchased	8,068	417,722	278,598	-	-	704,388
Storage/freight	-	79,776	-	-	-	79,776
Auto maintenance and travel expenses	12,892	40,514	38,111	-	918	92,435
Printing	630	1,377	878	-	225	3,110
Special programs	3,017	6,035	1,006	-	25,716	35,774
Utilities	7,817	40,697	17,059	2,842	2,843	71,258
Telephone	713	3,436	1,556	519	259	6,483
Building and equipment maintenance	10,942	44,041	18,449	2,061	2,878	78,371
Insurance	5,247	19,909	9,687	4,036	1,614	40,493
Miscellaneous	150	5,742	288	46	356	6,582
Supplies	5,147	16,457	15,761	128	502	37,995
Postage	1,027	5,353	3,038	373	30,395	40,186
Professional services and fees	7,752	22,479	11,365	8,604	93,631	143,831
Workshops/conferences	154	30,044	67	-	1,263	31,528
Bad debt	-	1,669	-	-	-	1,669
Interest	-	-	3,893	-	-	3,893
Computer	2,201	8,144	4,711	650	1,051	16,757
Total expenses before depreciation	<u>402,175</u>	<u>12,917,373</u>	<u>937,417</u>	<u>147,328</u>	<u>301,182</u>	<u>14,705,475</u>
Depreciation	<u>28,380</u>	<u>147,058</u>	<u>61,919</u>	<u>10,320</u>	<u>10,320</u>	<u>257,997</u>
Total expenses	<u>\$ 430,555</u>	<u>\$ 13,064,431</u>	<u>\$ 999,336</u>	<u>\$ 157,648</u>	<u>\$ 311,502</u>	<u>\$ 14,963,472</u>

See notes to financial statements.

**Northeast Iowa Food Bank
Statement of Functional Expenses
Year Ended June 30, 2016**

	Programs			Management and General	Fundraising	Total Expenses
	Food Pantry	Member Agency Distribution	Other			
Salaries and wages	\$ 167,847	\$ 365,650	\$ 149,867	\$ 103,759	\$ 87,949	\$ 875,072
Employee benefits	15,560	51,885	13,794	6,455	4,853	92,547
Payroll taxes	12,062	26,604	10,871	7,406	6,385	63,328
Total salaries and related expenses	<u>195,469</u>	<u>444,139</u>	<u>174,532</u>	<u>117,620</u>	<u>99,187</u>	<u>1,030,947</u>
In-kind product	142,153	9,241,093	268,298	-	-	9,651,544
Cost of product purchased	15,795	448,059	339,730	-	-	803,584
Storage/freight	-	13,965	-	-	-	13,965
Auto maintenance and travel expenses	18,518	67,769	50,987	-	388	137,662
Printing	-	-	-	-	1,509	1,509
Special programs	5,872	1,741	85	-	45,497	53,195
Utilities	6,898	35,908	15,238	2,511	2,511	63,066
Telephone	717	3,719	1,566	261	261	6,524
Building and equipment maintenance	14,906	64,155	26,708	3,357	4,048	113,174
Insurance	4,394	16,560	8,111	3,380	1,352	33,797
Miscellaneous	649	25,420	87	18	1,315	27,489
Supplies	2,613	18,877	20,666	536	923	43,615
Postage	1,063	3,870	1,874	194	11,080	18,081
Professional services and fees	8,560	22,976	7,289	8,434	90,140	137,399
Workshops/conferences	238	28,409	2,020	187	1,438	32,292
Interest expense	-	5,039	-	-	-	5,039
Computer	2,896	12,243	7,897	737	1,591	25,364
Total expenses before depreciation	<u>420,741</u>	<u>10,453,942</u>	<u>925,088</u>	<u>137,235</u>	<u>261,240</u>	<u>12,198,246</u>
Depreciation	<u>26,776</u>	<u>138,750</u>	<u>58,421</u>	<u>9,736</u>	<u>9,737</u>	<u>243,420</u>
Total expenses	<u><u>\$ 447,517</u></u>	<u><u>\$ 10,592,692</u></u>	<u><u>\$ 983,509</u></u>	<u><u>\$ 146,971</u></u>	<u><u>\$ 270,977</u></u>	<u><u>\$ 12,441,666</u></u>

See notes to financial statements.

Northeast Iowa Food Bank
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows - Operating Activities		
Change in net assets	\$ (1,386)	\$ 979,857
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	257,997	243,420
Donated inventory	(396,590)	(789,597)
Change in value of beneficial interest	(807)	(36)
Gain on disposal of equipment	(6,000)	-
Changes in operating assets and liabilities		
Receivables and promises to give	183,433	(205,825)
Food inventory - purchased	41,473	(88,364)
Accounts payable	5,801	33,796
Accrued expenses	13,513	8,585
Total adjustments	98,820	(798,021)
Net cash flows - operating activities	97,434	181,836
Cash Flows - Investing Activities		
Change in assets restricted and designated	(35,515)	27,590
Purchases of property and equipment	(121,245)	(109,195)
Proceeds from sale of property and equipment	6,000	-
Net cash flows - investing activities	(150,760)	(81,605)
Cash Flows - Financing Activities		
Principal payments under capital lease obligation	(7,260)	-
Net change in cash and cash equivalents	(60,586)	100,231
Cash and Cash Equivalents		
Beginning of year	1,081,528	981,297
End of year	\$ 1,020,942	\$ 1,081,528
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 3,893	\$ -
Supplemental Schedule of Noncash Investing and Financing Activities		
Financing of equipment purchase with capital lease	\$ 83,562	\$ -

Northeast Iowa Food Bank
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Northeast Iowa Food Bank (the Food Bank) is a nonprofit organization that receives and distributes food and non-food products to people in need. The Food Bank has five programs: Member Agency Distribution which provides food and grocery product to other nonprofit organizations in a 16 county area; Cedar Valley Food Pantry and Mobile Food Pantry which provide food and non-food items to individuals in Black Hawk County and to families in various towns in northeast Iowa; Kids Cafe which provides meals and snacks to kids in afterschool programs; Elderly Nutrition Box Program which provides homebound seniors in 14 counties with a monthly box of food; and the Back Pack Program, which provides children, at schools in 16 counties, with a back pack full of food on weekends and before school breaks. The Food Bank is a member of Feeding America, the Nation's largest charitable hunger relief organization.

Basis of Presentation

The Food Bank is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. A description of the three net asset categories follows.

Unrestricted net assets include all net assets which are neither temporarily or permanently restricted.

Temporarily restricted net assets include contributions for which donor-imposed time and purpose restrictions have not been met.

Permanently restricted net assets include contributions whose use by the Food Bank is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Food Bank.

The Food Bank did not have any permanently restricted net assets as of June 30, 2017 and 2016.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments which potentially subject the Food Bank to concentrations of credit risk consist principally of cash and cash equivalents. The Food Bank places its cash and cash equivalents with high credit quality financial institutions. At times, the Food Bank's cash and cash equivalents are in excess of the FDIC insurance limit.

**Northeast Iowa Food Bank
Notes to Financial Statements**

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

Cash equivalents include highly liquid investments that are recorded at cost plus accrued interest, which approximates market, and have original maturities of three months or less.

Restricted and Unrestricted Revenue

Contributions are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Food Inventory

Purchased food inventory is stated at the lower of cost (first-in, first-out method) or market.

Food donated to the Food Bank is capitalized as inventory and is valued at a weighted average price per gross pound as determined by Feeding America.

Food inventory received from the United States Department of Agriculture is valued at a weighted average price per gross pound as determined by Feeding America.

Property and Equipment

Property and equipment are carried at cost, or fair value, if donated, with depreciation computed primarily under the straight-line method over the economic useful lives of the assets. All technology equipment in excess of \$500 is capitalized. All other acquisitions and donations of property and equipment in excess of \$1,000 are capitalized.

Equipment held under capital leases is classified as property and equipment and amortized using the straight-line method over the economic useful life of the equipment, or the term of the lease. Lease amortization is included in depreciation expense.

**Northeast Iowa Food Bank
Notes to Financial Statements**

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets

The Food Bank records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses for the years ended June 30, 2017 and 2016.

Board Designated Unrestricted Net Assets

The Board's "designated operating reserve" is intended to assure continued funding of the Food Bank's operations.

The Board's "designated capital expenditures" is intended to assure adequate funding of the Food Bank's future capital expansions, improvements and acquisitions.

Income Taxes

The Food Bank is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Code.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities, and functional expenses. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

Donated Materials and Contributed Services

Donated materials are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

No amounts have been reflected in the financial statements for donated volunteer services. The Food Bank generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Food Bank with specific assistance programs, fundraising, and various committee assignments. The Food Bank receives more than 31,000 volunteer hours per year.

Subsequent Events

Management has evaluated subsequent events through December 14, 2017, the date which the financial statements were available for issue.

**Northeast Iowa Food Bank
Notes to Financial Statements**

NOTE 2 – DESIGNATED AGENCY ENDOWMENT FUND

The Food Bank has a beneficial interest in assets held by the Community Foundation of Northeast Iowa (the Foundation) in the amount of \$12,443 and \$11,636 as of June 30, 2017 and 2016, respectively, which represents funds previously transferred to the Foundation by the Food Bank, and the earnings thereon. The Food Bank has granted variance power to the Foundation in the event the Food Bank terminates or ceases to exist as a legal entity. The Foundation holds these transfers and third-party contributions to the Foundation on behalf of the Food Bank in a fund (the Fund). The Fund's income is available to support the Food Bank's operations. The Food Bank had a total of \$211,606 and \$186,900 in the Fund as of June 30, 2017 and 2016, respectively. For the years ended June 30, 2017 and 2016, \$8,541 and \$0, respectively, was distributed to the Food Bank from the Foundation.

NOTE 3 – PROMISES TO GIVE AND ASSETS RESTRICTED AND DESIGNATED FOR INVESTMENT IN PROPERTY AND EQUIPMENT

Promises to give and assets restricted and designated for investment in property and equipment as of June 30, 2017 and 2016, follows:

	<u>2017</u>	<u>2016</u>
Promises to give	\$ 349,149	\$ 526,817
Assets restricted and designated for investment in property and equipment	<u>40,100</u>	<u>4,585</u>
	<u>\$ 389,249</u>	<u>\$ 531,402</u>

To be received as follows:

In less than one year	\$ 389,249	\$ 331,402
In one to five years	<u>-</u>	<u>200,000</u>
	<u>\$ 389,249</u>	<u>\$ 531,402</u>

The future value of long-term promises to give approximated its discounted present value as of June 30, 2017 and 2016.

**Northeast Iowa Food Bank
Notes to Financial Statements**

NOTE 4 – CAPITAL LEASE

The following is an analysis of leased property under the Food Bank’s capital lease as of June 30, 2017 and 2016:

	2017	2016
Machinery and equipment	\$ 83,562	\$ -
Less accumulated depreciation	8,963	-
	\$ 74,599	\$ -

The following is a schedule by years of future minimum lease payments under the capital lease as of June 30, 2017:

Year Ending	
2018	\$ 14,870
2019	14,870
2020	14,870
2021	14,870
2022	14,870
Later years	18,587
Less amount representing interest	(16,635)
Present value of net minimum lease payments	\$ 76,302

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2017 and 2016:

	2017	2016
Sponsorships	\$ -	\$ 2,000
Elderly Box	22,100	26,000
Kids Cafe	-	3,000
Back Pack	200,000	400,000
Capital campaign	100	4,585
Capital purchases	40,000	-
Summer Feeding	5,000	-
Food Bank/Pantry	43,873	76,000
Disaster	11,220	-
Endowment Fund	11,000	11,000
	\$ 333,293	\$ 522,585

**Northeast Iowa Food Bank
Notes to Financial Statements**

NOTE 6 – DONATED AND PURCHASED FOOD

	2017			2016		
	<u>lbs.</u>	<u>Amount</u>	<u>Average Price/lb.</u>	<u>lbs.</u>	<u>Amount</u>	<u>Average Price/lb.</u>
Donated						
Received	7,266,842	\$ 12,571,637	\$ 1.73	6,252,180	\$ 10,441,141	\$ 1.67
Distributed	7,106,541	12,175,047	1.71	5,866,298	9,651,544	1.65
Purchased						
Purchased	749,485	701,664	.94	944,875	782,619	.83
Distributed	829,767	704,388	.85	829,154	803,584	.97

NOTE 7 – PENSION PLAN

The Food Bank maintains a SEP-IRA pension plan covering substantially all employees. Employer contributions were 5% of each covered employee's wages. For the years ended June 30, 2017 and 2016, the Food Bank charged against income \$28,432 and \$30,474, respectively, under this Plan.

NOTE 8 – RECLASSIFICATIONS

Certain reclassifications have been made to the 2016 financial statements, as previously reported, in order to conform them to the current year's presentation.

SUPPLEMENTARY INFORMATION

**Northeast Iowa Food Bank
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures	
United States Department of Agriculture				
Emergency Food Assistance Program Cluster				
Food Commodities	10.569	Direct	\$ 3,296,761	**
Administrative Costs	10.568	Direct	<u>74,431</u>	3,371,192
Passed through Iowa Department of Education				
Child and Adult Care Food Program	10.558	078041	70,244	
Summer Food Service Program for Children	10.559	078041	<u>26,922</u>	<u>97,166</u>
Total United States Department of Agriculture				<u>3,468,358</u>
United States Department of Housing and Urban Development				
Passed through City of Cedar Falls				
Community Development Block Grant	14.218	B-16-MC-19-0007		<u>7,000</u>
Total Expenditures of Federal Awards				<u>\$ 3,475,358</u>

**Value of food.

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Northeast Iowa Food Bank under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Northeast Iowa Foodbank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Northeast Iowa Foodbank.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

NOTE 3 - INDIRECT COST RATE

Northeast Iowa Foodbank has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**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***

Board of Directors
Northeast Iowa Food Bank
Waterloo, Iowa

We have audited, 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, the financial statements of Northeast Iowa Food Bank, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Iowa Food Bank’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 Northeast Iowa Food Bank’s internal control. Accordingly, we do not express an opinion on the effectiveness of Northeast Iowa Food Bank’s internal control.

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Iowa Food Bank'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads 'BerganKDV, Ltd.' in a cursive, slightly slanted script.

Waterloo, Iowa
December 14, 2017

**Independent Auditor's Report on Compliance for
a Major Federal Program and on
Internal Control over Compliance Required by
the Uniform Guidance**

Board of Directors
Northeast Iowa Food Bank
Waterloo, Iowa

Report on Compliance for a Major Federal Program

We have audited Northeast Iowa Food Bank's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Northeast Iowa Food Bank's major federal program for the year ended June 30, 2017. Northeast Iowa Food Bank's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Northeast Iowa Food Bank's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 Northeast Iowa Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Northeast Iowa Food Bank complied, in all material respects, with the types of compliance requirements referred in the first paragraph that could have a direct and material effect on the major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Northeast Iowa Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first paragraph. In planning and performing our audit of compliance, we considered Northeast Iowa Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 Northeast Iowa Food Bank'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 that we consider to be significant deficiencies.



Northeast Iowa Food Bank's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Northeast Iowa Food Bank's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink that reads "BerganKDV, Ltd." in a cursive, slightly slanted script.

Waterloo, Iowa
December 14, 2017

**Northeast Iowa Food Bank
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of Major Program

CFDA No.	10.569 10.568
Name of Federal Program or Cluster	Emergency Food Assistance Program Cluster
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as a low-risk auditee?	No

**Northeast Iowa Food Bank
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

SECTION II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None for current year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCIES

Finding 2017-001: Monitoring less than 50% of sub-recipients

Federal Program: CFDA 10.569 – United States Department of Agriculture

Compliance Requirements: Monitoring

Criteria: A properly designed system of internal control over compliance with the requirements of federal programs allows entities to meet those requirements set forth by the federal government. Under the Emergency Food Assistance Program for Food Commodities, the Food Bank is required to monitor at least 50% of sub-recipient agencies.

Condition: 36% of sub-recipient agencies were monitored during the year.

Questioned Costs: The results of this noncompliance did not result in any questioned costs.

Effect: Disqualification from the Emergency Food Assistance Program.

Recommendation: The Food Bank should establish procedures to ensure the necessary number of sub-recipients are monitored annually to comply with federal grant requirements.

Responsible Official's Response: Management agrees with the finding and the recommendation.

**Northeast Iowa Food Bank
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding 2017-002: “and Justice for All” poster not documented

Federal Program: CFDA 10.569 – United States Department of Agriculture

Compliance Requirements: Monitoring

Criteria: A properly designed system of internal control over compliance with the requirements of federal programs allows entities to meet those requirements set forth by the federal government. Under the Emergency Food Assistance Program for Food Commodities, the Food Bank is required to verify that eligible recipient agencies display the USDA poster “And Justice for All.”

Condition: Updated monitoring forms did not include documentation in regards to whether the USDA poster was displayed.

Questioned Costs: The results of this noncompliance did not result in any questioned costs.

Effect: Disqualification from the Emergency Food Assistance Program.

Recommendation: The Food Bank should review monitoring forms to ensure all necessary documentation is included.

Responsible Official’s Response: Management agrees with the finding and the recommendation.

**Northeast Iowa Food Bank
Schedule of Prior Year Audit Findings
Year Ended June 30, 2017**

PRIOR YEAR FINDINGS

2016-002: Monitoring

Condition: Under the Emergency Food Assistance Program for Food Commodities, the Food Bank is required to inspect eligible recipient agencies in accordance with 7 CFR part 250 and part 251.

Recommendation: The Food Bank should establish procedures to ensure all files are reviewed and comply with federal grant requirements.

Current Status: The Food Bank has implemented procedures to ensure files are reviewed and comply with federal grant requirements.

2016-003: Monitoring

Criteria: Under the Emergency Food Assistance Program for Food Commodities, the Food Bank is required to ensure that eligible recipient agencies serve at least 51% of a predominately needy population.

Recommendation: The Food Bank should establish procedures to ensure information is entered timely into Primarius regarding recipient agencies eligible to receive USDA commodities.

Current Status: The Food Bank has implemented procedures to ensure information is entered timely.

2016-004: Monitoring

Criteria: Under the Emergency Food Assistance Program for Food Commodities, the Food Bank is required to verify that eligible recipient agencies display the USDA poster “And Justice for All.”

Recommendation: The Food Bank should establish follow-up procedures to ensure proper compliance with federal regulations.

Current Status: Not resolved. Finding has been repeated as 2017-002.

**Northeast Iowa Food Bank
Corrective Action Plan
Year Ended June 30, 2017**

Cognizant or Oversight Agency for Audit: United States Department of Agriculture

Northeast Iowa Food Bank respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and address of independent public accounting firm: BerganKDV, Ltd.
100 East Park Ave, Suite 300
Waterloo, Iowa 50702

Audit Period: July 1, 2016 to June 30, 2017

The findings from the 2017 schedule of findings and questioned costs are discussed below.

Findings Related to Federal Awards

Finding: 2017-001 Internal control over compliance with Federal awards

During our testing of federal awards, we noted that less than 50% of sub-recipients were monitored during the year.

Responsible Individuals: Barbara Prather, Executive Director

Corrective Action Plan: Management agrees with the finding and has reviewed the procedures related to monitoring. Updated procedures will include assessing the required number of sub-recipients periodically throughout the year.

Anticipated Date of Completion: October 1, 2017

Finding: 2017-002 Internal control over compliance with Federal awards

During our testing of federal awards sub-recipient monitoring, we noted monitoring forms did not include documentation related to the whether the USDA poster was displayed.

Responsible Individuals: Barbara Prather, Executive Director

Corrective Action Plan: Management agrees with the finding and has reviewed the monitoring forms. Monitoring forms will be updated to include documentation regarding the display of the USDA poster.

Anticipated Date of Completion: October 1, 2017