

**Northeast Iowa Food Bank**

**Financial Statements**

**June 30, 2020 and 2019**



**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, 2020 and 2019, 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 above present fairly, in all material respects, the financial position of Northeast Iowa Food Bank as of June 30, 2020 and 2019, 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 Matter**

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 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 21, 2020, 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 solely 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.

*BerganKov, LTD.*

Waterloo, Iowa  
December 21, 2020

**Northeast Iowa Food Bank**  
**Statements of Financial Position**  
**As of June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 3,345,824	\$ 1,380,398
Trade receivables	24,511	47,456
Promises to give	906,922	863,753
Food inventory		
Purchased	274,181	101,810
In-kind	2,744,424	1,660,390
Prepaid expenses	2,817	740
Total current assets	<u>7,298,679</u>	<u>4,054,547</u>
Beneficial interest in assets held by Community Foundation	12,638	12,994
Promises to give	-	503,000
Property and equipment, net	<u>5,738,761</u>	<u>5,907,770</u>
Total assets	<u>\$ 13,050,078</u>	<u>\$ 10,478,311</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of capital lease obligations	\$ 32,647	\$ 32,647
Accounts payable	87,577	80,205
Accrued expenses	164,914	114,918
Total current liabilities	<u>285,138</u>	<u>227,770</u>
Long-term liabilities		
Long-term debt	286,980	-
Capital lease obligations	82,939	115,203
Total long-term liabilities	<u>369,919</u>	<u>115,203</u>
Net assets		
Without donor restrictions		
Undesignated	979,691	432,423
Board designated - operating reserve	1,750,000	837,533
Board designated - capital expenditures	500,000	50,000
In-kind food for distribution	2,744,424	1,660,390
Net investment in property and equipment	5,623,175	5,759,920
Total without donor restrictions	<u>11,597,290</u>	<u>8,740,266</u>
With donor restrictions	<u>797,731</u>	<u>1,395,072</u>
Total net assets	<u>12,395,021</u>	<u>10,135,338</u>
Total liabilities and net assets	<u>\$ 13,050,078</u>	<u>\$ 10,478,311</u>

See notes to financial statements.

**Northeast Iowa Food Bank**  
**Statement of Activities**  
**Year Ended June 30, 2020**

	Without Donor Restrictions			With Donor Restrictions	Total
	Operations	In-Kind Product	Total		
Revenue, gains and other support					
Contributions	\$ 2,222,811	\$ -	\$ 2,222,811	\$ -	\$ 2,222,811
In-kind donations	50,631	12,545,774	12,596,405	-	12,596,405
Foundations and grants	1,139,533	-	1,139,533	101,609	1,241,142
Fundraising events, less cost of direct benefit to donors	132,796	-	132,796	-	132,796
United Way	19,875	-	19,875	37,035	56,910
Governmental agencies	730,559	6,815,343	7,545,902	-	7,545,902
Interest	23,783	-	23,783	-	23,783
Agency support fee	449,597	-	449,597	-	449,597
Agency membership fee	250	-	250	-	250
Miscellaneous income	3,695	-	3,695	-	3,695
Net assets released from restrictions	735,985	-	735,985	(735,985)	-
Total revenue, gains and other support	<u>5,509,515</u>	<u>19,361,117</u>	<u>24,870,632</u>	<u>(597,341)</u>	<u>24,273,291</u>
Expenses					
Program services					
Food pantry	651,058	184,179	835,237	-	835,237
Member agency distribution	1,596,029	17,813,814	19,409,843	-	19,409,843
Other	960,384	279,090	1,239,474	-	1,239,474
Management and general	182,055	-	182,055	-	182,055
Fundraising	346,999	-	346,999	-	346,999
Total expenses	<u>3,736,525</u>	<u>18,277,083</u>	<u>22,013,608</u>	<u>-</u>	<u>22,013,608</u>
Change in net assets	1,772,990	1,084,034	2,857,024	(597,341)	2,259,683
Net assets, beginning of year	<u>7,079,876</u>	<u>1,660,390</u>	<u>8,740,266</u>	<u>1,395,072</u>	<u>10,135,338</u>
Net assets, end of year	<u>\$ 8,852,866</u>	<u>\$ 2,744,424</u>	<u>\$ 11,597,290</u>	<u>\$ 797,731</u>	<u>\$ 12,395,021</u>

See notes to financial statements.

**Northeast Iowa Food Bank**  
**Statement of Activities**  
**Year Ended June 30, 2019**

	Without Donor Restrictions			With Donor Restrictions	Total
	Operations	In-Kind Product	Total		
Revenue, gains and other support					
Contributions	\$ 1,393,742	\$ -	\$ 1,393,742	\$ -	\$ 1,393,742
In-kind donations	25,853	8,744,589	8,770,442	-	8,770,442
Foundations and grants	636,871	-	636,871	1,314,345	1,951,216
Fundraising events, less cost of direct benefit to donors	73,585	-	73,585	-	73,585
United Way	24,946	-	24,946	41,028	65,974
Governmental agencies	351,325	4,418,895	4,770,220	-	4,770,220
Interest	23,176	-	23,176	-	23,176
Agency support fee	423,590	-	423,590	-	423,590
Agency membership fee	15,825	-	15,825	-	15,825
Miscellaneous income	3,312	-	3,312	-	3,312
Net assets released from restrictions	344,207	-	344,207	(344,207)	-
Total revenue, gains and other support	<u>3,316,432</u>	<u>13,163,484</u>	<u>16,479,916</u>	<u>1,011,166</u>	<u>17,491,082</u>
Expenses					
Program services					
Food pantry	377,257	173,606	550,863	-	550,863
Member agency distribution	1,480,959	12,976,449	14,457,408	-	14,457,408
Other	733,614	283,415	1,017,029	-	1,017,029
Management and general	189,662	-	189,662	-	189,662
Fundraising	312,580	-	312,580	-	312,580
Total expenses	<u>3,094,072</u>	<u>13,433,470</u>	<u>16,527,542</u>	<u>-</u>	<u>16,527,542</u>
Change in net assets	222,360	(269,986)	(47,626)	1,011,166	963,540
Net assets, beginning of year	<u>6,857,516</u>	<u>1,930,376</u>	<u>8,787,892</u>	<u>383,906</u>	<u>9,171,798</u>
Net assets, end of year	<u>\$ 7,079,876</u>	<u>\$ 1,660,390</u>	<u>\$ 8,740,266</u>	<u>\$ 1,395,072</u>	<u>\$ 10,135,338</u>

See notes to financial statements.

**Northeast Iowa Food Bank  
Statement of Functional Expenses  
Year Ended June 30, 2020**

	Program Services			Supporting Services		Total Expenses
	Food Pantry	Member Agency Distribution	Other	Management and General	Fundraising	
Salaries and wages	\$ 301,083	\$ 457,478	\$ 310,127	\$ 127,423	\$ 137,590	\$ 1,333,701
Employee benefits	49,070	71,773	46,500	13,953	14,221	195,517
Payroll taxes	21,421	35,693	21,974	8,714	9,480	97,282
Total salaries and related expenses	371,574	564,944	378,601	150,090	161,291	1,626,500
In-kind product	184,179	17,813,814	279,090	-	-	18,277,083
Cost of product purchased	20,464	518,248	319,717	-	-	858,429
Storage/freight	-	105,215	-	-	-	105,215
Auto maintenance and travel expenses	29,668	42,175	26,872	-	1,015	99,730
Printing	793	1,090	2,336	-	102	4,321
Special programs	6,710	13,420	2,237	-	36,383	58,750
Utilities	22,652	30,459	17,862	3,073	2,796	76,842
Telephone	3,419	4,737	2,383	448	224	11,211
Building and equipment maintenance	33,942	47,119	26,400	3,349	2,852	113,662
Insurance	3,322	21,997	12,582	2,188	1,733	41,822
Marketing	5,231	7,259	4,108	715	125,087	142,400
Miscellaneous	381	18,277	286	213	440	19,597
Supplies	21,101	32,204	70,632	280	2,010	126,227
Postage	3,355	4,203	2,440	424	23,507	33,929
Professional services and fees	15,299	21,089	6,953	6,366	1,374	51,081
Workshops/conferences	3,043	10,098	2,565	413	531	16,650
Interest	-	-	6,915	-	-	6,915
Computer	7,629	11,187	5,853	1,031	873	26,573
Total expenses before depreciation	732,762	19,267,535	1,167,832	168,590	360,218	21,696,937
Depreciation	102,475	142,308	71,642	13,465	6,732	336,622
Total expenses by function	835,237	19,409,843	1,239,474	182,055	366,950	22,033,559
Less expenses included with revenues on the statement of activities						
Cost of direct benefits to donors	-	-	-	-	(19,951)	(19,951)
Total expenses included in the expense section on the statement of activities	\$ 835,237	\$ 19,409,843	\$ 1,239,474	\$ 182,055	\$ 346,999	\$ 22,013,608

See notes to financial statements.

**Northeast Iowa Food Bank  
Statement of Functional Expenses  
Year Ended June 30, 2019**

	Program Services			Supporting Services		Total Expenses
	Food Pantry	Member Agency Distribution	Other	Management and General	Fundraising	
Salaries and wages	\$ 168,235	\$ 530,918	\$ 194,848	\$ 132,895	\$ 153,425	\$ 1,180,321
Employee benefits	19,780	88,129	32,122	15,435	16,663	172,129
Payroll taxes	12,606	41,847	14,218	9,459	10,967	89,097
Total salaries and related expenses	200,621	660,894	241,188	157,789	181,055	1,441,547
In-kind product	173,606	12,976,449	283,415	-	-	13,433,470
Cost of product purchased	19,290	327,536	286,633	-	-	633,459
Storage/freight	-	71,104	-	-	-	71,104
Auto maintenance and travel expenses	23,358	40,312	31,250	-	997	95,917
Printing	671	1,037	814	-	371	2,893
Special programs	736	1,472	245	-	45,987	48,440
Utilities	19,156	29,527	14,377	2,666	1,288	67,014
Telephone	2,903	4,418	2,179	404	202	10,106
Building and equipment maintenance	26,989	41,557	20,397	3,102	1,504	93,549
Insurance	12,028	18,313	9,027	1,674	812	41,854
Marketing	7,374	11,226	5,534	1,026	99,218	124,378
Miscellaneous	1,000	19,858	752	140	473	22,223
Supplies	8,433	19,301	20,194	375	74	48,377
Postage	2,572	3,911	1,931	358	21,854	30,626
Professional services and fees	4,151	17,794	3,229	7,165	3,255	35,594
Workshops/conferences	4,834	13,131	4,407	669	4,519	27,560
Interest	-	-	6,532	-	-	6,532
Computer	7,504	12,561	5,810	1,067	619	27,561
Total expenses before depreciation	515,226	14,270,401	937,914	176,435	362,228	16,262,204
Depreciation	36,373	188,479	79,360	13,227	13,226	330,665
Total expenses by function	551,599	14,458,880	1,017,274	189,662	375,454	16,592,869
Less expenses included with revenues on the statement of activities						
Cost of direct benefits to donors	(736)	(1,472)	(245)	-	(62,874)	(65,327)
Total expenses included in the expense section on the statement of activities	\$ 550,863	\$ 14,457,408	\$ 1,017,029	\$ 189,662	\$ 312,580	\$ 16,527,542

See notes to financial statements.

**Northeast Iowa Food Bank**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	2020	2019
<b>Cash Flows - Operating Activities</b>		
Change in net assets	\$ 2,259,683	\$ 963,540
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	336,622	330,665
Change in in-kind inventory	(1,084,034)	269,986
Change in value of beneficial interest	356	(155)
Change in assets restricted and designated	-	38,970
Changes in operating assets and liabilities		
Trade receivables and promises to give	482,776	(1,069,327)
Purchase food inventory	(172,371)	(25,186)
Prepaid expenses	(2,077)	4,523
Accounts payable	7,372	26,664
Accrued expenses	49,996	10,750
Net cash flows - operating activities	1,878,323	550,430
<b>Cash Flows - Investing Activities</b>		
Purchases of property and equipment	(167,613)	(98,953)
<b>Cash Flows - Financing Activities</b>		
Proceeds from long-term debt	286,980	-
Principal payments under capital lease obligations	(32,264)	(31,748)
Net cash flows - financing activities	254,716	(31,748)
Net change in cash and cash equivalents	1,965,426	419,729
<b>Cash and Cash Equivalents</b>		
Beginning of year	1,380,398	960,669
End of year	\$ 3,345,824	\$ 1,380,398

## **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 products to other nonprofit organizations in a 18 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 Backpack Program, which provides children, at schools in 16 counties, with a backpack 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.

#### **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.

#### **Cash Equivalents**

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

#### **Food Inventory**

Inventory consists of donated non-government food, food commodities received from the United States Department of Agriculture (USDA), and purchased food. Donated and USDA food is valued at a weighted average gross pound as determined by Feeding America's Product Valuation Survey. Purchased food is valued at the lower of cost (first-in, first-out method) or net realizable value.

#### **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. The Food Bank capitalizes technology equipment in excess of \$500 and all other acquisitions and donations of property and equipment in excess of \$1,000.

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, 2020 and 2019.

**Paycheck Protection Program Loan**

The Food Bank follows the Financial Accounting Standards Board's Topic 470-*Debt* in accounting for its Paycheck Protection Program (PPP) loan. The proceeds from the loan remain as a liability until either (1) the loan is, in part or wholly, forgiven and the Food Bank has been legally released or (2) the Food Bank pays off the loan to the creditor. Once the loan is (in part or wholly) forgiven and legal release is received, the Food Bank will reduce the liability by the amount forgiven and record a gain on extinguishment.

**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.

**Net Assets**

Net assets, revenues, gains, and other support are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and future capital expenditures.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, 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.

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

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Multi-year promises to give are recorded at the present value of their net realizable value, using discount rates applicable to the years in which the promises are received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Revenue from government grants and contracts is recognized as it is earned through expenditures in accordance with the agreements. Agency support revenue is recognized when earned.

**Donated Food, Materials and Contributed Services**

The Food Bank recognizes donated food and other goods at the time the contribution is received at their estimated fair value based on Feeding America's Product Valuation Survey and USDA fair market value reports.

Contributed services, which require a specialized skill and which the Food Bank would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Food Bank also receives donated services that do not require specific expertise, but which are nonetheless central to the Food Bank's operations. While these contributed services are not reflected in the financial statements, the Food Bank estimates that received more than 45,000 volunteer hours per year.

**Functional Allocation of Expenses**

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include the following: salaries, wages, and employee benefits, which are allocated on the basis of estimates of time and effort; professional services, computer, insurance, depreciation, utilities, marketing, postage, printing, workshops, and building and vehicle maintenance and supplies, which are allocated on the basis of pounds distributed, meals distributed and square footage.

**Recently Issued Accounting Pronouncements**

*Leases*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new guidance will require all leases to be recorded as assets and liabilities on the balance sheet. This update requires capitalization of "right-of-use assets" and recognition of an obligation for future lease payments for most leases currently classified as operating leases. In June 2020, the FASB issued ASU 2020-05 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

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

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recently Issued Accounting Pronouncements (Continued)**

*Gifts in-kind*

In September 2020, the FASB issued ASU No. 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. In addition to enhanced disclosures for contributed nonfinancial assets, this ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, with early adoption permitted. The Food Bank is currently evaluating the impact this standard will have on its financial statements.

**Recently Adopted Accounting Pronouncements**

*Revenue from Contracts with Customers*

On July 1, 2019, the Food Bank adopted FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides guidance for revenue recognition that superseded the revenue recognition requirements in Accounting Standards Codification, *Revenue Recognition (Topic 605)* and most industry specific guidance. Under ASU 2014-09, revenue from contracts with customers is determined under a five-step process, (1) identifying the contract with the customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue when or as performance obligations are satisfied. The Food Bank adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results for the reporting period beginning after July 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605. The impact of the adoption of the new standard was insignificant to the financial statements.

*Contributions Received and Made*

On July 1, 2019, the Food Bank adopted the requirements of the FASB ASU No. 2018-08 – *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08)*. This update clarifies and improves the scope and accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluation whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Food Bank accounting policies have been updated in the financial statements to reflect conformity with ASU 2018-08. The adoption of ASU 2018-08 has had no material effect on the change in net assets or net asset balances, by classification, as previously reported.

**Subsequent Events**

Management has evaluated subsequent events through December 21, 2020, the date which the financial statements were available for issue.

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

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,345,824	\$ 1,380,398
Trade receivables	24,511	47,456
Promises to give	<u>906,922</u>	<u>863,753</u>
Total financial assets available	4,277,257	2,291,607
Less: donor-imposed restrictions	242,321	303,044
Less: board designations	<u>2,250,000</u>	<u>887,533</u>
Financial assets available with one year	<u>\$ 1,784,936</u>	<u>\$ 1,101,030</u>

As part of the Food Bank's liquidity management plan, the Food Bank invests cash in excess of daily requirements in certificates of deposit or money market accounts, depending on prevailing market rates, which are included in cash and cash equivalents. Occasionally, the Food Bank designates a portion of any operating surplus to an operating reserve or for capital expenditures, which could be made available if necessary.

Since the beginning of the COVID-19 pandemic (see Note 12), the Food Bank has received unprecedented support from the community and funding partners. Given the uncertain nature of the pandemic, the Food Bank is actively monitoring cash needs to ensure its ability to maintain and increase services, as well as ensure sustainability into the future.

The Food Bank has funds available at the Community Foundation of Northeast Iowa (the Foundation). These funds are invested for long-term appreciation but are available at the discretion of the Foundation.

**NOTE 3 – DESIGNATED AGENCY ENDOWMENT FUND**

The Food Bank has a beneficial interest in assets held by the Foundation in the amount of \$12,638 and \$12,994 as of June 30, 2020 and 2019, 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 \$275,938 and \$271,347 in the Fund as of June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, \$10,298 and \$9,292, respectively, was distributed to the Food Bank from the Foundation.

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

**NOTE 4 – PROMISES TO GIVE**

The Food Bank had promises to give totaling \$906,922 and \$1,366,753 as of June 30, 2020 and 2019, respectively. The promises to give are to be received as follows:

	<u>2020</u>	<u>2019</u>
In less than one year	\$ 906,922	\$ 863,753
In one to five years	<u>-</u>	<u>503,000</u>
	<u>\$ 906,922</u>	<u>\$ 1,366,753</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 295,366	\$ 295,366
Buildings	5,741,284	5,640,254
Equipment	<u>1,728,406</u>	<u>1,792,958</u>
	7,765,056	7,728,578
Less accumulated depreciation	<u>2,026,799</u>	<u>1,820,808</u>
	<u>\$ 5,738,257</u>	<u>\$ 5,907,770</u>

**NOTE 6 – LONG-TERM DEBT**

The Food Bank applied for and obtained a \$286,980 Paycheck Protection Program (PPP) loan, administered by the U.S. Small Business Administration, established under the Coronavirus Aid, Relief, and Economic Security Act (Cares Act). Under the terms of the loan, the Food Bank can be granted forgiveness for a portion or all of the loan. Forgiveness is determined, if during a specified period after the loan origination, the Food Bank maintains certain employee levels and uses the proceeds on eligible expenses including payroll, benefits, rent, and utilities. In December 2020, the Food Bank's PPP loan was forgiven by the SBA. The Food Bank must retain all records relating to the loan for six years from the date of forgiveness and must permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request.

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

**NOTE 7 – CAPITAL LEASES**

The following is an analysis of leased property under the Food Bank's capital leases as of June 30, 2020 and 2019:

	2020	2019
Equipment	\$ 211,866	\$ 211,866
Less accumulated depreciation	100,006	66,685
	\$ 111,860	\$ 145,181

The following is a schedule by years of future minimum lease payments under capital leases as of June 30, 2020:

Year Ending June 30		
2021	\$	37,802
2022		37,802
2023		37,802
2024		9,835
Less amount representing interest		(7,655)
Present value of net minimum lease payments	\$	115,586

**NOTE 8 –NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes as of June 30, 2020 and 2019:

	2020	2019
Kid's Café/Backpack Program	\$ 106,791	\$ 191,068
Additional staffing position	30,000	-
Food Distribution	14,000	-
Summer Feeding	9,547	-
Time restricted	544,610	1,101,128
Capital purchases	81,783	91,876
Beneficial interest in assets held by Community Foundation	11,000	11,000
	\$ 797,731	\$ 1,395,072

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

**NOTE 9 – DONATED AND PURCHASED FOOD**

	2020			2019		
	<u>lbs.</u>	<u>Amount</u>	<u>Average Price/lb.</u>	<u>lbs.</u>	<u>Amount</u>	<u>Average Price/lb.</u>
Donated						
Received	11,127,079	\$ 19,361,117	\$ 1.74	8,120,595	\$ 13,163,484	\$ 1.62
Distributed	10,267,515	18,277,083	1.78	8,248,558	13,433,470	1.63
Purchased						
Purchased	1,041,087	1,041,066	1.00	887,618	658,645	.74
Distributed	897,942	868,695	.97	872,896	633,459	.73

**NOTE 10 – RETIREMENT PLANS**

The Food Bank maintained a SEP-IRA pension plan covering substantially all employees through December 31, 2018 and contributed 7% of each covered employee's wages. Effective January 1, 2019, the Food Bank adopted a 401(k) Plan covering substantially all employees and contributed 7% of each covered employee's wages through December 31, 2019. Effective January 1, 2020, the Food Bank contributed 5% of each covered employee's wages as well as up to a 3% match. For the years ended June 30, 2020 and 2019, the Food Bank's contributions were \$73,876 and \$66,049, respectively.

**NOTE 11 – AFFILIATE AGREEMENT**

The Food Bank is a member in the national network of Feeding America through an Affiliate Contract. The Affiliate Contract establishes the Food Bank's exclusive service area and sets forth a variety of compliance requirements.

**NOTE 12 – RISKS AND UNCERTAINTIES**

The outbreak of COVID-19 (the coronavirus) has caused operational disruptions around the world. The extent of the impact may be both direct and indirect and will vary based on the duration of the outbreak and other factors. An estimate of the effect the outbreak may have on the Food Bank's financial statements cannot be determined at this time.

## **SUPPLEMENTARY INFORMATION**

**Northeast Iowa Food Bank  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>United States Department of Agriculture</b>			
Passed through Iowa Department of Human Services			
Food Distribution Cluster			
Emergency Food Assistance Program (Food Commodities)	10.569	ACFS 16-189	\$ 6,672,741
Emergency Food Assistance Program (TEFAP Administrative Costs)	10.568	ACFS 16-189	148,100
Emergency Food Assistance Program (CARES Administrative Costs)	10.568	ACFS 16-189	100,000
Emergency Food Assistance Program (FFCRA Administrative Costs)	10.568	ACFS 16-189	<u>94,554</u>
Total Food Distribution Cluster			7,015,395
Emergency Food Assistance Program (Trade Mitigation Administrative Costs)	10.178	ACFS 16-189	113,984
Passed through Iowa Department of Education			
Child and Adult Care Food Program	10.558	078041	123,626
Passed through Iowa Department of Education			
Child Nutrition Cluster			
Summer Food Service Program for Children	10.559	078041	<u>46,392</u>
Total United States Department of Agriculture			<u>7,299,397</u>
<b>United States Department of Housing and Urban Development</b>			
Passed through City of Cedar Falls			
CDBG-Entitlement Grants Cluster			
Community Development Block Grant	14.218	B-19-MC-19-0007	<u>9,000</u>
<b>United States Department of Homeland Security</b>			
Passed through Iowa Northland Regional Council of Governments			
Emergency Food and Shelter	97.024	285800-009	<u>12,894</u>
Total Expenditures of Federal Awards			<u>\$ 7,321,291</u>

**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, 2020. 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

**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 - NONCASH TRANSACTIONS**

Northeast Iowa Foodbank consumed noncash assistance in the form of food commodities (CFDA Number 10.569). These commodities, with fair value calculated at the time received, were consumed or distributed during the year ended June 30, 2020.

**NOTE 4 - 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

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, 2020, 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 21, 2020.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2020-001 that we consider to be a material weakness.

### **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.

*BerganKDV, LTD.*

Waterloo, Iowa  
December 21, 2020

**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

**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, 2020. 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 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 to in the first paragraph that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

## 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 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 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.

*BerganKDV, LTD.*

Waterloo, Iowa  
December 21, 2020

**Northeast Iowa Food Bank  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020**

**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?	Yes
• 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?	None reported
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)?	No

**Identification of Major Program**

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

**Northeast Iowa Food Bank  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020**

**SECTION II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**MATERIAL WEAKNESS**

**Finding 2020-001: Valuation of In-Kind Product**

*Criteria:* Internal controls should be designed to prevent, detect, or correct mistakes in a timely manner.

*Condition:* The internal control procedures in place did not detect in-kind product was put into the inventory system with no value.

*Cause:* Internal control procedures do not include a detailed review of in-kind product transactions.

*Effect:* As a result of this condition, there is a risk that food inventory as well as revenues and expenses could contain material errors.

*Recommendation:* We recommend the Food Bank review and implement procedures to monitor the valuation assigned to in-kind product.

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

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None for current year.