

**Food Bank of North Central Arkansas**  
Norfolk, Arkansas

Financial Statements  
December 31, 2019 and 2018

**FOOD BANK OF NORTH CENTRAL ARKANSAS  
FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

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## ***INDEPENDENT AUDITORS' REPORT***

To the Board of Directors of  
Food Bank of North Central Arkansas  
Norfolk, Arkansas

We have audited the accompanying financial statements of Food Bank of North Central Arkansas (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, 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.

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Bank of North Central Arkansas 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.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of government assistance, the schedule of units of service and the supplemental data sheet on pages 19 through 21 are presented for purposes of additional analysis and are not a required part of the financial statements. The information, except pages 20 and 21, which are marked unaudited and on which we express no opinion, has been subjected to the auditing procedures applied in the audit 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of government assistance is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2020, on our consideration of Food Bank of North Central Arkansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Food Bank of North Central Arkansas' 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 Food Bank of North Central Arkansas' internal control over financial reporting and compliance.



**Porterfield & Company CPA, PLLC**

Harrison, Arkansas  
May 18, 2020

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2019 AND 2018**

**ASSETS**

	<u>2019</u>	<u>2018</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 14,783	\$ 27,921
Accounts Receivable, net	11,738	22,273
Inventory	341,802	202,737
Prepaid Expenses	10,655	4,361
Investments	183,517	178,071
<b>Total Current Assets</b>	<u>562,495</u>	<u>435,363</u>
<b>Restricted Assets</b>		
Cash and Cash Equivalents	410,596	409,377
<b>Total Restricted Assets</b>	<u>410,596</u>	<u>409,377</u>
<b>Property and Equipment, at Cost</b>		
Land	50,000	50,000
Buildings and Building Improvements	940,501	940,501
Equipment	325,173	325,173
Construction in Progress	38,575	27,451
Accumulated Depreciation	(483,050)	(446,226)
<b>Net Property and Equipment</b>	<u>871,199</u>	<u>896,899</u>
<b>Total Assets</b>	<u><u>\$ 1,844,290</u></u>	<u><u>\$ 1,741,639</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts Payable	\$ 26,126	\$ 63,640
Accrued Interest Payable	-	2,718
Grants Payable	1,812	2,637
Note Payable	678,899	666,637
<b>Total Current Liabilities</b>	<u>706,837</u>	<u>735,632</u>
<b>Total Liabilities</b>	<u>706,837</u>	<u>735,632</u>
<b>Net Assets</b>		
Without Donor Restrictions	726,857	596,630
With Donor Restrictions - Purpose Restrictions	410,596	409,377
<b>Total Net Assets</b>	<u>1,137,453</u>	<u>1,006,007</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,844,290</u></u>	<u><u>\$ 1,741,639</u></u>

See notes to financial statements.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and Other Support</b>			
Contributions	\$ 430,197	\$ -	\$ 430,197
Noncash Food and Supply Contributions	3,503,627	-	3,503,627
Grant Income	-	132,000	132,000
Shared Maintenance Fees, Net of Credits	150,168	-	150,168
Sales - Thrift Shop	65,467	-	65,467
USDA	85,511	-	85,511
Interest and Investment Income (Loss)	34,178	-	34,178
Other Income	263	-	263
Net Assets Released from Restrictions:			
Restrictions Satisfied by Purpose	130,781	(130,781)	-
<b>Total Revenue and Other Support</b>	<u>4,400,192</u>	<u>1,219</u>	<u>4,401,411</u>
<b>Expenses</b>			
Program Expenses			
USDA	1,074,972	-	1,074,972
Move Up	62,661	-	62,661
NCCP	59,704	-	59,704
Back Pack	68,554	-	68,554
Core Distribution	2,743,031	-	2,743,031
Total Program Expenses	<u>4,008,922</u>	<u>-</u>	<u>4,008,922</u>
Support Services Expenses			
Management and General	107,612	-	107,612
Fundraising	153,431	-	153,431
Total Support Services Expenses	<u>261,043</u>	<u>-</u>	<u>261,043</u>
<b>Total Expenses</b>	<u>4,269,965</u>	<u>-</u>	<u>4,269,965</u>
<b>Increase (Decrease) in Net Assets</b>	130,227	1,219	131,446
<b>Net Assets, Beginning of Year</b>	<u>596,630</u>	<u>409,377</u>	<u>1,006,007</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 726,857</u></u>	<u><u>\$ 410,596</u></u>	<u><u>\$ 1,137,453</u></u>

See notes to financial statements.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and Other Support</b>			
Contributions	\$ 443,714	\$ -	\$ 443,714
Noncash Food and Supply Contributions	2,956,484	-	2,956,484
Grant Income	-	115,061	115,061
Shared Maintenance Fees, Net of Credits	217,526	-	217,526
Sales - Thrift Shop	64,926	-	64,926
Sales - Seed Shop	15	-	15
USDA	30,030	-	30,030
Interest and Investment Income (Loss)	(8,878)	-	(8,878)
Other Income	(232)	-	(232)
Net Assets Released from Restrictions:			
Restrictions Satisfied by Purpose	146,669	(146,669)	-
<b>Total Revenue and Other Support</b>	<u>3,850,254</u>	<u>(31,608)</u>	<u>3,818,646</u>
<b>Expenses</b>			
Program Expenses			
USDA	666,355	-	666,355
Move Up	56,433	-	56,433
NCCP	53,995	-	53,995
Back Pack	55,206	-	55,206
Core Distribution	2,848,160	-	2,848,160
Total Program Expenses	<u>3,680,149</u>	<u>-</u>	<u>3,680,149</u>
Support Services Expenses			
Management and General	107,068	-	107,068
Fundraising	152,719	-	152,719
Total Support Services Expenses	<u>259,787</u>	<u>-</u>	<u>259,787</u>
<b>Total Expenses</b>	<u>3,939,936</u>	<u>-</u>	<u>3,939,936</u>
<b>Increase (Decrease) in Net Assets</b>	(89,682)	(31,608)	(121,290)
<b>Net Assets, Beginning of Year</b>	<u>686,312</u>	<u>440,985</u>	<u>1,127,297</u>
<b>Net Assets, End of Year</b>	<u>\$ 596,630</u>	<u>\$ 409,377</u>	<u>\$ 1,006,007</u>

See notes to financial statements.

**FOOD BANK OF NORTH CENTRAL ARKANSAS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services						Support Services		
	USDA	Move Up	NCCP	Back Pack	Core Distribution	Total	Management and General	Fundraising	Total
<b>Functional Expenses</b>									
Advertising and Marketing	\$ 317	\$ 6,647	\$ 317	\$ 317	\$ 12,027	\$ 19,625	\$ -	\$ 12,025	\$ 31,650
Bank Service Charge	-	-	-	-	-	-	114	-	114
Computer and Internet	926	926	926	926	926	4,630	3,703	926	9,259
Contract Labor	1,089	1,089	1,089	1,089	1,089	5,445	608	-	6,053
Depreciation	3,683	-	-	-	31,300	34,983	1,841	-	36,824
Direct Mail	-	-	-	-	-	-	-	53,714	53,714
Distributed Donated Food and Supplies	1,002,863	-	-	-	2,361,699	3,364,562	-	-	3,364,562
Dues and Subscriptions	555	148	555	555	1,629	3,442	185	76	3,703
Events	-	-	-	-	-	-	-	29,855	29,855
Insurance	1,369	1,369	1,369	1,369	4,166	9,642	3,566	483	13,691
Interest	-	-	-	-	-	-	40,174	-	40,174
Legal and Professional	1,158	1,158	1,158	1,158	1,158	5,790	5,799	-	11,589
License and Permits	477	-	-	477	475	1,429	-	-	1,429
Meals and Entertainment	-	-	-	-	2,129	2,129	-	-	2,129
Miscellaneous	-	-	677	-	10,611	11,288	-	-	11,288
Payroll Taxes and Benefits	4,371	3,551	4,098	3,551	4,371	19,942	4,098	3,278	27,318
Postage	-	-	-	-	-	-	399	1,595	1,994
Purchased Food	-	-	-	-	227,534	227,534	-	-	227,534
Repairs and Maintenance	1,042	-	-	-	8,856	9,898	521	-	10,419
Salaries	46,729	35,047	40,889	46,729	38,116	207,510	35,047	49,500	292,057
Supplies	1,158	-	1,352	-	11,584	14,094	4,954	260	19,308
Telephone	608	608	608	608	608	3,040	2,436	608	6,084
Training	-	3,696	-	-	-	3,696	-	-	3,696
Transportation and Trucking	7,238	-	-	7,238	14,476	28,952	-	-	28,952
Travel	-	7,033	-	1,759	-	8,792	-	-	8,792
Utilities	1,389	1,389	6,666	2,778	10,277	22,499	4,167	1,111	27,777
<b>Total Functional Expenses</b>	<b>\$ 1,074,972</b>	<b>\$ 62,661</b>	<b>\$ 59,704</b>	<b>\$ 68,554</b>	<b>\$ 2,743,031</b>	<b>\$ 4,008,922</b>	<b>\$ 107,612</b>	<b>\$ 153,431</b>	<b>\$ 4,269,965</b>

See notes to financial statements.



**FOOD BANK OF NORTH CENTRAL ARKANSAS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services						Support Services		
	USDA	Move Up	NCCP	Back Pack	Core Distribution	Total	Management and General	Fundraising	Total
<b>Functional Expenses</b>									
Advertising and Marketing	\$ 265	\$ 5,566	\$ 265	\$ 265	\$ 10,072	\$ 16,433	\$ -	\$ 10,073	\$ 26,506
Bank Service Charge	-	-	-	-	-	-	1,303	-	1,303
Computer and Internet	543	543	543	543	543	2,715	2,177	543	5,435
Contract Labor	-	-	-	-	-	-	4,670	-	4,670
Depreciation	4,285	-	-	-	36,425	40,710	2,142	-	42,852
Direct Mail	-	-	-	-	-	-	-	64,439	64,439
Distributed Donated Food and Supplies	599,395	-	-	-	2,435,788	3,035,183	-	-	3,035,183
Dues and Subscriptions	757	195	757	755	2,500	4,964	250	200	5,414
Equipment Rental	-	-	-	-	2,445	2,445	-	-	2,445
Events	-	-	-	-	-	-	-	24,139	24,139
Insurance	2,100	2,100	2,100	2,100	8,107	16,507	8,108	156	24,771
Interest	-	-	-	-	-	-	32,547	-	32,547
Legal and Professional	1,466	1,466	1,466	1,466	1,466	7,330	8,159	-	15,489
License and Permits	489	-	-	489	489	1,467	-	-	1,467
Meals and Entertainment	-	-	-	-	1,357	1,357	-	-	1,357
Miscellaneous	-	-	815	-	11,676	12,491	1,086	-	13,577
Payroll Taxes and Benefits	3,302	2,476	2,889	2,682	3,322	14,671	2,476	3,488	20,635
Postage	-	-	-	-	-	-	411	1,644	2,055
Purchased Food	-	-	-	-	242,630	242,630	-	-	242,629
Repairs and Maintenance	814	-	-	-	6,927	7,741	407	-	8,148
Salaries	42,980	32,235	37,607	34,921	42,962	190,705	32,235	45,684	268,624
Supplies	-	-	889	-	9,858	10,747	6,075	2,353	19,175
Telephone	529	529	529	529	529	2,645	2,652	-	5,297
Training	-	2,467	-	-	-	2,467	-	-	2,467
Transportation and Trucking	7,443	-	-	7,443	22,801	37,687	-	-	37,687
Travel	-	6,869	-	1,718	-	8,587	-	-	8,587
Utilities	1,987	1,987	6,135	2,295	8,263	20,667	2,370	-	23,037
<b>Total Functional Expenses</b>	<u>\$ 666,355</u>	<u>\$ 56,433</u>	<u>\$ 53,995</u>	<u>\$ 55,206</u>	<u>\$ 2,848,160</u>	<u>\$ 3,680,149</u>	<u>\$ 107,068</u>	<u>\$ 152,719</u>	<u>\$ 3,939,935</u>

See notes to financial statements.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Increase (Decrease) in Net Assets	\$ 131,446	\$ (121,290)
Depreciation	36,824	42,852
Changes in Assets and Liabilities:		
Accounts Receivable	10,535	(5,170)
Inventory	(139,065)	78,699
Prepaid Expenses	(6,294)	3,114
Accounts Payable	(37,514)	28,814
Accrued Interest Payable	(2,718)	2,718
Grants Payable	(825)	(50,205)
<b>Net Cash Provided By (Used in) Operating Activities</b>	<u>(7,611)</u>	<u>(20,468)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Property and Equipment	(11,124)	(10,563)
Transfers (to) from Investments	(5,446)	12,444
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>(16,570)</u>	<u>1,881</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from Notes Payable	12,262	-
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>12,262</u>	<u>-</u>
<b>Net Increase in Cash and Restricted Cash</b>	(11,919)	(18,587)
<b>Cash and Restricted Cash, Beginning of Year</b>	<u>437,298</u>	<u>455,885</u>
<b>Cash and Restricted Cash, End of Year</b>	<u><u>\$ 425,379</u></u>	<u><u>\$ 437,298</u></u>
 <b>SUPPLEMENTAL DISCLOSURES</b>		
<b>Cash Paid for Interest</b>	<u><u>\$ 42,892</u></u>	<u><u>\$ 29,829</u></u>

See notes to financial statements.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Food Bank of North Central Arkansas (the Organization) operates as a non-profit corporation in the state of Arkansas. The Organization was formed for the purpose of feeding the hungry in a nine county area of North Central Arkansas. The Organization primarily acts as a warehouse and broker of various types of donated and purchased food products to member food pantries who distribute the food to those in need. Operational costs are recovered through shared maintenance fees with member partner hunger relief organizations as well as donations from the public.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

**Recently Adopted Accounting Pronouncements**

As of January 1, 2019 the Organization adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that restricted cash and cash equivalents be included in beginning and ending cash in the statement of cash flows. Because the Organization already reported net assets with donor restrictions, the adoption of ASU 2016-14 did not result in any changes to net assets as of January 1, 2018. The adoption of ASU 2016-18 resulted in the reclassification of certain items related to restricted cash in the cash flows statement for the year ended December 31, 2018.

**Cash and Cash Equivalents**

For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total in the statements of cash flows as of December 31:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 14,783	\$ 27,921
Restricted Cash and Cash Equivalents	<u>410,596</u>	<u>409,377</u>
Total Cash and Restricted Cash	<u>\$ 425,379</u>	<u>\$ 437,298</u>

**Accounts Receivable**

Accounts receivable consist of amounts due from government agencies and member agencies. Management has determined that all accounts are collectible; accordingly, no allowance for doubtful accounts is reflected in the financial statements.

**Inventory**

Inventory consists of canned goods, produce and durable household goods. Donated commodities are valued based on the United States Department of Agriculture's stated valuations, which approximate fair value. Donated food supplies are valued at the weighted-average wholesale value of one pound of donated product based on the national per-pound price as provided by the most recent Feeding America Product Valuation Survey. Purchased food is valued at the cost of products purchased as determined by the first-in, first-out method. These items are valued at approximate fair market value on the date of contribution. The Organization recognizes donated food, commodities, and other goods as inventory and as contributions in these financial statements. Food and other supplies are recognized as expense when distributed.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

**Investments**

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Restricted Assets**

Restricted assets include cash and investments restricted as to use. Restricted assets consist primarily of contributions which have been designated for use in a future building project.

**Property and Equipment**

Property and equipment are recorded at cost for property and equipment purchased, and if donated, the estimated fair market value at date of donation. Property and equipment is capitalized and depreciated using the straight-line method over the estimated useful lives, which range from 5 to 40 years. It is the Organization's policy to capitalize all asset purchases greater than \$1,000. Maintenance and repairs are charged to expense as incurred; major improvements, which extend or improve the life of an asset, are capitalized.

**Compensated Absences**

The Organization allows employees to receive compensation for vacation and sick leave. Compensated absences for vacation and sick pay have not been accrued since they cannot be reasonably estimated, but are expensed as incurred.

**Net Assets**

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

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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

**Government Grants and Contracts**

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, distributes commodities, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

**Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. 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.

**Noncash Contributions**

Donated materials are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used or distributed. Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. A substantial number of volunteers have contributed significant amounts of time in connection with the food distribution program for which no amount has been recorded in the consolidated financial statements because the donated services did not meet the criteria for recognition under accounting principles generally accepted in the United States of America (GAAP).

**Shared Maintenance Fees**

Revenue from shared maintenance fees includes handling fees from member food pantries that receive donated food. The Organization also purchases certain commodities and distributes them to member food pantries at cost or below cost. Revenue is recognized upon the agency's receipt of the food.

**Advertising**

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended December 31, 2019 and 2018 were \$31,650 and \$26,506, respectively.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Taxes**

The Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and a similar section of Arkansas statutes. The Organization believes it has appropriated support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's income tax returns (Form 990) are subject to examination by the IRS, generally for three years after they are filed.

**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 and disclosures. Accordingly, actual results could differ from those estimates.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**NOTE 2 - ACCOUNTS RECEIVABLE**

The Organization provides services under contracts or grants with various funding programs through the Arkansas Department of Human Services. All accounts receivable were considered collectible at December 31, 2019 and 2018. Therefore, no provision has been made for doubtful accounts. Accounts receivable at December 31, 2019 and 2018 are as follows:

	2019	2018
Food Reimbursements	\$ 5,421	\$ 14,026
Foodrooms	6,317	6,070
AmeriCorps Reimbursements	-	2,177
Total Accounts Receivable	<u>\$ 11,738</u>	<u>\$ 22,273</u>

**NOTE 3 - RESTRICTED CASH**

The Organization has received various contributions which have been designated for use in a future building project. A portion of these funds, \$50,000, along with general use donations, were used to purchase land. The balance of these funds has been deposited into a restricted account. The balance of the account was \$410,596 and \$409,377 at December 31, 2019 and 2018, respectively.

**NOTE 4 - INVESTMENTS AND INVESTMENT INCOME**

The Organization reports certain assets at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 4 - INVESTMENTS AND INVESTMENT INCOME, (Continued)**

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

The aggregate carrying amount of investments as of December 31, 2019 and 2018, by major type is presented at fair value based on quoted prices in active markets (all Level 1 measurements) as follows:

	2019	2018
Cash and sweep balance	\$ 3,124	\$ -
Stocks, options and ETFs	100,169	-
Fixed income securities	80,225	-
Mutual Funds	-	178,071
Total	<u>\$ 183,517</u>	<u>\$ 178,071</u>

Management fees for the years ended December 31, 2019 and 2018 totaled \$32 and \$1,083, respectively.

A summary of return on investments consists of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Dividends and Interest	\$ 8,530	\$ 8,631
Net Realized Gain (Loss)	276	(655)
Net Unrealized Gain (Loss)	25,372	(16,854)
Net Investment Return	<u>\$ 34,178</u>	<u>\$ (8,878)</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost, with depreciation being taken over the estimated useful life of the assets (5 - 40 years) using the straight-line method. Changes in property and equipment are as follows:

	Balance 12/31/18	Additions (Provisions)	Retirements	Balance 12/31/19
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Buildings	940,501	-	-	940,501
Equipment	325,173	-	-	325,173
Construction in Progress	27,451	11,124	-	38,575
Total Cost	1,343,125	11,124	-	1,354,249
Accumulated Depreciation	(446,226)	(36,824)	-	(483,050)
Net Property and Equipment	<u>\$ 896,899</u>	<u>\$ (25,700)</u>	<u>\$ -</u>	<u>\$ 871,199</u>

	Balance 12/31/2017	Additions (Provisions)	Retirements	Balance 12/31/2018
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Buildings	940,501	-	-	940,501
Equipment	344,852	-	(19,679)	325,173
Construction in Progress	16,888	10,563	-	27,451
Total Cost	1,352,241	10,563	(19,679)	1,343,125
Accumulated Depreciation	(423,053)	(42,852)	19,679	(446,226)
Net Property and Equipment	<u>\$ 929,188</u>	<u>\$ (32,289)</u>	<u>\$ -</u>	<u>\$ 896,899</u>

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 5 - PROPERTY AND EQUIPMENT, (Continued)**

Depreciation expense was \$36,824 and \$42,852 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 6 - NOTE PAYABLE**

The Organization has a note payable to Integrity Bank of \$678,899 and \$666,637 at December 31, 2019 and 2018, respectively. The Organization used the borrowings to begin construction of a new building and intended to use the note as a temporary bridge loan until financing was secured through another source. The note was short-term and due in one installment plus interest of 5.125% and 5.125% at December 31, 2019 and 2018, respectively. The note was paid in full on May 1, 2020.

**NOTE 7 - NONCASH FOOD AND SUPPLY CONTRIBUTIONS**

The majority of food distributed by the Organization is received by contributions from the general public and the USDA. The estimated value of these contributions is recognized in the financial statements as noncash food and supply contributions revenue and distributed donated food and supplies or program expenses if distributed during the year. The pounds collected are recorded by the Organization's staff at the time of receipt based on actual weight. The total value of contributed food for the years ended December 31, 2019 and 2018, is as follows:

	Weight in Pounds	Value per Pound	2019 Amount
General Donations	1,424,702	\$1.62	\$ 2,308,017
USDA	1,207,687	\$0.99	1,195,610
Total	<u>2,632,389</u>		<u>\$ 3,503,627</u>
	Weight in Pounds	Value per Pound	2018 Amount
General Donations	1,403,029	\$1.68	\$ 2,357,089
USDA	658,676	\$0.91	599,395
Total	<u>2,061,705</u>		<u>\$ 2,956,484</u>

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

Net assets with donor restrictions are restricted for purpose and totaled \$410,596 and \$409,377 at December 31, 2019 and 2018, respectively.

**NOTE 9 - FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Depreciation is allocated on a square footage basis, with all other allocated expenses being allocated on the basis of estimates of time and effort.

**NOTE 10 - DONATED VOLUNTEER SERVICES**

Numerous volunteers and board members have donated significant amounts of time to the Organization's fundraising campaigns, program services, advocacy and board membership. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$616,000 and \$597,000 for the years ended December 31, 2019 and 2018, respectively.



**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 10 - DONATED VOLUNTEER SERVICES, (Continued)**

The value of donated service time is based on the *Independent Sector Gallop Poll* recommendations. The *Independent Sector Gallop Poll* figures the value of volunteer time based on the average hourly earnings of all production and non-supervisory workers on private non-farm payrolls (as determined by the Bureau of Labor Statistics). That figure is then increased by 12 percent to estimate fringe benefits. The estimated dollar value of volunteer time for 2019 and 2018 was \$25.43 and \$28.48 per hour, respectively. Volunteers donated 19,500 and 18,620 hours of direct and indirect service, which was valued at approximately \$496,000 and \$530,000 for the years ended December 31, 2019 and 2018, respectively.

The value of time contributed for advocacy and board membership was \$100.00 per hour. A total of 1,200 and 674 hours, or \$120,000 and \$67,000, of advocacy and board membership service was donated to the Organization during the years ended December 31, 2019 and 2018, respectively.

**NOTE 11 - CONCENTRATIONS AND CREDIT RISK**

The Organization received approximately 32% of its revenues from federal and state funding received from the Arkansas Department of Human Services. The funds are disbursed pursuant to grant agreements and service provider contracts with the cognizant agency.

The Organization operates in a heavily regulated environment, which is subject to change.

The Organization maintains its cash accounts in financial institutions in which balances are insured by the FDIC up to \$250,000 per financial institution. At times during the year ended December 31, 2019, these balances may exceed the FDIC limit. At December 31, 2019, all of the Organization's deposits were insured. The Organization does not believe that there is any significant risk associated with the concentrations of credit.

**NOTE 12 - CONCENTRATIONS AND CREDIT RISK**

The Organization operates in North Central Arkansas. Although the economy is diversified, all future revenues are associated within this geographic area.

**NOTE 13 - SUBSEQUENT EVENTS**

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

Management has evaluated subsequent events through May 18, 2020, the date on which the financial statements were available to be issued.



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

To the Board of Directors of  
Food Bank of North Central Arkansas  
Norfolk, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Food Bank of North Central Arkansas (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, 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 May 18, 2020.

**Internal Control Over Financial Reporting**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Porterfield & Company CPA, PLLC". The signature is written in a cursive, flowing style.

**Porterfield & Company CPA, PLLC**

Harrison, Arkansas  
May 18, 2020

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**SUMMARY OF AUDIT RESULTS**  
**DECEMBER 31, 2019**

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Food Bank of North Central Arkansas.
2. No significant deficiencies in internal control were disclosed by the audit of the financial statements, as required to be reported in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Food Bank of North Central Arkansas which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed by the audit.

**Current Year Findings**

None

**Prior Year Findings**

None

**FOOD BANK OF NORTH CENTRAL ARKANSAS  
SCHEDULE OF GOVERNMENTAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Assistance
<b>U.S. Department of Agriculture:</b>		
Passed through Arkansas Department of Human Services:		
Trade Mitigation Food Purchase and Distribution Program		
Cost Reimbursements	10.178	\$ 27,034
Noncash Food Commodities	10.178	596,827 *
Total Trade Mitigation Food Purchase and Distribution Program		<u>623,861</u>
Child Nutrition Cluster:		
National School Lunch Program	10.555	406,036 *
Summer Food Service Program for Children	10.559	<u>17,251</u>
Total Child Nutrition Cluster		<u>423,287</u>
Child and Adult Care Food Program	10.558	<u>81,895</u>
Emergency Food Assistance Program (Administrative Costs)	10.568	<u>65,952</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,194,995</u>
<b>U.S. Department of Higher Education:</b>		
Passed through Arkansas Department of Human Services:		
AmeriCorps	94.006	13,905
AmeriCorps CHC Surge Funding	94.009	<u>232</u>
Total Passed through Arkansas Department of Human Services		<u>14,137</u>
Passed through Arkansas Department of Higher Education:		
AmeriCorps	94.006	<u>7,845</u>
Total Passed through Arkansas Department of Higher Education		<u>7,845</u>
<b>Total U.S. Department of Higher Education</b>		<u>21,982</u>
<b>Total Federal Assistance</b>		<u><u>\$ 1,216,977</u></u>

\* Amount represents noncash food commodities

**FOOD BANK OF NORTH CENTRAL ARKANSAS  
SCHEDULE OF UNITS OF SERVICE  
FOR THE YEAR ENDED DECEMBER 31, 2019**

		<i>Unaudited</i>	
		Program	Units of Service
Nutrition			
	Child and Adult Care Food Program		17,203
	Summer Food Service Program		9,483
	Total		<u>26,686</u>

See Independent Auditors' Report.

**FOOD BANK OF NORTH CENTRAL ARKANSAS  
SUPPLEMENTAL DATA SHEET  
DECEMBER 31, 2019**

*Unaudited*

**Name:** Food Bank of North Central Arkansas

**Address:** 14215 AR-5  
Norfolk, Arkansas 72658

**Employer I.D.:** 58-1881897

**Phone Number:** (870) 499-7565

**Director:** Jeff Quick

**Cost of Audit:** \$7,725

**Contact Person:** Jeff Quick