

ARKANSAS FOODBANK
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021
(With independent auditor's report thereon)

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Independent Auditor's Report

To the Board of Directors
Arkansas Foodbank

Report on the Financial Statements

Opinion

We have audited the financial statements of Arkansas Foodbank, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses¹ and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Arkansas Foodbank as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arkansas Foodbank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arkansas Foodbank's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arkansas Foodbank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arkansas Foodbank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

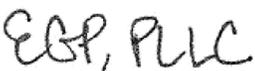
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state awards and schedule of units of service are presented for the purposes of additional analysis and are not a required part of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information such as the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report July 15, 2022, on our consideration of Arkansas Foodbank'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 Arkansas Foodbank'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 Arkansas Foodbank's internal control over financial reporting and compliance.

July 15, 2022


Certified Public Accountants & Consultants
Bryant, Arkansas

Arkansas Foodbank
Statement of Financial Position
December 31, 2021
(See independent auditor's report.)

<u>Assets</u>	
Current Assets	
Cash and cash equivalents - unrestricted	\$ 4,186,400
Cash and cash equivalents - restricted	-
Investments	16,650,548
Accounts receivable	457,127
Unconditional promises to give, net of allowance - restricted, due within one year	581,536
Inventory - food products - unrestricted	2,442,772
Inventory - food products - restricted	1,975,733
Prepaid expenses	30,780
Total Current Assets	26,324,896
 Property and Equipment	
Land - restricted	1,045,440
Building and improvements	15,944,759
Furniture, fixtures and software	2,581,659
Vehicles	1,614,128
	21,185,986
Less accumulated depreciation	(4,641,291)
Net Property and Equipment	16,544,695
 Other Assets:	
Utility and security deposits	450
Endowment funds - unrestricted	201,027
Endowment funds - restricted	3,774,128
Unconditional promises to give - noncurrent portion, restricted	433,691
Assets held in charitable remainder trust - restricted	-
Total Other Assets	4,409,296
 Total Assets	 \$ 47,278,887

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

<u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable	\$ 442,106
Accrued payroll and taxes	256,803
Deferred revenue - restricted	243,194
Total Current Liabilities	<u>942,103</u>
Noncurrent Liabilities	
Liability under charitable remainder trust - restricted	-
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>942,103</u>
Net Assets	
Without donor restriction	36,896,232
With donor restriction	9,440,552
Total Net Assets	<u>46,336,784</u>
Total Liabilities and Net Assets	<u><u>\$ 47,278,887</u></u>

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

Arkansas Foodbank
Statement of Activities
For the Year Ended December 31, 2021
(See independent auditor's report.)

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support:			
Contributions	\$ 2,309,377	-	2,309,377
Noncash contributions	34,030	-	34,030
Capital campaign	-	30,295	30,295
Grants	2,449,151	1,499,498	3,948,649
USDA assistance	527,138	-	527,138
USDA commodities	17,369,728	-	17,369,728
Direct mail	2,846,786	-	2,846,786
United Way	27,093	-	27,093
Donations of food	42,029,431	-	42,029,431
Special events	819,412	157,685	977,097
Other Revenue:			
In-kind contributions	150,214	-	150,214
Investment return, net	3,848,161	-	3,848,161
Handling fees	933,527	-	933,527
Food purchased revenue	2,023,367	-	2,023,367
Membership dues	23,250	-	23,250
Cluster agreement	5,081	-	5,081
Gifts sales	2,171	-	2,171
Other	200,370	-	200,370
Net Assets Released from Restrictions	(1,160,415)	1,160,415	-
Total Revenues and Other Support	74,437,872	2,847,893	77,285,765
Expenses:			
Program services	68,644,080	-	68,644,080
Supporting services	2,900,066	-	2,900,066
Total Expenses	71,544,146	-	71,544,146
Change in Net Assets	2,893,726	2,847,893	5,741,619
Net Assets - Beginning of Year	34,002,506	6,592,659	40,595,165
Net Assets - End of Year	\$ 36,896,232	9,440,552	46,336,784

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

Arkansas Foodbank
Statement of Functional Expenses
For the Year Ended December 31, 2021
(See independent auditor's report.)

	Program Services			
	Food for Families	USDA Commodities	Food for Kids	Food for Seniors
Compensation and related expenses:				
Compensation	\$ 1,421,692	\$ 544,241	\$ 123,168	\$ 40,778
Payroll taxes	97,417	37,292	8,440	2,794
Employee benefits	152,927	58,542	13,249	4,386
Total compensation and related expenses	1,672,036	640,075	144,857	47,958
Occupancy expenses:				
Utilities	172,324	86,560	2,465	846
Total occupancy expenses	172,324	86,560	2,465	846
Administrative				
Agency capacity building	736,555	-	-	-
Audit and accounting	-	-	-	-
Auto expense	187,031	101,068	30,664	228
Bad debts	-	-	-	-
Capital campaign	-	-	-	-
Cluster handling	1,613	-	-	-
Consulting fees	2,536	1,295	27	8
Copier/fax	-	-	-	-
Direct mail expenses	-	-	-	-
Disaster relief	-	-	-	-
Dues and memberships	615	-	-	-
Facility and equipment	184,347	92,546	2,737	841
Finance fees	-	-	-	-
Food/grocery products	40,268,707	22,349,423	246,371	42,878
Freight	518,768	-	-	-
Information technology	21,157	8,562	1,036	243
In-kind services	-	-	-	-
Insurance	27,757	13,924	418	129
Interest	-	-	-	-
Investment management fees	-	-	-	-
Office supplies	5,478	1,416	597	93
Other expenses	5,033	-	-	-
Payroll service fees	-	-	-	-
Postage	-	-	-	-
Printing and production	-	1,831	-	-
Program support	93,281	47,724	5,614	263
Public awareness	-	-	-	-
Rent	41,649	24,566	-	-
Seminars and training	1,032	-	-	-
Special events	-	-	-	-
Taxes, licenses, permits	-	-	-	-
Travel	1,041	-	-	-
Total administrative expenses	42,096,600	22,642,355	287,464	44,683
Total expenses before depreciation	43,940,960	23,368,990	434,786	93,487
Depreciation	394,399	196,704	6,521	2,034
Total Expenses	\$ 44,335,359	\$ 23,565,694	\$ 441,307	\$ 95,521

Arkansas Foodbank
Statement of Functional Expenses
For the Year Ended December 31, 2021
(See independent auditor's report.)

	Program Services		Supporting Services		Combined Totals (Memo)
	Public Awareness	Total Program Service	Management and General	Fund Development	
Compensation and related expenses:					
Compensation	\$ 120,823	\$ 2,250,702	\$ 901,102	\$ 413,416	\$ 3,565,220
Payroll taxes	8,279	154,222	61,745	28,328	244,295
Employee benefits	12,997	242,101	96,929	44,470	383,500
Total compensation and related expenses	142,099	2,647,025	1,059,776	486,214	4,193,015
Occupancy expenses:					
Utilities	1,695	263,890	12,151	7,761	283,802
Total occupancy expenses	1,695	263,890	12,151	7,761	283,802
Administrative					
Agency capacity building	-	736,555	-	-	736,555
Audit and accounting	-	-	32,388	-	32,388
Auto expense	501	319,492	450	425	320,367
Bad debts	-	-	10,195	-	10,195
Capital campaign	-	-	-	-	-
Cluster handling	-	1,613	-	-	1,613
Consulting fees	-	3,866	9,263	87,500	100,629
Copier/fax	-	-	18,932	-	18,932
Direct mail expenses	-	-	-	508,295	508,295
Disaster relief	-	-	-	-	-
Dues and memberships	-	615	47,120	5,538	53,273
Facility and equipment	1,868	282,339	13,398	8,558	304,295
Finance fees	-	-	1,133	53,495	54,628
Food/grocery products	-	62,907,379	-	-	62,907,379
Freight	-	518,768	-	-	518,768
Information technology	1,656	32,654	246,956	25,000	304,610
In-kind services	-	-	-	28,316	28,316
Insurance	294	42,522	11,281	1,345	55,148
Interest	-	-	-	-	-
Investment management fees	-	-	24,823	-	24,823
Office supplies	292	7,876	13,723	771	22,370
Other expenses	-	5,033	9,961	765	15,759
Payroll service fees	-	-	17,579	-	17,579
Postage	-	-	12,108	14,046	26,154
Printing and production	-	1,831	56	13,933	15,820
Program support	10,080	156,962	-	-	156,962
Public awareness	42,352	42,352	-	-	42,352
Rent	-	66,215	-	-	66,215
Seminars and training	-	1,032	2,558	3,376	6,966
Special events	-	-	-	17,003	17,003
Taxes, licenses, permits	-	-	-	30,539	30,539
Travel	-	1,041	326	-	1,367
Total administrative expenses	57,043	65,128,145	472,250	798,905	66,399,300
Total expenses before depreciation	200,837	68,039,060	1,544,177	1,292,880	70,876,117
Depreciation	5,362	605,020	38,452	24,557	668,029
Total Expenses	\$ 206,199	\$ 68,644,080	\$ 1,582,629	\$ 1,317,437	\$ 71,544,146

Arkansas Foodbank
Statement of Cash Flows
For the Year Ended December 31, 2021
(See independent auditor's report.)

Cash Flows from Operating Activities:

Change in net assets	\$ 5,741,619
Adjustments to reconcile (decrease) increase in net assets to net cash (required) provided by operating activities:	
Depreciation	668,027
Noncash donations	-
Noncash distributions and expenses	-
Stock donations	-
Net realized and unrealized (gain) loss on endowment funds and investments	-
Net unrealized (gain) loss on assets held in charitable remainder trust	1,085,299
Gain on sale of fixed assets	(45,372)
Decrease (Increase) in Assets:	
Accounts receivable	388,092
Unconditional promises to give	(626,892)
Purchased inventory	235,794
Prepaid expenses	6,381
Increase (Decrease) in Liabilities:	
Accounts payable	(27,054)
Payroll and taxes payable	38,007
Deferred revenue	23,376
Net Cash Provided (Required) by Operating Activities	<u>7,487,277</u>

Cash Flows from Investing Activities:

Endowment funds activity	(3,301,815)
Investment activity	(5,251,916)
Purchases of capital assets	(2,450,332)
Proceeds from sale of fixed assets	45,372
Net Cash Provided (Required) by Investing Activities	<u>(10,958,691)</u>

Increase (Decrease) in Cash and Cash Equivalents (3,471,414)

Cash and cash equivalents - beginning of year 7,657,814

Cash and Cash Equivalents - End of Year \$ 4,186,400

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

Arkansas Foodbank
Notes to Financial Statements
December 31, 2021

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Arkansas Foodbank (the “Organization”) is a nonprofit corporation established to collect and distribute donated food and other items. The Organization is an affiliated member of Feeding America (the Nation’s Foodbank Network), the Arkansas Hunger Relief Alliance, and the Heart of Arkansas United Way. The receipt of food is primarily from retail stores, wholesalers, manufacturers, processors and food drives. After careful inspection, the food and products are distributed to not-for-profit agencies such as food pantries, soup kitchens, shelters, after-school feeding programs and other similar groups in 33 central and southern counties in Arkansas.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the Organization are included in the statement of financial position.

The financial statements are presented in accordance with the FASB Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to the following two classes of net assets:

- Net Assets Without Donor Restrictions - Net assets which are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year which the contributions are recognized.
- Net Assets With Donor Restriction - Net assets which consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Alliance may spend the funds.

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

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

Revenue Recognition

The Organization solicits contributions from private individuals, through direct mail campaigns, corporate promotions and grant applications. Unsolicited contributions are also received from the general public. Another source of funding is the allocation received from the United Way. During the year ended December 31, 2021, the Organization received \$10,173,327 in public support from these sources.

Arkansas Foodbank
Notes to Financial Statements
December 31, 2021

Some of the food and grocery products distributed by the Arkansas Foodbank to its member agencies are assessed a “handling fee” of up to \$0.18 per pound to assist in on-going operating costs of the Organization.

The Organization accounts for contributions in accordance with the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. In accordance with FASB ASC 958, contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence or nature of any donor restrictions. Contributions, including pledges, represent amounts raised from the public and are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Cash donations are recorded when received. Contributions of assets other than cash are recorded at estimated fair value. New equipment donated to the Organization is included in the financial statements at the suggested retail price. Used equipment donated to the Organization is recorded at estimated fair market value.

For the year ended December 31, 2021, fundraising costs of \$17,003 is reflected as Special Events expense on the Statement of Functional Expenses.

Food and Grocery Products

Food and grocery products donated to the Arkansas Foodbank that are distributed and on-hand at year end are valued at an average wholesale value as determined by a survey conducted annually by Feeding America, the Nation’s Food Bank Network. For the year ended December 31, 2021, the average wholesale value used was \$1.70 per pound.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give that are expected to be collected or paid within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected or paid in more than one year are recognized at the present value of estimated future cash flows and included in promises to give. The effective discount rate used is 5.323%. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2021, the allowance was \$10,891.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Arkansas Foodbank considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists of funds owed to the Organization from government awarding agencies, donations and other services. Management believes that all of these receivables are fully collectible; therefore, no provision for doubtful accounts has been made.

Property and Equipment

Arkansas Foodbank
Notes to Financial Statements
December 31, 2021

Property and equipment is recorded at cost and is depreciated over the useful life of each asset. Annual depreciation is computed using the straight-line method with useful lives of 10 to 40 years for buildings and improvements; 3 to 20 years for furniture, equipment and software; and 5 to 10 years for vehicles. It is the Organization's policy to capitalize all asset purchases that have a useful life of more than one year and a unit cost greater than \$2,500.

Donated Services

Unpaid volunteers have made contributions of their time in conjunction with Arkansas Foodbank's programs and services. There was a total of 27,608 volunteer hours valued at \$656,794 in 2021. However, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services are reflected in the financial statements at their fair market value. These services are provided in connection with fundraising activities.

Income Taxes

The Organization is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and a similar section of Arkansas statutes. Generally, the Organization's tax returns are open for examination by federal and state taxing authorities for three years after they were filed. The Organization has been determined by the Internal Revenue Service not to be a private foundation with the meaning of Section 509(a) of the Code. Additionally, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated by management among the program and supporting services benefited. The methods of allocations are described below:

- Allocation of personnel expenses is based on functional assignments by full time employees.
- Allocation of depreciation and facility expenses is based on square footage.
- Allocation of transportation expenses is based on mileage and number of deliveries.
- Allocation of program service expenses is allocated between programs when necessary based on the volume of product distributed.

2. Deposits

The carrying amount of the Organization's cash deposits was \$4,186,400 at December 31, 2021. The bank balance of the Organization's cash deposits was \$4,487,158 at December 31, 2021. Approximately \$3,987,158 of the bank balance was uninsured by the Federal Depository Insurance Corporation ("FDIC") at December 31, 2021.

3. Promises to Give

As of the year ending December 31, 2021 the promise to give is summarized as follows:

Arkansas Foodbank
Notes to Financial Statements
December 31, 2021

Current		
Within one year		\$ 592,427
Less allowance for uncollectible promises to give		(10,891)
		581,536
Noncurrent:		
One to 5 years		456,776
Less discount to net present value at 5.323% rate		(23,085)
		433,691
		\$ 1,015,227

4. Fair Value Measurements

The Organization accounts for its investments in accordance with the FASB ASC 820, *Fair Value Measurements and Disclosures*. In accordance with FASB ASC 820, investments in equity securities with readily determinable fair values and all debt securities are measured at fair value.

The Organization has characterized its financial assets into a three-level hierarchy based on the priority of the inputs used to value these assets. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial assets fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the asset.

Financial assets recorded in the statement of financial position are categorized based on the inputs to valuation techniques as follows:

- Level 1: These are assets where values are based on unadjusted quoted prices for identical assets in an active market to which the Organization has access.
- Level 2: These are assets where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: These are assets where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the assumptions of management about assumptions market participants would use in pricing the investments.

The fair values of the Organization's investments that are reported in the accompanying statement of financial position as of December 31, 2021, were as follows:

Arkansas Foodbank
Notes to Financial Statements
December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market accounts	\$ 708,719	-	-	708,719
Government securities	2,274,221	-	-	2,274,221
Corporate bonds	1,578,532	-	-	1,578,532
Mutual funds	5,878,116	-	-	5,878,116
Equities	6,210,960	-	-	6,210,960
Endowment funds	-	-	3,975,155	3,975,155
	<u>\$ 16,650,548</u>	<u>-</u>	<u>3,975,155</u>	<u>20,625,703</u>

Fair value for investments is determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for endowment funds is based upon the balance of the accounts held at Arkansas Community Foundation. Fair value for the interest in charitable remainder trust is determined by calculating the present value of the future distributions expected to be received, using published life expectancy tables and a 4.00% discount rate.

Assets measured at fair value on a recurring basis using significant unobservable inputs (level 3 inputs):

	<u>Charitable Remainder Trust</u>	<u>Endowment Funds</u>
Balance at December 31, 2020	\$ 3,142,180	673,340
Additions	-	100,000
Investment income (loss)	220,870	164,547
Disbursements	(314,219)	(11,563)
Transfers	(3,048,831)	3,048,831
Balance at December 31, 2021	<u>\$ -</u>	<u>3,975,155</u>

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

5. Endowment and Net Investment Return

In October 2001, an endowment fund in the amount of \$31,000 was established at the Arkansas Community Foundation (the "Foundation"), with \$21,000 raised specifically for this purpose by Arkansas Foodbank and \$10,000 in a matching contribution by the Foundation. Prior to the merger with the Arkansas Rice Depot, the Arkansas Rice Depot irrevocably transferred assets to the Foundation in the amount of \$91,030. These endowment funds total \$122,030 and are permanently restricted.

In December of 2019, the Taylor Foundation awarded the Arkansas Foodbank a gift in the amount of \$500,000. In January 2020 after discussions with the foundation it was decided that this money would be set up as an endowment for the Food for Kids program. This grant established the "Julia Prewitt Taylor Memorial Endowment Fund" to support the Food for Kids Program. Since receipt, the money

Arkansas Foodbank
Notes to Financial Statements
December 31, 2021

was invested in a segregated account at Merrill Lynch. The corpus of these funds must remain in a permanent endowment but the earnings generated by the fund are available to be used in Food for Kids programs.

In 2021 the Arkansas Foodbank's charitable remainder trust was terminated upon the death of the donor. Funds having a market value of \$3,052,098 were converted at that time to an endowment fund held in trust by the United Methodist Foundation of Arkansas. Income distributions equal to 4% of a three-year average value of the account will be distributed annually to the Arkansas Food Bank. The first distribution was received in January 2022.

The endowment funds are accounted for in accordance with the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. In accordance with FASB ASC 958, the endowment funds are considered a reciprocal transfer of funds since the Organization is both the donor and beneficiary of the endowments, even though the variance power has been granted to the Foundation and the Foundation is the legal owner of the fund under the terms of the endowment agreement. The fund may expend that portion of its total assets as permitted by the spending rate policy. The fair value of the endowment funds as of December 31, 2021, was \$3,975,155.

Unrealized gains and losses on the endowment funds and other investments are included in the change in net assets in the accompanying statement of activities. Investment income and gains are reported as increases in net assets without donor restrictions in the reporting period in which the income and gains are recognized.

Net investment return is summarized as follows:

Investment interest/dividend income	\$ 215,475
Net realized gains (losses)	1,982,717
Net unrealized gains (losses)	1,633,142
Investment fees	(13,260)
Investment return, net	<u>\$ 3,818,074</u>

6. Property and Equipment

A summary of changes in depreciable assets for the year ending December 31, 2021 is as follows:

Arkansas Foodbank
Notes to Financial Statements
December 31, 2021

	Balance January 1 2021	Additions and Transfers - Net	Retirements and Transfers - Net	Balance December 31 2021
Land	\$ 1,045,440	-	-	1,045,440
Buildings and improvements	13,308,257	2,636,502	-	15,944,759
Furniture, equipment and software	2,174,382	407,277	-	2,581,659
Vehicles	1,241,809	598,595	(226,276)	1,614,128
Construction in process	1,192,042	1,945,981	(3,138,023)	-
	18,961,930	5,588,355	(3,364,299)	21,185,986
Less accumulated depreciation	(4,199,540)	(668,027)	226,276	(4,641,291)
	<u>\$ 14,762,390</u>	<u>4,920,328</u>	<u>(3,138,023)</u>	<u>16,544,695</u>

7. Charitable Remainder Trust

During the year ended December 31, 2021, Arkansas Foodbank administered a charitable remainder trust. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). The Arkansas Foodbank's charitable remainder trust was terminated during the year ended December 31, 2021 upon the death of the donor and the assets were transferred to the endowment as outlined in note five. Accordingly the Statement of Financial Position longer shows an asset or a liability associated with the Charitable Remainder Trust. Prior to termination, the portion of the trust attributable to the present value of future benefits to be received by the Organization is recorded in the statement of activities as a donor restricted contribution in the period the trust was established. On an annual basis, the Organization revalued the liability to make distributions to the designated beneficiaries based on actuarial assumptions.

8. Commodities

Arkansas Foodbank has an agreement with the Arkansas Department of Human Services (DHS), under the authority of the Stewart B. McKinney Homeless Assistance Act, to distribute excess commodities to needy households. Under this agreement, the Organization receives commodities from DHS and distributes them to food pantries and other agencies throughout the state. Inventory is carried at the values assigned by DHS. At December 31, 2021, inventory totaled \$1,975,733.

9. Line of Credit

As of December 31, 2021, the Organization had a \$100,000 revolving line of credit that matured on January 21, 2022. At December 31, 2021, the outstanding balance there was no balance against the line. Interest was calculated at a variable rate, with an interest rate of 5.323% at December 31, 2021.

On January 18, 2022, the Organization renewed the agreement with a maturity date of January 21, 2023. Interest was calculated at a variable rate, with an interest rate of 3.802% as of the date of the agreement.

Arkansas Foodbank
Notes to Financial Statements
December 31, 2021

10. Concentrations

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash balances with financial institutions. The Organization maintains its cash at institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). These accounts, at times, may exceed federally insured limits.

11. Retirement Plan

The Organization provides a plan for employees to contribute to individual retirement accounts. Distributions from these accounts to the employees are taxed at that time. Employer contributions totaled \$89,590 for the year ended December 31, 2021.

12. Restrictions on Net Assets

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions were as follows at December 31, 2021:

Arkansas Foodbank
Notes to Financial Statements
December 31, 2021

Specific Purpose:	
Agency capacity building	\$ 444,501
Data Collection	147,501
Delta Initiative	179,045
Food for Kids Support	320,316
Food for Seniors Support	27,500
Food Procurement	209,934
Healthy Food Initiatives	278,505
Military/Veterans Support	26,264
Mobile Feeding	22,941
Program Capacity Support	784,845
SNAP Support	91,870
Workforce Development	60,287
USDA inventory for distribution	1,975,733
Land dedicated to foodbank operation	1,045,440
Total Specific Purpose	<u>5,614,682</u>
Passage of Time:	
Capital campaign	275,657
Deferred Revenue - agency and special events payments for future use	(223,915)
Total Passage of Time	<u>51,742</u>
Endowment Funds:	
Arkansas Community Foundation - corpus permanently restricted	122,030
Taylor Foundation Endowment - corpus permanently restricted	600,000
United Methodist Foundation of Arkansas	3,052,098
Total Endowment Funds	<u>3,774,128</u>
Total Net Assets with Donor Retrictions	<u><u>\$ 9,440,552</u></u>
Net assets without donor restrictions were as follows at December 31, 2021:	
<u>Without donor restriction</u>	
Undesignated	\$ 35,789,643
Board Designated:	
Investments held for programming and maintenance initiatives	1,106,589
Total Board Designated	<u>1,106,589</u>
Total Net Assets without Donor Restrictions	<u><u>\$ 36,896,232</u></u>

13. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets, reduced by amounts that are not available to meet general expenditures as of December 31, 2021, due to donor restrictions or internal board designations:

Arkansas Foodbank
Notes to Financial Statements
December 31, 2021

Cash and cash equivalents	\$ 4,186,400
Investments excluding endowments	16,650,548
Accounts receivable	457,127
Unconditional promises to give, net of allowance, current portion	<u>581,536</u>
Total Financial Assets	<u>21,875,611</u>
Cash and cash equivalents restricted by donors and grantors for agency capacity building, data collection, delta initiative, food for kids support, food for seniors support, food procurement, healthy food initiatives, military/veterans support, mobile feeding, program capacity support, SNAP program support, and workforce development.	\$ 1,993,509
Investments designated by the board for significant program and maintenance initiatives.	1,106,589
Capital Campaign contributions restricted by donors and grantors.	48,937
Unconditional promises to give restricted to Capital Campaign.	93,029
Unconditional promises to give restricted by donors and grantors for program capacity support.	<u>300,000</u>
Total Restricted Financial Assets	<u>3,542,064</u>
Total Financial Assets Available to Management for General Expenditures within One Year	<u>\$ 18,333,547</u>

The Organization considers contributions that are restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves by following these guiding principles:

- Operate within a prudent range of financial soundness and stability.
- Maintain adequate liquid assets to fund near term operating needs.
- Maintain sufficient reserves to provide reasonable assurance that the mission of the Arkansas Foodbank continues in an adverse financial environment.

Investments act as a board directed resource which may be accessed upon board approval when the need arises. The Organization also has access to a \$100,000 bank line of credit which may be drawn upon to meet operating shortfalls during the year.

14. Date of Management's Review

Management has evaluated subsequent events through July 15, 2022, the date on which the financial statements were available to be issued.

Arkansas Foodbank
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor/ Cluster Name Program Name Pass-through Entity	Federal CFDA Number	Pass- Through Entity Identifying	Passed-Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture:				
Food Distribution Cluster				
Commodity Supplemental Food Program				
Pass-through from Arkansas Department of Human Services	10.565	FCX	\$ 852,023	975,186
Emergency Food Assistance Program (Administrative Costs)				
Pass-through from Arkansas Department of Human Services	10.568	FGX	-	394,532
Emergency Food Assistance Program (Commodities)				
Pass-through from Arkansas Department of Human Services	10.569	N/A	11,319,470	11,319,470
Covid-19 - Coronavirus Food Assistance Program				
Pass-through from Arkansas Department of Human Services	10.569	N/A	4,758,892	4,758,892
Covid-19 - Families First Coronavirus Response Act				
Pass-through from Arkansas Department of Human Services	10.569	N/A	1,291,366	1,291,366
Total Food Distribution Cluster			<u>18,221,751</u>	<u>18,739,446</u>
Summer Food Service Program for Children (SFSP)				
Pass-through from Arkansas Department of Human Services	10.559	FB1	-	29,483
Total U.S. Department of Agriculture			<u>18,221,751</u>	<u>18,768,929</u>
U.S. Department of Health and Human Services:				
Temporary Assistance for Needy Families (TANF)	93.558	N/A	-	90,520
Total U.S. Department of Health and Human Services			<u>-</u>	<u>90,520</u>
U.S. Department of Homeland Security:				
Emergency Food and Shelter Program (EFSP)	97.024	N/A	-	17,500
Total U.S. Department of Homeland Security			<u>-</u>	<u>17,500</u>
Total Expenditures of Federal Awards			<u>\$ 18,221,751</u>	<u>18,876,949</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Arkansas Foodbank under programs of the federal government for the year ended December 31, 2021. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 as to reimbursement.

Note 3. Indirect Cost Rates

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

**Arkansas Foodbank
Schedule of State Awards
For the Year Ended December 31, 2021**

State Grantor Program Name/ Pass through Entity	Revenues/ Expenditures
Arkansas General Assembly	
2020 Hunger Relief Capacity Building Grant Pass-through from Arkansas Hunger Relief Alliance Inc.	\$ 22,625
Total Arkansas General Assembly	<u>22,625</u>
Total Expenditures of State Awards	<u>\$ 22,625</u>

**Arkansas Foodbank
Schedule of Units of Service
For the Year Ended December 31, 2021**

SFSP		
Month	Number of	Number of
	Breakfasts	Lunches
June	2,250	2,250
July	2,303	2,303
Total	4,553	4,553

**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
Arkansas Foodbank

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 Arkansas Foodbank, which comprise the statement of financial position as of December 31, 2021, 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 July 15, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arkansas Foodbank's internal control over financial reporting (internal control) as a basis for designing 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 Arkansas Foodbank's internal control. Accordingly, we do not express an opinion on the effectiveness of Arkansas Foodbank'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 Arkansas Foodbank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



July 15, 2022

Certified Public Accountants & Consultants
Bryant, Arkansas

**Independent Auditor's Report on Compliance for each
Major Federal Program and Report on Internal Control
Over Compliance in Accordance with the Uniform Guidance**

Board of Directors
Arkansas Foodbank

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Arkansas Foodbank's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Arkansas Foodbank's major federal programs for the year ended December 31, 2021. Arkansas Foodbank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Arkansas Foodbank complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

EGP, PLLC

July 15, 2022

Certified Public Accountants & Consultants
Bryant, Arkansas

Arkansas Foodbank
Summary Schedule of Prior Audit Findings
December 31, 2021

Summary of Auditor's Results

Financial Statements

1. The opinion expressed in the independent accountants' report was:

Unmodified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

Material weakness(es)? Yes No
 Significant deficiency(s) noted that are not considered to
 be a material weakness(es)? Yes None reported

3. Noncompliance considered material to the financial statements was disclosed by the audit:

Yes No

Federal Awards

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

Material weakness(es)? Yes No
 Significant deficiency(s) noted that are not considered to
 be a material weakness(es)? Yes None reported

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:

Unmodified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by 2 CFR 200.516?

Yes No

7. The Organization's major program were:

Cluster Name/Program Name

Food Distribution Cluster:

Commodity Supplemental Food Program	10.565
Emergency Food Assistance Program (Administrative Costs)	10.568
Emergency Food Assistance Program (Food Commodities)	10.569

8. The threshold used to distinguish between Type A and Type B programs as defined in OMB 2 CFR 200.501 was \$750,000.

9. The Organization qualified as a low-risk auditee as that term is defined in 2 CFR 200.520?

Yes No

**Arkansas Foodbank
Schedule of Findings and Questioned Costs
December 31, 2021**

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	None.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

**Arkansas Foodbank
Summary Schedule of Prior Audit Finding
December 31, 2021**

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Status
	None.	

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding	Status
	None.	