

**NORTHWEST  
ARKANSAS  
FOOD BANK**



**Financial Statements  
December 31, 2019 and 2018**

**(With Independent Auditor's Report Thereon)**

# Northwest Arkansas Food Bank

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule for Network Activity Reporting (Unaudited)	17
State Required Supplementary Data (Unaudited)	18
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	19
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	20
<b>INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	22
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	24
<b>SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS</b>	26



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
**Northwest Arkansas Food Bank**  
Bethel Heights, Arkansas

We have audited the accompanying financial statements of **Northwest Arkansas Food Bank**, which comprise the statements of financial position as of December 31, 2019 and 2018, 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 audits 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 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 **Northwest Arkansas Food Bank** as of December 31, 2019 and 2018, 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.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2019, **Northwest Arkansas Food Bank** adopted Accounting Standards Updates No. 2014-09, *Revenue from Contracts with Customers* and No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

### **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the **Northwest Arkansas Food Bank's** basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule for network activity reporting and the state required supplementary data sheet have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 2020, on our consideration of **Northwest Arkansas Food Bank's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

The logo for Landmark PLC, featuring the company name in a stylized, handwritten-style font. Below the name, the text "Certified Public Accountants" is written in a smaller, sans-serif font.

Landmark PLC  
Certified Public Accountants

Rogers, Arkansas  
November 24, 2020

## **Financial Statements**

# NORTHWEST ARKANSAS FOOD BANK

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,572,712	\$ 1,111,481
Certificates of deposit	777,266	749,753
Accounts receivable	133,024	145,144
Unconditional promises to give	46,250	126,500
Inventories	877,772	937,623
Property and equipment, net	<u>953,669</u>	<u>952,051</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,360,693</u>	<u>\$ 4,022,552</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 106,490	\$ 118,648
Payroll liabilities	<u>70,438</u>	<u>67,706</u>
<b>Total Liabilities</b>	<u>176,928</u>	<u>186,354</u>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	1,767,534	2,119,564
Designated	1,849,978	1,361,234
With donor restrictions	<u>566,253</u>	<u>355,400</u>
<b>Total Net Assets</b>	<u>4,183,765</u>	<u>3,836,198</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,360,693</u>	<u>\$ 4,022,552</u>

See Independent Auditor's Report and Notes to the Financial Statements.

# NORTHWEST ARKANSAS FOOD BANK

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Donated product	\$ 14,075,232	\$ -	\$ 14,075,232
Shared maintenance fees	1,381,291	-	1,381,291
Grants	436,750	566,253	1,003,003
Contributions	1,612,048	-	1,612,048
Other income	56,958	-	56,958
Net assets released from restrictions:			
Satisfaction of purpose restriction	355,400	(355,400)	-
<b>Total Revenue and Support</b>	<b>17,917,679</b>	<b>210,853</b>	<b>18,128,532</b>
<b>EXPENSES</b>			
Program services			
Food sourcing	15,516,677	-	15,516,677
Warehouse	1,063,595	-	1,063,595
Support services			
General and administrative	479,236	-	479,236
Fundraising and development	721,457	-	721,457
<b>Total Expenses</b>	<b>17,780,965</b>	<b>-</b>	<b>17,780,965</b>
<b>CHANGE IN NET ASSETS</b>	136,714	210,853	347,567
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,480,798</b>	<b>355,400</b>	<b>3,836,198</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,617,512</b>	<b>\$ 566,253</b>	<b>\$ 4,183,765</b>

See Independent Auditor's Report and Notes to the Financial Statements.

# NORTHWEST ARKANSAS FOOD BANK

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Donated product	\$ 15,391,013	\$ -	\$ 15,391,013
Shared maintenance fees	1,430,109	-	1,430,109
Grants	193,021	355,400	548,421
Contributions	1,245,175	-	1,245,175
Other income	92,921	-	92,921
Net assets released from restrictions:			
Satisfaction of purpose restriction	150,584	(150,584)	-
<b>Total Revenue and Support</b>	18,502,823	204,816	18,707,639
<b>EXPENSES</b>			
Program services			
Food sourcing	16,866,300	-	16,866,300
Warehouse	920,663	-	920,663
Support services			
General and administrative	433,927	-	433,927
Fundraising and development	653,810	-	653,810
<b>Total Expenses</b>	18,874,700	-	18,874,700
<b>CHANGE IN NET ASSETS</b>	(371,877)	204,816	(167,061)
<b>NET ASSETS, BEGINNING OF YEAR</b>	3,852,675	150,584	4,003,259
<b>NET ASSETS, END OF YEAR</b>	\$ 3,480,798	\$ 355,400	\$ 3,836,198

See Independent Auditor's Report and Notes to the Financial Statements.



# NORTHWEST ARKANSAS FOOD BANK

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>		<u>Support Services</u>		<u>Total</u>
	<u>Food Sourcing</u>	<u>Warehouse</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	
Advertising costs	\$ 67,012	\$ -	\$ -	\$ 44,675	\$ 111,687
Depreciation	-	152,683	-	-	152,683
Dues and subscriptions	38,503	-	9,626	-	48,129
Food product	15,262,831	-	-	-	15,262,831
Fundraising	-	-	-	253,813	253,813
Insurance	-	30,281	3,364	-	33,645
Labor costs	120,266	610,043	377,646	344,529	1,452,484
Office expense	907	907	6,351	907	9,072
Other expenses	-	-	29,061	-	29,061
Professional fees	-	-	14,030	32,737	46,767
Rent expense	-	7,703	-	-	7,703
Repairs and maintenance	-	107,117	-	-	107,117
Training and conferences	9,430	-	9,430	12,572	31,432
Travel	12,121	-	12,121	16,161	40,403
Utilities and telephone	5,607	28,442	17,607	16,063	67,719
Warehouse expense	-	126,419	-	-	126,419
	<u>\$ 15,516,677</u>	<u>\$ 1,063,595</u>	<u>\$ 479,236</u>	<u>\$ 721,457</u>	<u>\$ 17,780,965</u>

See Independent Auditor's Report and Notes to the Financial Statements.

# NORTHWEST ARKANSAS FOOD BANK

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>		<u>Support Services</u>		<u>Total</u>
	<u>Food Sourcing</u>	<u>Warehouse</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	
Advertising costs	\$ -	\$ -	\$ -	\$ 68,845	\$ 68,845
Depreciation	-	151,710	-	-	151,710
Dues and subscriptions	39,610	-	9,903	-	49,513
Food product	16,597,077	-	-	-	16,597,077
Fundraising	-	-	-	238,838	238,838
Insurance	-	34,009	3,779	-	37,788
Labor costs	204,205	484,987	331,833	255,257	1,276,282
Office expense	1,259	1,259	8,810	1,258	12,586
Other expenses	-	-	23,478	-	23,478
Professional fees	-	-	25,004	58,343	83,347
Rent expense	-	28,461	-	-	28,461
Repairs and maintenance	-	115,993	-	-	115,993
Training and conferences	3,999	-	3,999	5,333	13,331
Travel	8,995	-	8,995	11,992	29,982
Utilities and telephone	11,155	26,492	18,126	13,944	69,717
Warehouse expense	-	77,752	-	-	77,752
	<u>\$ 16,866,300</u>	<u>\$ 920,663</u>	<u>\$ 433,927</u>	<u>\$ 653,810</u>	<u>\$ 18,874,700</u>

See Independent Auditor's Report and Notes to the Financial Statements.

# NORTHWEST ARKANSAS FOOD BANK

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 347,567	\$ (167,061)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	152,683	151,710
Donated product received	(14,075,232)	(15,391,013)
Donated product distributed	14,085,723	15,808,700
Loss on disposal of assets	1,727	611
Changes in operating assets and liabilities		
Accounts receivable	12,120	(14,031)
Unconditional promises to give	80,250	(126,500)
Prepaid expenses	-	11,474
Inventories	49,360	(199,678)
Accounts payable	(12,158)	59,671
Payroll liabilities	2,732	19,829
<b>Net Cash From Operating Activities</b>	<b>644,772</b>	<b>153,712</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(160,528)	(117,739)
Proceeds from sale of property and equipment	4,500	-
Net change in certificates of deposit	(27,513)	(249,628)
<b>Net Cash (Used For) Investing Activities</b>	<b>(183,541)</b>	<b>(367,367)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	461,231	(213,655)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,111,481</b>	<b>1,325,136</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,572,712</b>	<b>\$ 1,111,481</b>

See Independent Auditor's Report and Notes to the Financial Statements.

# NORTHWEST ARKANSAS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### **NOTE 1: NATURE OF ACTIVITIES**

Northwest Arkansas Food Bank (the Organization), is a private, not-for-profit organization providing services for the collection and distribution of food items to other qualifying charitable organizations in the Northwest Arkansas area.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

The Organization's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

#### ***Basis of Presentation***

The financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Codification Topic *Not-for-Profit Entities*. Under this Topic, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

#### ***Cash and Cash Equivalents***

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. At December 31, 2019 and 2018, the Organization had cash equivalents of \$885 and \$11,160, respectively.

#### ***Accounts Receivable***

Accounts receivable consist of amounts due from the various nonprofit agencies for food purchased during the year. For the years ended December 31, 2019 and 2018, accounts receivable are deemed fully collectible; therefore, no allowance for doubtful accounts is considered necessary. If accounts become uncollectible, they will be charged to operations when that determination is made. Determination of uncollectibility is made by management based on knowledge of individual accounts and consideration of such factors as current economic conditions. Accounts are generally uncollateralized. Past-due status is based on contractual terms. Past-due accounts are not charged interest.

#### ***Unconditional Promises to Give***

Contributions are recognized when the donor makes an unconditional promise to give monies or other non-cash items to the Organization. The Organization uses the allowance method to determine the collectability of its unconditional promises to give. Management has determined that promises to give at December 31, 2019 and 2018 are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary. At December 31, 2019 and 2018, all promises to give are expected to be collected within one year.

#### ***Inventories***

Inventory consists of food and other items on hand that are valued at an average donated per pound value as determined by Feeding America. During the years ended December 31, 2019 and 2018, the Organization received 7,521,294 and 8,829,863 pounds of donated product, respectively, valued at \$1.67 per pound based on information provided by Feeding America. At December 31, 2019 and 2018, 281,774 and 319,981 pounds were in inventory, respectively.

# NORTHWEST ARKANSAS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

The Organization is part of the United States Department of Agriculture (USDA) commodities program. Under this program, the Organization distributes food to designated food pantries on behalf of USDA. During the years ended December 31, 2019 and 2018, the Organization received 1,383,810 and 760,295 pounds of commodities from USDA, respectively. The products were valued at \$1.09 and \$0.85, respectively per pound based on information provided by the USDA commodities program. At December 31, 2019 and 2018, 101,645 and 113,560 pounds were in inventory, respectively.

Inventory that is purchased is valued at cost. The Organization evaluates perishable products on a continuing basis for spoilage, and immediately records the loss of inventory when spoilage occurs. No provision for estimated spoilage of inventory has been made, as management believes all inventory will be sold prior to any spoilage.

### ***Property and Equipment***

Property and equipment are recorded at cost or at fair market value at date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from three to forty years.

### ***Long-Lived Assets***

FASB Codification Topic *Property, Plant and Equipment, Section Subsequent Measurement* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The application of this Codification Topic has not materially affected the Organization's financial position or results of operations.

### ***Net Assets and Contributions Revenue***

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

The Organization recognizes contributions received and made, including pledges receivable, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues with donor restrictions and are reclassified as net assets released from restrictions in the same year. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

Gifts of land, buildings, and equipment are presented as support and revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services which increase non-financial assets such as property or inventory, as well as services contributed by individuals with specialized skill which would have otherwise been purchased, are reported as unrestricted support. Other contributed services that enhance the Organization's programs, but are not so essential that they would otherwise be purchased, are not recorded as support.

# NORTHWEST ARKANSAS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### ***Shared Maintenance Fees***

During the years ended December 31, 2019 and 2018, some of the food and grocery products distributed by the Organization to its member agencies are assessed a shared maintenance fee of up to \$0.19 per pound to assist in on-going operating costs of the Organization.

### ***Advertising Costs***

The Organization expenses advertising costs as they are incurred.

### ***Functional Allocation of Expenses***

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on the amount of time expended.

### ***Income Taxes and Uncertain Tax Positions***

The Organization qualifies as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar state statute and is not subject to tax at the entity level for Federal and state income tax purposes. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a). The Organization accounts for uncertain tax positions in accordance with the provisions of FASB Codification Topic *Income Taxes*. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Organization to recognize in their financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Organization and determined that no positions exist that require adjustment or disclosure under the provisions of FASB Codification Topic *Income Taxes*.

The Organization files informational "Return of Organization Exempt from Income Tax" in the U.S. Federal jurisdiction.

### ***Use of 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***Recent Accounting Pronouncements***

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. The ASU requires all leases with lease terms more than 12 months to be capitalized as a right-of-use asset and lease liability on the Statements of Financial Position at the date of the lease commencement. All leases will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the Statements of Activities. This ASU will be effective for the Organization for the year ended December 31, 2021. The Organization is currently in the process of evaluating the impact, if any, of adoption of this ASU on their financial statements.

### ***Reclassification***

Certain amounts presented in prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

# NORTHWEST ARKANSAS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### ***Recently Adopted Accounting Pronouncements***

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. This ASU also includes expanded disclosure requirements that result in an entity providing users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Organization adopted the ASU effective January 1, 2019, the first day of the Organization's fiscal year. Analysis of various provisions of this ASU resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the ASU.

The Organization also adopted ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Made* as management believes that the ASU improves the usefulness and understandability of the Organization's financial reporting.

### ***Revenue Recognition***

Cost-reimbursable Federal and state contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statements of Financial Position. The Organization recognizes contributions when cash, an unconditional promise to give, donated product, or a notification of a beneficial interest is received. Shared maintenance fees are recognized when the performance obligation of providing the product is satisfied.

### ***NOTE 3: CONCENTRATIONS OF RISK***

The Organization uses financial institutions in which it maintains cash, which at times may exceed the FDIC insured limit of \$250,000. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on cash and cash equivalents. At December 31, 2019 and 2018, the Organization had no uninsured or uncollateralized cash and cash equivalents.

During the years ended December 31, 2019 and 2018, two and one unrelated organizations provided 31% and 18% of the Organization's contributions and grants, respectively.

# NORTHWEST ARKANSAS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### **NOTE 4: PROPERTY AND EQUIPMENT**

Major classifications of property and equipment are summarized below:

	<b>2019</b>	<b>2018</b>
Property and equipment subject to depreciation:		
Buildings and improvements	\$ 839,611	\$ 839,611
Equipment	365,791	374,366
Land improvements	103,984	51,780
Office furniture and equipment	89,314	94,098
Vehicles	605,062	510,593
	2,003,762	1,870,448
Accumulated depreciation	(1,090,909)	(956,213)
Land	40,816	37,816
	\$ 953,669	\$ 952,051

### **NOTE 5: DESIGNATED NET ASSETS**

At December 31, 2019 and 2018, the Organization's Board of Directors has chosen to designate net assets without donor restrictions for the purpose of food purchases of \$1,849,978 and \$1,361,234, respectively.

### **NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes:

	<b>2019</b>	<b>2018</b>
<b>Net Assets Restricted for a Specific Purpose:</b>		
Various food programs	\$ 427,858	\$ 330,559
Salaries and benefits	47,855	5,334
Travel, utilities, etc.	16,437	6,208
Food Bank University	19,310	13,299
Technology	54,793	-
<b>Total Net Assets Retricted for a Specific Purpose</b>	\$ 566,253	\$ 355,400

### **NOTE 7: LEASES**

The Organization leased a facility under a long-term operating lease. The lease expired February 2019 and was not renewed. Rental expense for the years ended December 31, 2019 and 2018 was \$4,200 and \$25,200, respectively.



# NORTHWEST ARKANSAS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### NOTE 8: RETIREMENT PLAN

The Organization adopted a Simple IRA plan effective January 1, 2012. Employees who have been employed at the Organization for sixty days are eligible to participate. The Plan allows employees to contribute, through payroll deductions, to a retirement account and to direct those contributions among certain investment options. For the years ended December 31, 2019 and 2018, the Organization matched contributions equal to 100% of elective deferrals up to 2% of compensation, which totaled \$21,571 and \$20,189, respectively, included in "Labor costs" on the Statements of Functional Expenses.

### NOTE 9: LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the Statements of Financial Position, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,572,712	\$ 1,111,481
Certificates of deposit	777,266	749,753
Accounts receivable	133,024	145,144
Unconditional promises to give	<u>46,250</u>	<u>126,500</u>
Total financial assets available within one year	2,529,252	2,132,878
Less amounts restricted by donors with purpose restrictions	566,253	355,400
Less amounts designated by the board for food purchases	<u>1,849,978</u>	<u>1,361,234</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 113,021</u>	<u>\$ 416,244</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization manages its liquidity and reserves following three guiding principles: operating with a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

### NOTE 10: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 24, 2020, the date the financial statements were available to be issued.

As of the date of the Independent Auditor's Report, the COVID-19 pandemic has had an adverse impact on both domestic and global financial markets and operations. Management is unable to accurately predict how the COVID-19 pandemic will affect the results of the Organization's operations due to uncertainties surrounding the severity of the disease and the duration of the outbreak. However, it is presumed the Organization's operations will be impacted.

## **Supplementary Information**

# NORTHWEST ARKANSAS FOOD BANK

## SCHEDULE FOR NETWORK ACTIVITY REPORTING (UNAUDITED) YEAR ENDED DECEMBER 31, 2019

	<u>Cash</u>	<u>Donated or Gifts in Kind</u>	<u>Total</u>
<b>Public Sources of Revenue</b>			
(1) Shared maintenance	\$ 1,381,291	\$ -	\$ 1,381,291
(6) Value of donated food	-	14,075,232	14,075,232
(8) TEFAP administration	81,285	-	81,285
(15) Other state, local government funds (including grants)	985,551	-	985,551
(18) Gain/(loss) on disposal of assets	(1,727)	-	(1,727)
<b>Total Total public sources of revenue</b>	<u>\$ 2,446,400</u>	<u>\$ 14,075,232</u>	<u>\$ 16,521,632</u>
<b>Operating Expenses</b>			
(1) Wages and benefits	\$ 1,452,484	\$ -	\$ 1,452,484
(2) Staff support expenses	31,432	-	31,432
(3) Professional services	46,767	-	46,767
(4) Technology	49,042	-	49,042
(5) Product purchases	1,144,753	-	1,144,753
(6) Value of donated food distributed	-	12,571,052	12,571,052
(7) Value of USDA food distributed	-	1,514,671	1,514,671
(8) Grants and donations to other organizations	19,270	-	19,270
(9) Occupancy	122,676	-	122,676
(12) Supplies expense	3,989	-	3,989
(13) Direct marketing	151,321	-	151,321
(14) Event expense	82,207	-	82,207
(15) Advertising expense	111,687	-	111,687
(16) Printing and postage	5,083	-	5,083
(18) Insurance expense	33,645	-	33,645
(19) Interest expense	99	-	99
(20) Bank fees	11,019	-	11,019
(21) Fees/dues/publications	48,129	-	48,129
(22) Depreciation	152,683	-	152,683
(23) All other expenses	196,601	-	228,956
<b>Total operating expenses</b>	<u>\$ 3,662,887</u>	<u>\$ 14,085,723</u>	<u>\$ 17,780,965</u>

# **NORTHWEST ARKANSAS FOOD BANK**

## **STATE REQUIRED SUPPLEMENTARY DATA (UNAUDITED) YEAR ENDED DECEMBER 31, 2019**

### **Supplementary Data Sheet**

Northwest Arkansas Food Bank  
1378 June Self Drive  
Springdale, AR 72764

TIN #: 71-068030

Phone #: 479-872-8774

President/CEO: Kent Eikenberry

Contact Person: Kent Eikenberry

Audit fee: available upon request

# NORTHWEST ARKANSAS FOOD BANK

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2019

Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Revenue	Expenditures
<b>Federal Awards</b>			
U.S. Department of Agriculture			
Passed through the Arkansas Department of Human Services			
The Emergency Food Assistance Program (Admin)			
	10.568	\$ 81,285	\$ 81,285
DCO - TEFAP Trade Mitigation Commodities			
	10.178	1,119,130	1,119,130
	10.555	449,655	449,655
Total Federal Awards		\$ 1,650,070	\$ 1,650,070

**NOTE 1: BASIS OF PRESENTATION**

The significant accounting policies used in preparing the Schedule of Expenditures of Federal Awards are described in Note 1 to the accompanying financial statements.

Revenue from Federal Awards detailed above is included in "Donated product," "Shared maintenance fees," and "Grants" in the Statements of Activities.

The Organization has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

**See Independent Auditor's Report.**



**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

**Northwest Arkansas Food Bank**

Bethel Heights, Arkansas

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 **Northwest Arkansas Food Bank** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 November 24, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **Northwest Arkansas 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 the entity’s internal control. Accordingly, we do not express an opinion on the effectiveness of the entity’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 **Northwest Arkansas Food Bank's** financial statements are free of 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.

The logo for Landmark PLC Certified Public Accountants. It features the company name "Landmark PLC" in a large, elegant, cursive script. Below this, the words "Certified Public Accountants" are written in a smaller, clean, sans-serif font. A small registered trademark symbol (®) is positioned to the right of the word "Accountants".

Rogers, Arkansas  
November 24, 2020



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

Board of Directors  
**Northwest Arkansas Food Bank**  
Bethel Heights, Arkansas

**Report on Compliance for the Major Federal Program**

We have audited **Northwest Arkansas Food Bank's** (a not-for-profit organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Organization's major Federal program for the year ended December 31, 2019. The Organization's major Federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

**Auditor's Responsibility**

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





### **Opinion on the Major Federal Program**

In our opinion, **Northwest Arkansas Food Bank** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended December 31, 2019.

### **Report on Internal Control Over Compliance**

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

### **Purpose of this Report**

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Landmark PLC  
Certified Public Accountants

Rogers, Arkansas  
November 24, 2020

# NORTHWEST ARKANSAS FOOD BANK

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2019

### I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

1. The opinions expressed in the independent auditor's report were:

Unmodified    Qualified    Adverse    Disclaimer

The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?                       Yes    None reported  
Material weakness(es)?                               Yes    No

2. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes    No

3. The independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on each major Federal awards program disclosed:

Significant deficiency(ies)?                       Yes    None reported  
Material weakness(es)?                               Yes    No

4. The opinion expressed in the independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on each major Federal awards program were:

Unmodified    Qualified    Adverse    Disclaimer

5. The audit disclosed findings required to be reported by the Uniform Guidance?

Yes    No

6. The Organization's major program was:

<u>Cluster / Program</u>	<u>CFDA Number</u>
DCO - TEFAP Trade Mitigation	10.178

7. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

8. The Organization qualified as a low-risk auditee as that term is defined in the Uniform Guidance?

Yes    No

# **NORTHWEST ARKANSAS FOOD BANK**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2019**

### **II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS***

There were no audit findings for the year ended December 31, 2019.

### **III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no audit findings for the year ended December 31, 2019.

# **NORTHWEST ARKANSAS FOOD BANK**

## **SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED DECEMBER 31, 2019**

### **IV. Prior Year Findings and Questioned Costs**

There were no prior year audit findings for the year ended December 31, 2018.