

**NORTHWEST
ARKANSAS
FOOD BANK**



**Financial Statements
December 31, 2020 and 2019**

(With Independent Auditor's Report Thereon)

Northwest Arkansas Food Bank

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10
SUPPLEMENTARY INFORMATION	
Schedule for Network Activity Reporting (Unaudited)	18
State Required Supplementary Data (Unaudited)	19
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	20
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>	21
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	25
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	27



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwest Arkansas Food Bank
Bethel Heights, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of **Northwest Arkansas Food Bank**, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other 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 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 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 August 24, 2021, 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
August 24, 2021

Financial Statements

NORTHWEST ARKANSAS FOOD BANK

Statements of Financial Position December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 4,373,586	\$ 1,572,712
Certificates of deposit	752,175	777,266
Accounts receivable	214,321	133,024
Unconditional promises to give	-	46,250
Prepaid expenses and other assets	15,618	-
Inventories	1,152,893	877,772
Property and equipment, net	1,349,755	953,669
TOTAL ASSETS	\$ 7,858,348	\$ 4,360,693
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 209,492	\$ 106,490
Accrued expenses	28,226	70,438
Total Liabilities	237,718	176,928
Net Assets		
Without donor restrictions		
Undesignated	2,790,591	1,767,534
Designated	4,625,761	1,849,978
With donor restrictions	204,278	566,253
Total Net Assets	7,620,630	4,183,765
TOTAL LIABILITIES AND NET ASSETS	\$ 7,858,348	\$ 4,360,693

See accompanying notes to the financial statements.

NORTHWEST ARKANSAS FOOD BANK

Statement of Activities Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Donated product	\$ 18,500,351	\$ -	\$ 18,500,351
Shared maintenance fees	1,937,628	-	1,937,628
Grants	1,800,220	204,278	2,004,498
Contributions	4,182,941	-	4,182,941
Other income	44,248	-	44,248
Net assets released from restrictions:			
Satisfaction of purpose restriction	520,003	(520,003)	-
Satisfaction of time restriction	46,250	(46,250)	-
Total Revenue and Support	27,031,641	(361,975)	26,669,666
EXPENSES			
Program services			
Warehouse	21,780,809	-	21,780,809
Support services			
General and administrative	590,602	-	590,602
Fundraising and development	861,390	-	861,390
Total Expenses	23,232,801	-	23,232,801
CHANGE IN NET ASSETS	3,798,840	(361,975)	3,436,865
NET ASSETS, BEGINNING OF YEAR	3,617,512	566,253	4,183,765
NET ASSETS, END OF YEAR	\$ 7,416,352	\$ 204,278	\$ 7,620,630

See accompanying notes to the financial statements.

NORTHWEST ARKANSAS FOOD BANK

Statement of Activities Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
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)	-
Total Revenue and Support	17,917,679	210,853	18,128,532
EXPENSES			
Program services			
Warehouse	16,580,272	-	16,580,272
Support services			
General and administrative	479,236	-	479,236
Fundraising and development	721,457	-	721,457
Total Expenses	17,780,965	-	17,780,965
CHANGE IN NET ASSETS	136,714	210,853	347,567
NET ASSETS, BEGINNING OF YEAR	3,480,798	355,400	3,836,198
NET ASSETS, END OF YEAR	\$ 3,617,512	\$ 566,253	\$ 4,183,765

See accompanying notes to the financial statements.

NORTHWEST ARKANSAS FOOD BANK

Statement of Functional Expenses Year ended December 31, 2020

	Program Services	Support Services		Total
	Warehouse	General and Administrative	Fundraising and Development	
Advertising costs	\$ 1,782	\$ 3,003	\$ 148,777	\$ 153,562
Depreciation	176,963	-	-	176,963
Dues and subscriptions	25,013	20,318	12,355	57,686
Food product	20,306,405	-	-	20,306,405
Fundraising	31,193	510	144,207	175,910
Insurance	-	44,327	-	44,327
Labor costs	984,536	388,650	445,780	1,818,966
Office expense	77	5,780	10,799	16,656
Other expenses	12,128	10,981	26,654	49,763
Professional fees	63,072	29,207	47,603	139,882
Rent expense	92	7,275	-	7,367
Repairs and maintenance	82,545	15,801	12,882	111,228
Training and conferences	21,925	880	1,779	24,584
Travel	11,830	5,534	2,673	20,037
Utilities and telephone	6,563	55,694	430	62,687
Warehouse expense	56,685	2,642	7,451	66,778
	<u>\$ 21,780,809</u>	<u>\$ 590,602</u>	<u>\$ 861,390</u>	<u>\$ 23,232,801</u>

See accompanying 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>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	730,309	377,646	344,529	1,452,484
Office expense	1,814	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	34,049	17,607	16,063	67,719
Warehouse expense	126,419	-	-	126,419
	<u>\$ 16,580,272</u>	<u>\$ 479,236</u>	<u>\$ 721,457</u>	<u>\$ 17,780,965</u>

See accompanying notes to the financial statements.

NORTHWEST ARKANSAS FOOD BANK

Statements of Cash Flows Years ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,436,865	\$ 347,567
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	176,963	152,683
Donated product received	(18,500,351)	(14,075,232)
Donated product distributed	18,351,220	14,085,723
Loss on disposal of property and equipment	1,418	1,727
Accounts receivable	(81,297)	12,120
Unconditional promises to give	46,250	80,250
Prepaid expenses and other assets	(15,618)	-
Inventories	(125,990)	49,360
Accounts payable	90,156	(12,158)
Accrued expenses	(42,212)	2,732
Net Cash From Operating Activities	3,337,404	644,772
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(567,121)	(160,528)
Proceeds from sale of property and equipment	5,500	4,500
Net change in certificates of deposit	25,091	(27,513)
Net Cash (Used For) Investing Activities	(536,530)	(183,541)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,800,874	461,231
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,572,712	1,111,481
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,373,586	\$ 1,572,712

See accompanying notes to the financial statements.

NORTHWEST ARKANSAS FOOD BANK

Notes to Financial Statements December 31, 2020 and 2019

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, 2020 and 2019, the Organization had cash equivalents of \$25 and \$885, 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, 2020 and 2019, 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, 2020 and 2019 are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary. At December 31, 2020 and 2019, all promises to give are expected to be collected within one year.

NORTHWEST ARKANSAS FOOD BANK

Notes to Financial Statements December 31, 2020 and 2019

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, 2020 and 2019, the Organization received 6,419,144 and 7,521,294 pounds of donated product, respectively, valued at \$1.67 per pound based on information provided by Feeding America. At December 31, 2020 and 2019, 218,838 and 281,774 pounds were in inventory, respectively.

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, 2020 and 2019, the Organization received 7,351,900 and 1,383,810 pounds of commodities from USDA, respectively. The products were valued at \$1.06 and \$1.09 per pound, respectively, based on information provided by the USDA commodities program. At December 31, 2020 and 2019, 245,439 and 101,645 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.

NORTHWEST ARKANSAS FOOD BANK

Notes to Financial Statements December 31, 2020 and 2019

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.

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.

Shared Maintenance Fees

During the years ended December 31, 2020 and 2019, some of the food and grocery products distributed by the Organization to its member agencies are assessed a shared maintenance fee of up to \$0.18 per pound to assist in on-going operating costs of the Organization. In April of 2020 the fee was reduced to \$0.09 per pound due to the COVID-19 pandemic.

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.

NORTHWEST ARKANSAS FOOD BANK

Notes to Financial Statements December 31, 2020 and 2019

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.

Reclassification

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

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, 2022. The Organization is currently in the process of evaluating the impact, if any, of adoption of this ASU on their financial statements.

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, 2020 and 2019, the Organization had no uninsured or uncollateralized cash and cash equivalents.

During the years ended December 31, 2020 and 2019, one and two unrelated organizations provided 20% and 31% of the Organization's contributions and grants, respectively.

NORTHWEST ARKANSAS FOOD BANK

Notes to Financial Statements December 31, 2020 and 2019

NOTE 4: PROPERTY AND EQUIPMENT

Major classifications of property and equipment are summarized below:

	2020	2019
Property and equipment subject to depreciation:		
Buildings and improvements	\$ 862,621	\$ 839,611
Construction in progress	19,463	-
Equipment	403,417	365,791
Land improvements	107,834	103,984
Office furniture and equipment	183,226	89,314
Vehicles	942,831	605,062
	2,519,392	2,003,762
Accumulated depreciation	(1,207,453)	(1,090,909)
Land	37,816	40,816
	\$ 1,349,755	\$ 953,669

NOTE 5: DESIGNATED NET ASSETS

At December 31, 2020 and 2019, the Organization's Board of Directors has chosen to designate net assets without donor restrictions for the purpose of food purchases of \$4,625,761 and \$1,849,978, respectively.

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Equipment	\$ 2,548	\$ -
Food Bank University	-	19,310
Salaries and benefits	10,000	47,855
Technology	-	54,793
Training	3,081	-
Travel, utilities, etc.	-	16,437
Various food programs	188,649	427,858
	\$ 204,278	\$ 566,253

NORTHWEST ARKANSAS FOOD BANK

Notes to Financial Statements December 31, 2020 and 2019

NOTE 7: NONCASH INVESTING AND FINANCING ACTIVITIES

The Organization had capital expenditures for equipment and other capital items during the years ended December 31, 2020 and 2019 as follows:

	2020	2019
Purchase price	\$ 579,967	\$ 160,528
Accounts payable	(12,846)	-
Cash paid	\$ 567,121	\$ 160,528

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, 2020 and 2019, the Organization matched contributions equal to 100% of elective deferrals up to 2% of compensation, which totaled \$29,518 and \$21,571 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:

	2020	2019
Cash and cash equivalents	\$ 4,373,586	\$ 1,572,712
Certificates of deposit	752,175	777,266
Accounts receivable	214,321	133,024
Unconditional promises to give	-	46,250
 Total financial assets available within one year	 5,340,082	 2,529,252
 Less amounts restricted by donors with purpose restrictions	 204,278	 566,253
Less amounts designated by the board for food purchases	4,625,761	1,849,978
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 510,043	 \$ 113,021

NORTHWEST ARKANSAS FOOD BANK

Notes to Financial Statements December 31, 2020 and 2019

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: RISKS AND UNCERTANTIES

The COVID-19 pandemic has had an adverse impact on 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 duration of the outbreak.

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 24, 2021, the date that the financial statements were available.

Supplementary Information

NORTHWEST ARKANSAS FOOD BANK

Schedule for Network Activity Reporting (Unaudited) Year ended December 31, 2020

	Cash	Donated or Gifts in Kind	Total
Public Sources of Revenue			
(1) Shared maintenance	\$ 1,937,628	\$ -	\$ 1,937,628
(6) Value of donated food	-	18,500,351	18,500,351
(8) TEFAP administration	70,572	-	70,572
(15) Other state, local government funds (including grants)	1,981,688	-	1,981,688
(18) Loss on disposal of assets	(1,418)	-	(1,418)
Total public sources of revenue	\$ 3,988,470	\$ 18,500,351	\$ 22,488,821
Operating Expenses			
(1) Wages and benefits	\$ 1,818,966	\$ -	\$ 1,818,966
(2) Staff support expenses	24,584	-	24,584
(3) Professional services	139,882	-	139,882
(4) Technology	53,500	-	53,500
(5) Product purchases	1,860,098	-	1,860,098
(6) Value of donated food distributed	-	15,292,913	15,292,913
(7) Value of USDA food distributed	-	3,058,307	3,058,307
(8) Grants and donations to other organizations	54,333	-	54,333
(9) Occupancy	100,344	-	100,344
(12) Supplies expense	5,901	-	5,901
(13) Direct marketing	111,408	-	111,408
(14) Event expense	9,893	-	9,893
(15) Advertising expense	153,562	-	153,562
(16) Printing and postage	10,755	-	10,755
(18) Insurance expense	44,327	-	44,327
(20) Bank fees	30,365	-	30,365
(21) Fees/dues/publications	57,686	-	57,686
(22) Depreciation	176,963	-	176,963
(23) All other expenses	136,824	-	229,014
Total operating expenses	\$ 4,789,391	\$ 18,351,220	\$ 23,232,801

See Independent Auditor's Report.

NORTHWEST ARKANSAS FOOD BANK

**State Required Supplementary Data (Unaudited)
Year ended December 31, 2020**

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

See Independent Auditor's Report.

NORTHWEST ARKANSAS FOOD BANK

Schedule of Expenditures of Federal Awards Year ended December 31, 2020

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Revenue</u>	<u>Expenditures</u>
Federal Awards			
U.S. Department of Agriculture			
Passed through the Arkansas Department of Human Services			
DCO - TEFAP Trade Mitigation Food Distribution Cluster	10.178	\$ 1,500,202	\$ 1,500,202
COVID-19 Emergency Food Assistance Program	10.568	785,312	785,312
Emergency Food Assistance Program (Administrative Costs)	10.568	70,571	70,571
Emergency Food Assistance Program (Food Commodities)	10.569	1,102,780	1,102,780
Total Food Distribution Cluster		<u>1,958,663</u>	<u>1,958,663</u>
 Total U.S. Department of Agriculture		 <u>3,458,865</u>	 <u>3,458,865</u>
 Total Federal Awards		 <u>\$ 3,458,865</u>	 <u>\$ 3,458,865</u>

NOTE 1: BASIS OF PRESENTATION

The significant accounting policies used in preparing the Schedule of Expenditures of Federal Awards are described in Note 2 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.

NOTE 2: NONCASH ASSISTANCE

Noncash assistance recorded in the Schedule consists of food commodities donated by the USDA (The Emergency Food Assistance Program, or TEFAP, CFDA #10.569) and passed through the Arkansas Department of Human Services to the Organization. The donated food commodities are valued at the estimated fair value of \$1.06 per pound (as valued by Feeding America). The Organization's accounting policy for donated inventories is more fully described in Note 2 of the financial statements and follows accounting principles generally accepted in the United States of America.

During the year ended December 31, 2020, the Organization also received donated food commodities under the Coronavirus Food Assistance Program (CFAP, CFDA 10.130). These donated food commodities are also valued at the estimated fair value of \$1.06 per pound shown above. The value of the CFAP food commodities distributed, totaled \$4,722,074 for the year ended December 31, 2020, are not reported on the Schedule because these funds are not subject to the reporting requirements contained in 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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated August 24, 2021.

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) as a basis for designing 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 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.


Certified Public Accountants

Rogers, Arkansas
August 24, 2021



**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, 2020. 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, 2020.

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.

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
August 24, 2021

NORTHWEST ARKANSAS FOOD BANK

Schedule of Findings and Questioned Costs Year ended December 31, 2020

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, 2020.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no audit findings for the year ended December 31, 2020.

NORTHWEST ARKANSAS FOOD BANK

Summary Schedule of Prior Year Audit Findings Year ended December 31, 2020

IV. Prior Year Findings and Questioned Costs

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