

**KANSAS FOODBANK WAREHOUSE, INC.**  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH UNIFORM GUIDANCE SINGLE AUDIT REPORT  
June 30, 2020 and 2019  
With Report of Independent Certified Public Accountants

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KIRKPATRICK, SPRECKER & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
Kansas Foodbank Warehouse, Inc.

We have audited the accompanying consolidated financial statements of Kansas Foodbank Warehouse, Inc. (a nonprofit organization) and its subsidiary, which comprise the consolidated statement of financial position as of June 30, 2020 and 2019, and the related consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kansas Foodbank Warehouse, Inc. and its subsidiary as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Kansas Foodbank Warehouse, Inc.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of Kansas Foodbank Warehouse, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kansas Foodbank Warehouse, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kansas Foodbank Warehouse, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Kirkpatrick, Sprecker & Company, LLP". The signature is written in a cursive, flowing style.

KIRKPATRICK, SPRECKER & COMPANY, LLP  
Wichita, Kansas

December 1, 2020

**KANSAS FOODBANK WAREHOUSE, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
June 30, 2020 and 2019

**ASSETS**

	<b><u>2020</u></b>	<b><u>2019</u></b>
Cash and cash equivalents	\$ 5,741,038	\$ 3,552,180
Certificate of deposit	2,573,889	1,260,121
Prepaid expenses	74,726	75,635
Investments	2,884,017	2,753,769
Accounts receivable, net of allowance for bad debts of \$1,000 (\$1,000 for 2019)	215,879	130,077
Contributions receivable for Capital Campaign, net of allowance for uncollectible accounts of \$-0- (\$-0- for 2019)	223,850	556,850
Inventory - donated food	798,162	1,012,890
Inventory - food purchased	671,076	156,860
Cash restricted for capital campaign	612,558	890,918
Property and equipment - net of accumulated depreciation of \$2,848,172 (\$2,527,942 for 2019)	<u>6,891,443</u>	<u>6,710,326</u>
 Total assets	 <u><u>20,686,638</u></u>	 <u><u>17,099,626</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities		
Accounts payable	\$ 83,254	\$ 300,174
Funds held for others	136,345	75,367
Accrued salaries	33,614	21,890
Deferred compensation payable	71,148	52,235
Note payable	268,000	-
Total liabilities	<u>592,361</u>	<u>449,666</u>
Net assets		
Without donor restrictions	14,920,045	11,769,176
Without donor restrictions - board designated	<u>3,525,651</u>	<u>3,389,017</u>
Total net assets without donor restrictions	18,445,696	15,158,193
With donor restrictions	<u>1,648,581</u>	<u>1,491,767</u>
 Total net assets	 <u><u>20,094,277</u></u>	 <u><u>16,649,960</u></u>
 Total liabilities and net assets	 <u><u>20,686,638</u></u>	 <u><u>17,099,626</u></u>

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

**KANSAS FOODBANK WAREHOUSE, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>		<u>Restrictions</u>	<u>Restrictions</u>	
Revenue						
Donated food	\$ 17,050,271	\$ -	\$ 17,050,271	\$ 15,338,810	\$ -	\$ 15,338,810
Less - unusable product	(468,554)	-	(468,554)	(113,631)	-	(113,631)
Net donated food	16,581,717	-	16,581,717	15,225,179	-	15,225,179
Food purchase program	1,357,365	-	1,357,365	1,236,996	-	1,236,996
Shared maintenance	177,335	-	177,335	208,854	-	208,854
Contributions	4,203,429	2,531,822	6,735,251	2,510,966	1,274,302	3,785,268
Interest income	36,322	-	36,322	22,473	-	22,473
Rent income	12,000	-	12,000	12,000	-	12,000
Investment income	148,198	-	148,198	153,820	-	153,820
Loss on disposition of asset	-	-	-	(2,496)	-	(2,496)
Other revenue	274,961	-	274,961	142,839	-	142,839
Total revenue	<u>22,791,327</u>	<u>2,531,822</u>	<u>25,323,149</u>	<u>19,510,631</u>	<u>1,274,302</u>	<u>20,784,933</u>
Net assets released from restrictions	<u>2,375,008</u>	<u>(2,375,008)</u>	<u>-</u>	<u>3,069,217</u>	<u>(3,069,217)</u>	<u>-</u>
Expenses						
Program services						
Donated food distributed	16,796,445	-	16,796,445	15,137,624	-	15,137,624
Cost of purchased food distributed	2,146,266	-	2,146,266	1,786,398	-	1,786,398
Other program service expenses	2,331,346	-	2,331,346	2,105,774	-	2,105,774
Total program services expense	<u>21,274,057</u>	<u>-</u>	<u>21,274,057</u>	<u>19,029,796</u>	<u>-</u>	<u>19,029,796</u>
Supporting activities						
Administrative	155,913	-	155,913	187,065	-	187,065
Fund-raising	448,862	-	448,862	407,449	-	407,449
Total expenses	<u>21,878,832</u>	<u>-</u>	<u>21,878,832</u>	<u>19,624,310</u>	<u>-</u>	<u>19,624,310</u>
Change in net assets	3,287,503	156,814	3,444,317	2,955,538	(1,794,915)	1,160,623
Net assets, beginning of year	<u>15,158,193</u>	<u>1,491,767</u>	<u>16,649,960</u>	<u>12,202,655</u>	<u>3,286,682</u>	<u>15,489,337</u>
Net assets, end of year	<u>18,445,696</u>	<u>1,648,581</u>	<u>20,094,277</u>	<u>15,158,193</u>	<u>1,491,767</u>	<u>16,649,960</u>

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

**KANSAS FOODBANK WAREHOUSE, INC.**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Years Ended June 30, 2020 and 2019

	2020				2019			
	Program Services	Supporting Activities Administrative	Fund-raising	Total	Program Services	Supporting Activities Administrative	Fund-raising	Total
Donated food distributed	\$ 16,796,445	\$ -	\$ -	\$ 16,796,445	\$ 15,137,624	\$ -	\$ -	\$ 15,137,624
Cost of purchased food distributed	2,146,266	-	-	2,146,266	1,786,398	-	-	1,786,398
Other expenses								
Salaries	937,704	60,885	128,277	1,126,866	816,419	76,876	122,083	1,015,378
Employee benefits	233,585	21,181	36,461	291,227	206,232	17,206	34,110	257,548
Depreciation	310,622	9,608	-	320,230	228,712	7,074	-	235,786
Direct mail	44,978	-	260,343	305,321	34,420	-	197,579	231,999
Utilities	129,130	-	-	129,130	116,144	-	-	116,144
Vehicle expense	99,090	-	-	99,090	112,813	-	-	112,813
Warehouse and other supplies	122,173	452	2,971	125,596	84,549	12,585	2,327	99,461
Food purchase - share contributions	41,090	-	-	41,090	83,179	-	-	83,179
Payroll taxes	76,117	5,159	10,868	92,144	63,704	6,244	9,916	79,864
Insurance	75,073	2,322	-	77,395	71,144	2,200	-	73,344
Freight	29,660	-	-	29,660	72,382	-	-	72,382
Regional development and rural delivery	59,821	-	-	59,821	67,774	-	-	67,774
Postage	12,436	5,625	5,277	23,338	11,437	5,999	30,309	47,745
Computer maintenance	41,568	2,880	-	44,448	31,394	9,079	-	40,473
Accounting and legal fees	-	34,026	-	34,026	-	32,340	-	32,340
Equipment repair	21,328	121	-	21,449	22,149	121	-	22,270
Retirement	15,762	2,386	2,243	20,391	14,618	2,151	2,207	18,976
Taxes	27,635	-	-	27,635	16,342	977	-	17,319
Association dues and subscriptions	12,253	1,134	695	14,082	15,347	1,224	645	17,216
Building maintenance and repair	8,597	6,372	-	14,969	7,451	7,737	-	15,188
Telephone	8,307	869	-	9,176	8,383	875	-	9,258
Offsite food storage and equipment rental	9,370	-	-	9,370	8,904	-	-	8,904
Contract labor	1,913	-	-	1,913	3,206	-	4,600	7,806
Office supplies	5,193	798	666	6,657	4,186	644	538	5,368
Travel	3,153	456	-	3,609	2,672	1,342	743	4,757
Meetings and conferences	1,847	421	631	2,899	1,318	1,455	246	3,019
Marketing and printing	788	991	410	2,189	340	750	1,918	3,008
Meals and entertainment	274	227	20	521	555	186	228	969
Bad debts	1,879	-	-	1,879	-	-	-	-
Total other expenses	2,331,346	155,913	448,862	2,936,121	2,105,774	187,065	407,449	2,700,288
Total expenses	21,274,057	155,913	448,862	21,878,832	19,029,796	187,065	407,449	19,624,310

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

**KANSAS FOODBANK WAREHOUSE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2020 and 2019

	<u><b>2020</b></u>	<u><b>2019</b></u>
Cash flows from operating activities:		
Change in net assets	\$ 3,444,317	\$ 1,160,623
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Depreciation	320,230	235,786
Gain on investments	(61,977)	(49,446)
Loss on disposition of assets	-	2,495
Donated securities included in support	-	(56,411)
(Increase) decrease in operating assets:		
Prepaid expenses	904	(11,854)
Accounts and contributions receivable	(85,802)	4,662
Inventory - donated food	214,728	(85,960)
Inventory - food purchase	(514,216)	(16,183)
Increase (decrease) in operating liabilities:		
Accounts payable	(216,920)	(40,613)
Funds held for others	60,978	(34,315)
Accrued salaries and taxes	11,724	2,100
Deferred compensation payable	18,912	18,147
Contributions restricted for capital campaign	-	(559,500)
Net cash provided by operating activities	<u>3,192,878</u>	<u>569,531</u>
Cash flows from investing activities:		
Purchases of investments	(1,928,175)	(439,921)
Purchases of certificates of deposit	(1,313,761)	(1,260,121)
Proceeds from sale of certificate of deposit	-	518,953
Proceeds from sale of investments	1,859,903	405,023
Purchases of construction in progress and equipment	(501,347)	(2,330,792)
Net cash applied to investing activities	<u>(1,883,380)</u>	<u>(3,106,858)</u>
Cash flows from financing activities:		
Proceeds from note	268,000	-
Contributions restricted for capital campaign	-	559,500
Increase in pledges receivable for capital campaign	-	(554,500)
Collection of pledges for capital campaign	333,000	1,781,074
Net cash provided by financing activities	<u>601,000</u>	<u>1,786,074</u>
Net increase (decrease) in cash and cash equivalents	1,910,498	(751,253)
Cash, restricted cash and cash equivalents at beginning of year	<u>4,443,098</u>	<u>5,194,351</u>
Cash, restricted cash and cash equivalents at end of year	<u>6,353,596</u>	<u>4,443,098</u>

Supplemental Disclosure of Cash Flow Information

Accounts payable incurred for equipment	\$ -	\$ 236,511
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The accompanying notes are an integral part of the financial statements.



**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

1. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of Kansas Foodbank Warehouse, Inc., and its wholly owned subsidiary, KFBW, LLC. All material intercompany transactions have been eliminated.

Nature of activities

Kansas Foodbank Warehouse, Inc. (the Organization) was incorporated in 1983 to feed the hungry by soliciting and receiving food and other goods from local, regional, and national food companies and other enterprises. The Organization, in turn, distributes the food and other goods to community charities with programs for the needy. The sources of product for the Organization during the years ended June 30, 2020 and 2019, were:

	<u>2020</u>	<u>2019</u>
Pounds of product solicited	8,773,999	9,098,622
Pounds of product purchased	3,076,090	2,388,528
Pounds of TEFAP product	<u>4,293,358</u>	<u>1,814,910</u>
Total pounds of product received	<u>16,143,447</u>	<u>13,302,060</u>
 Pounds of product distributed	 <u>16,417,862</u>	 <u>14,513,307</u>

The Organization serves as a distribution center for the Federal TEFAP program. Under this program, the Organization received, stored, and distributed USDA donated product to other agencies. The Organization did not have variance power over the selection of designated agencies; accordingly, the value of the food received and distributed is not included on the statement of activities.

The market value of one pound of food at June 30, 2020 and 2019, as determined by Feeding America (see Note 6), is \$1.74 and \$1.62, respectively.

Sources of revenue were as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
General contributions	71%	50%
Food purchases sales	16%	22%
Food 4 Kids contributions	6%	8%
Other	3%	3%
Shared maintenance fees	2%	4%
Investment income	2%	3%
Capital campaign contributions	0%	10%

The Organization grants credit to community charities, substantially all of whom are located in the State of Kansas.

Basis of presentation

The financial statements of Kansas Foodbank Warehouse, Inc. have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

(continued)

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

1. Summary of significant accounting policies (continued)

Basis of presentation (continued)

Net assets without donor restriction - Net assets that are not subject to or are no longer subject to donor-imposed restrictions.

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

Income recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. 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.

Gifts-in-kind are recorded at fair market value as of the date received.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include those assumed in valuing donated food inventory. It is at least reasonably possible that the significant estimate used will change within the next year.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business income. For the year ended June 30, 2020, the Organization did not incur any unrelated business income. The federal exemption from income tax is recognized by state authorities.

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. For the years ended June 30, 2020 and 2019, cash equivalents includes a certificate of deposit in the amount of \$-0- and \$1,269,539, respectively.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 5,741,038	\$ 3,552,180
Cash restricted for capital campaign	<u>612,558</u>	<u>890,918</u>
Total cash per statement of cash flows	<u><u>6,353,596</u></u>	<u><u>4,443,098</u></u>

(continued)

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

1. Summary of significant accounting policies (continued)

Accounts receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of agencies to meet their obligations. The Organization does not charge interest on accounts receivable. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Inventory

Inventories consist of donated food and food purchased by the Organization. Donated food is recorded at its estimated fair value. The value per pound is based on a study completed by Feeding America (see Note 6), and represents the average wholesale cost per pound of food donated to food banks. Inventory from the food purchase program is stated at cost.

Donated food is distributed to member agencies at no charge. These member agencies reimburse the Organization a fee of up to \$0.16 per pound to share in the cost of maintaining the warehouse. These fees are included in shared maintenance revenues. Purchased inventories are sold to member agencies at cost plus the shared maintenance fee described above.

Property and equipment

Property and equipment is recorded at cost. Donated property and equipment are recorded at fair value at the date of donation. The Organization does not have a capitalization policy. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	31 to 40 years
Building improvements	10 to 40 years
Equipment and furnishings	5 to 7 years
Vehicles	5 years

The Organization periodically reviews the carrying value of property and equipment and will recognize impairments when the expected future operating cash flow derived from such assets is less than their carrying value.

Functional allocation of expenses

The costs of providing the various programs are summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. Salaries and benefits are allocated based on estimated time spent in specific areas. Depreciation is allocated based on square footage.

Capital campaign

In January 2017, the Organization's board of directors approved a capital campaign designed to raise \$5 million for the building expansion. During the years ended June 30, 2020 and 2019, the Organization received gross contributions, including pledges, totaling \$-0- and \$559,500, respectively, which is recorded with donor restricted contributions on the statement of activities for the years then ended.

(continued)

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

1. Summary of significant accounting policies (continued)

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

New accounting pronouncement

In November 2016, FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, requiring that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The standard should be applied on a retrospective basis in the year that the pronouncement is first applied. The standard will be effective for the Organization for annual periods beginning after December 15, 2018.

The FASB also issued new guidance ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard should be applied on a modified prospective basis; however, retrospective application is permitted. The Organization adopted the requirements of the new guidance as of July 1, 2019.

Certain amounts in the June 30, 2019, financial statements have been reclassified to conform to the June 30, 2020, presentation. The reclassifications have no effect on the overall net assets.

2. Fair value measurements

Fair values of assets measured on a recurring basis at June 30, 2020 and 2019, are as follows:

		Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>			
<u>June 30, 2020</u>				
Common stocks	\$ 573,129	\$ 573,129	\$ -	\$ -
Equity funds	1,515,838	1,515,838	-	-
Exchange traded funds	213,493	213,493	-	-
Treasury and federal agencies	125,370	-	125,370	-
Nongovernment obligations	167,071	-	167,071	-
Foreign obligations	27,993	-	27,993	-
Fixed income funds	226,049	226,049	-	-
Alternatives	35,074	35,074	-	-
Total	<u>2,884,017</u>	<u>2,563,583</u>	<u>320,434</u>	<u>-</u>

(continued)

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

2. Fair value measurements (continued)

		Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>			
<u>June 30, 2019</u>				
Common stocks	\$ 603,923	\$ 603,923	\$ -	\$ -
Equity funds	1,439,987	1,439,987	-	-
Exchange traded funds	232,092	232,092	-	-
Treasury and federal agencies	65,097	-	65,097	-
Nongovernment obligations	87,660	-	87,660	-
Foreign obligations	16,322	-	16,322	-
Fixed income funds	125,720	125,720	-	-
Alternatives	182,968	182,968	-	-
Total	<u>2,753,769</u>	<u>2,584,690</u>	<u>169,079</u>	<u>-</u>

All of the assets in the schedule above have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

3. Investments

Investments are stated at current market value and are summarized as follows at June 30, 2020 and 2019:

	<u>Cost</u>	<u>Current Market Value</u>	<u>Appreciation (Depreciation)</u>
<u>June 30, 2020</u>			
Common stocks	\$ 508,361	\$ 573,129	\$ 64,768
Equity funds	1,513,640	1,515,838	2,198
Exchange traded funds	243,843	213,493	(30,350)
Treasury and federal agencies	124,827	125,370	543
Nongovernment obligations	146,993	167,071	20,078
Foreign obligations	26,568	27,993	1,425
Fixed income funds	218,586	226,049	7,463
Alternatives	43,985	35,074	(8,911)
Total investments at June 30, 2020	<u>2,826,803</u>	<u>2,884,017</u>	<u>57,214</u>

(continued)

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

3. Investments (continued)

	<u>Cost</u>	<u>Current Market Value</u>	<u>Appreciation (Depreciation)</u>
<u>June 30, 2019</u>			
Common stocks	\$ 542,657	\$ 603,923	\$ 61,266
Equity funds	1,428,871	1,439,987	11,116
Exchange traded funds	260,534	232,092	(28,442)
Treasury and federal agencies	63,113	65,097	1,984
Nongovernment obligations	84,829	87,660	2,831
Foreign obligations	15,983	16,322	339
Fixed income funds	123,279	125,720	2,441
Alternatives	199,256	182,968	(16,288)
Total investments at June 30, 2019	<u>2,718,522</u>	<u>2,753,769</u>	<u>35,247</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Total investment interest and dividends	\$ 95,722	\$ 113,429
Gain on investments	61,977	49,446
Fees and taxes	<u>(9,501)</u>	<u>(9,055)</u>
Investment income per statement of activities	<u>148,198</u>	<u>153,820</u>

4. Contributions receivable for capital campaign

Contributions receivable for capital campaign consist of the following as of June 30, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Total</u>	<u>Net Present Value</u>	<u>Total</u>	<u>Net Present Value</u>
Receivable in less than one year	\$ 218,850	\$ 218,850	\$ 335,850	\$ 335,850
Receivable in one to five years	<u>5,000</u>	<u>5,000</u>	<u>221,000</u>	<u>221,000</u>
	223,850	223,850	556,850	556,850
Less allowance for uncollectible	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>223,850</u>	<u>223,850</u>	<u>556,850</u>	<u>556,850</u>

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

5. Property and equipment

Property and equipment and related accumulated depreciation at June 30, 2020 and 2019, are summarized as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,069,485	\$ 1,069,485
Buildings and improvements	3,290,892	3,290,892
Volunteer Center	2,837,809	-
Equipment and furnishings	1,374,951	1,331,698
Vehicles	1,166,478	1,059,280
Construction in progress	-	2,486,913
	<u>9,739,615</u>	<u>9,238,268</u>
Less accumulated depreciation	<u>2,848,172</u>	<u>2,527,942</u>
	<u><u>6,891,443</u></u>	<u><u>6,710,326</u></u>

6. Transactions with affiliate

The Organization is a certified food bank of Feeding America, an organization that solicits surplus food and distributes the donations to a nationwide network of food banks. The Organization had the following activity with Feeding America and other Feeding America affiliates during the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Pounds (unaudited) of food received	267,612	463,947
Share contribution paid	\$ 2,158	\$ 4,717
Dues paid	\$ 11,145	\$ 14,860

7. Board designated net assets

The Board of Directors designated net assets without donor restrictions for the following purposes at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operations endowment	\$ 1,325,900	\$ 1,263,435
Facilities and equipment endowment	1,199,751	1,125,582
Volunteer Center	<u>1,000,000</u>	<u>1,000,000</u>
	<u><u>3,525,651</u></u>	<u><u>3,389,017</u></u>

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

8. Net assets

Net assets with donor restrictions consist of:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose:		
Disaster relief	\$ 733,847	\$ 1,553
Capital campaign	603,397	1,214,757
Mobile pantry	35,880	-
Summer feeding	13,087	13,087
Freezer grants	12,370	12,370
	<u>1,398,581</u>	<u>1,241,767</u>
Subject to restriction in perpetuity:		
Endowment	250,000	250,000
Total net assets with donor restrictions	<u>1,648,581</u>	<u>1,491,767</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Releases during the years ended June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Disaster relief	\$ 934,147	\$ -
Food 4 Kids	774,719	680,333
Capital campaign	611,360	2,356,001
Bob Box	20,100	3,610
Appropriated endowment earnings	12,790	10,454
Mobile pantry	11,650	1,700
Hygiene pantry	9,550	6,550
Filling the Gap	692	350
Produce procurement	-	9,075
Summer feeding	-	1,144
	<u>2,375,008</u>	<u>3,069,217</u>



**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

9. Endowment

*Interpretation of Relevant Law*

The Board of Directors of Kansas Foodbank Warehouse, Inc., has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date of gifting of the donor-restricted funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restricted net assets (a) the original fair value of gifts donated to the permanent endowment and gifts with time or purpose restrictions imposed by donor, (b) the original fair value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the instructions of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

*Endowment net asset composition by type of fund as of June 30, 2020:*

<u>Type of Endowment Fund</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 250,000	\$ 250,000
Board designated endowment funds	2,525,651	-	2,525,651
Total endowment net assets	<u>2,525,651</u>	<u>250,000</u>	<u>2,775,651</u>

*Changes in endowment net assets for the year ended June 30, 2020:*

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,389,017	\$ 250,000	\$ 2,639,017
Investment income	105,338	6,026	111,364
Expenses	(7,863)	(1,638)	(9,501)
Appropriated earnings	12,790	(12,790)	-
Net appreciation	26,369	8,402	34,771
Endowment net assets, end of year	<u>2,525,651</u>	<u>250,000</u>	<u>2,775,651</u>

(continued)

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

9. Endowment (continued)

*Endowment net asset composition by type of fund as of June 30, 2019:*

<u>Type of Endowment Fund</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 250,000	\$ 250,000
Board designated endowment funds	2,389,017	-	2,389,017
Total endowment net assets	<u>2,389,017</u>	<u>250,000</u>	<u>2,639,017</u>

*Changes in endowment net assets for the year ended June 30, 2019:*

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,254,029	\$ 250,000	\$ 2,504,029
Investment income	108,180	7,871	116,051
Expenses	(7,409)	(2,256)	(9,665)
Appropriated earnings	10,454	(28,078)	(17,624)
Net appreciation (depreciation)	23,763	22,463	46,226
Endowment net assets, end of year	<u>2,389,017</u>	<u>250,000</u>	<u>2,639,017</u>

*Return objectives*

The Organization has adopted an investment policy for its endowment assets for the purpose of long-term growth in real value. The goal for the endowment is to average a 10% annual growth. The Organization expects and recognizes that principal losses can and may occur. Stability of principal is not the primary objective.

*Investment strategies for achieving objectives*

The Organization has adopted investment strategies that will allow for a 5% distribution of the endowment fund's average fair market value based upon the prior twelve quarter running average. To accomplish this strategy, the Organization requires that total equity investments never exceed 75% or that total fixed investments never exceed 35% of the asset holdings. Assets must have been in existence and have reported performance data for ten or more years before being considered for investment.

*Spending policies and the relationship with investment policies*

The Organization has a policy of appropriating 5% of the endowment fund's average fair market value for spending on operations and programs. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective of long-term growth in real value.

*Funds with deficiencies*

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with Generally Accepted Accounting Principles (GAAP), deficiencies of this nature are reported as net assets with donor restrictions. There were no such deficiencies reported as of June 30, 2020 and 2019.

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

10. Pension plan

The Organization has a Section 403(b) pension plan for all full and part-time employees. Employees can defer up to 75% of their gross salary under the plan, not to exceed \$19,000 and \$18,500 for the years ended June 30, 2020 and 2019, respectively. The Organization provides a match of employees' contributions up to 4%. Employer contributions during the years ended June 30, 2020 and 2019, were \$20,391 and \$18,976, respectively.

11. Deferred compensation plan

In December 2016, the Board of Directors approved the creation of a deferred compensation plan for the President of the Organization. The Organization adopted and executed the plan in March of 2017, at which time the President was entitled to receive a contribution to the plan. The plan states that if the employee is actively employed on December 28th of the relevant year, \$20,000 will be credited to the deferred compensation account. The balance in the account will be paid out in a lump sum on December 28, 2025, if the employee is actively employed at that date. If the employee is no longer able to perform services due to death or disability, a lump sum payment for the amount credited to the account will be made within ten days following the event. The Organization has the right to terminate the plan at any time. At June 30, 2020 and 2019, the present value of the benefit was \$71,148 and \$52,235, respectively.

12. Operating leases

The following is a schedule by years of future minimum rental payments required under operating leases for office equipment as of June 30, 2020:

<u>Year</u>	<u>Total</u>
2021	\$ 8,352
2022	1,022
	<u>9,374</u>

Rent expense for the years ended June 30, 2020 and 2019, amounted to \$9,370 and \$8,900, respectively.

13. Concentration of credit risk

The Organization maintains cash accounts at two local banks, which retain balances that total more than the maximum federally insured amount of \$250,000. The Organization has not experienced any losses in the accounts and management believes it is not exposed to any significant risk on the cash accounts.

The Organization maintains its investments with two local brokerage firms. Management has elected to have the funds invested in various individual funds that invest in common stock, equity funds, fixed income, alternatives, and cash and cash equivalents. Management continues to monitor the accounts to minimize the risk.

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

14. Loan payable

The Organization applied for and was approved a \$268,000 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin until the earlier of the date that partial forgiveness has been granted by the lender or 10 months after the end of the covered period, which is August 1, 2021. If the loan is not forgiven, monthly payments of principal and interest will be due. The Organization expects to receive full forgiveness of this loan based upon expenses that have been incurred up to the date of these financial statements. The application for forgiveness and the determination thereof is expected to be completed before the end of the next fiscal year. Due to the conditions surrounding forgiveness and the potential that some or all will have to be repaid, the Organization has elected to account for this as a loan. The balance due at June 30, 2020, was \$268,000.

15. Availability and liquidity of financial assets

The following reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use within one year of June 30, 2020 and 2019, because of contractual of donor-imposed restrictions or internal designations. Amounts available include the board-approved appropriations from the endowment fund for the following year, as well as donor-restricted amounts that are available for operating expenditures in the following years.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 5,741,038	\$ 3,552,180
Certificates of deposit	2,573,889	1,260,121
Accounts receivable, net, collected in less than one year	215,879	130,077
Investments	<u>2,884,017</u>	<u>2,753,769</u>
Total financial assets, excluding noncurrent receivables	11,414,823	7,696,147
Contractual or donor-imposed restrictions:		
Donor restricted in perpetuity	(250,000)	(250,000)
Board designations	<u>(3,525,652)</u>	<u>(3,389,017)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>7,639,171</u>	<u>4,057,130</u>

As part of its liquidity plan, excess cash is invested in short term certificates of deposit.

Board-designated funds which represent endowments are available to be used for programs, general operations, facility maintenance, renovation projects, acquisition of facility equipment, and other such expenditures. Payouts are subject to the Organization's Endowment Payout Policy. The Organization does not plan to use board-designated funds as part of its operating or facilities budget within the next twelve months but the funds are available if needed. The non-endowment board-designated funds are to be used for remaining costs of the volunteer center.

16. Subsequent events

The Organization has evaluated subsequent events through December 1, 2020, the date which the financial statements were available to be issued, and no events required disclosure were identified.

**KANSAS FOODBANK WAREHOUSE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2020

<b>Federal Grantor Pass-through Grantor <u>Program Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Pass-through Grantor's Number</u></b>	<b><u>Federal Expenditures</u></b>
<b><u>U.S. Department of Agriculture</u></b>			
Kansas Department for Children and Families Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	52390	\$ <u>112,060</u>
Kansas State Department of Education Summer Food Service Program for Children	10.559		<u>62,542</u>
<b><u>Food Distribution Cluster</u></b>			
Kansas Department for Children and Families Commodity Supplemental Food Program - Administrative Costs	10.565	2017-CSFP-KFB	68,345
Commodity Supplemental Food Program - Food Commodities	10.565	2017-CSFP-KFB	<u>428,546</u>
Total Commodity Supplemental Food Program			<u>496,891</u>
Kansas Department for Children and Families Emergency Food Assistance Program - Administrative Costs	10.568	52390	<u>22,406</u>
Kansas Department for Children and Families Emergency Food Assistance Program - Food Commodities	10.569	52390	301,283
Emergency Food Assistance Program - Food Commodities - Trade Mitigation	10.569	52390	<u>1,149,542</u>
Total Emergency Food Assistance Program			<u>1,450,825</u>
Total Food Distribution Cluster			<u>1,970,122</u>
Total United States Department of Agriculture			<u>2,144,724</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>2,144,724</u></u>

**KANSAS FOODBANK WAREHOUSE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2020

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Kansas Foodbank Warehouse, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because The Schedule presents only a selected portion of the operations of Kansas Foodbank Warehouse, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Kansas Foodbank Warehouse, Inc.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rate

Kansas Foodbank Warehouse, Inc. has elected not to use the 10% de minimis cost rate allowed under the Uniform Guidance.



KIRKPATRICK, SPRECKER & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**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***

To the Board of Directors  
Kansas Foodbank Warehouse, Inc.  
Wichita, Kansas

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 Kansas Foodbank Warehouse, Inc., (a nonprofit organization), which comprise the balance sheet as of June 30, 2020, and the related statements of operations, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Kansas Foodbank Warehouse'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 Kansas Foodbank Warehouse's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kansas Foodbank Warehouse'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 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 the 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.

Board of Directors  
Kansas Foodbank Warehouse, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Kansas Foodbank Warehouse's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of This Report**

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

  
KIRKPATRICK, SPRECKER & COMPANY, LLP  
Wichita, KS

December 1, 2020





KIRKPATRICK, SPRECKER & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE AND ON SCHEDULE OF FEDERAL EXPENDITURES OF  
FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Directors  
Kansas Foodbank Warehouse, Inc.  
Wichita, Kansas

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

We have audited Kansas Foodbank Warehouse, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Kansas Foodbank Warehouse's major federal program for the year ended June 30, 2020. The Kansas Foodbank Warehouse's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

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

**Opinion on the Major Federal Program**

In our opinion, Kansas Foodbank Warehouse, Inc. 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 June 30, 2020.

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

Management of Kansas Foodbank Warehouse 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 Kansas Foodbank Warehouse'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kansas Foodbank Warehouse'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

  
**KIRKPATRICK, SPRECKER & COMPANY, LLP**  
Wichita, KS

December 1, 2020

**KANSAS FOODBANK WAREHOUSE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2020

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: *unmodified*

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes        X   No  
Significant deficiency(ies) identified that are not  
considered to be material weaknesses? \_\_\_\_\_ Yes        X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes        X   No  
Significant deficiency(ies) identified that are not  
considered to be material weaknesses? \_\_\_\_\_ Yes        X   None reported

Type of auditor's report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR section 200.516(a)? \_\_\_\_\_ Yes        X   No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.565, 10.568, 10.569	Food Distribution Cluster

Dollar threshold used to distinguish between type A and type  
B programs: \$                     750,000                    

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes        X   No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No findings identified

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

No findings identified

**KANSAS FOODBANK WAREHOUSE, INC.**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2020

No findings identified

