

Kansas Foodbank Warehouse, Inc.

Independent Auditor's Report

And

**Consolidated Financial Statements
(Including Uniform Guidance Reporting)**

June 30, 2022 and 2021



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Kansas Foodbank Warehouse, Inc. and its subsidiary as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kansas Foodbank Warehouse, Inc. and its subsidiary's ability to continue as a

going concern for one year after the date of the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

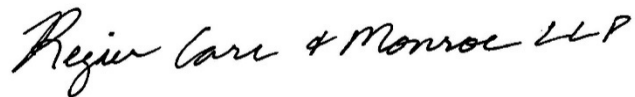
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023, on our consideration of Kansas Foodbank Warehouse, Inc. and its subsidiary'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. and its subsidiary's internal control over financial reporting and compliance.



January 27, 2023
Wichita, Kansas

Kansas Foodbank Warehouse, Inc.
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
Cash and cash equivalents	\$ 12,545,916	\$ 11,207,346
Prepaid expenses	89,811	84,470
Investments	3,798,827	4,245,711
Accounts and contributions receivable, net of allowance for uncollectible accounts of \$1,000 (\$1,000 for 2021)	250,228	183,779
Contributions receivable for Capital Campaign, net of allowance for uncollectible accounts of \$-0- (\$-0- for 2021)	4,000	58,750
Inventory - food purchased	520,895	491,972
Inventory - donated food	677,177	1,316,821
Inventory - government programs	129,928	63,533
Cash restricted for capital campaign	453,031	777,658
Property and equipment - net of accumulated depreciation of \$3,591,519 (\$3,223,237 for 2021)	6,707,876	6,766,197
Total assets	\$ 25,177,689	\$ 25,196,237
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 209,089	\$ 114,230
Funds held for others	27,069	56,368
Deferred compensation payable	111,371	90,851
Other payables and accrued expenses	3,371	715
Refundable grant advances	622,240	-
Total liabilities	973,140	262,164
Net assets		
Without donor restrictions	18,786,569	18,466,393
Without donor restrictions - board designated	4,305,770	4,682,062
Total net assets without donor restrictions	23,092,339	23,148,455
With donor restrictions	1,112,210	1,785,618
Total net assets	24,204,549	24,934,073
Total liabilities and net assets	\$ 25,177,689	\$ 25,196,237

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

Kansas Foodbank Warehouse, Inc.
Consolidated Statements of Activities
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>			<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue						
Donated food	\$ 17,256,487	\$ -	\$ 17,256,487	\$ 18,445,630	\$ -	\$ 18,445,630
Less - unusable product	(646,534)	-	(646,534)	(684,207)	-	(684,207)
Net donated food	16,609,953	-	16,609,953	17,761,423	-	17,761,423
Food purchase program	1,367,445	-	1,367,445	2,671,282	-	2,671,282
Shared maintenance	166,601	-	166,601	118,281	-	118,281
Contributions	3,979,954	1,280,429	5,260,383	5,090,083	2,048,364	7,138,447
Donated goods and services	-	-	-	38,000	-	38,000
Government funding	322,320	-	322,320	266,059	-	266,059
Interest income	26,550	-	26,550	56,335	-	56,335
Investment income (loss)	(411,345)	(41,482)	(452,827)	722,962	-	722,962
Rent income	12,000	-	12,000	10,000	-	10,000
Gain on disposition of asset	-	-	-	400	-	400
PPP Loan forgiveness	-	-	-	268,000	-	268,000
Other revenue	17,165	-	17,165	12,652	-	12,652
Total revenue	22,090,643	1,238,947	23,329,590	27,015,477	2,048,364	29,063,841
Net assets released from restrictions	1,912,355	(1,912,355)	-	1,911,327	(1,911,327)	-
Expenses						
Program services						
Donated food distributed	17,091,932	-	17,091,932	17,179,231	-	17,179,231
Cost of purchased food distributed	2,699,909	-	2,699,909	3,496,016	-	3,496,016
Other program service expenses	3,578,548	-	3,578,548	2,859,372	-	2,859,372
Total program services expense	23,370,389	-	23,370,389	23,534,619	-	23,534,619
Supporting activities						
Administrative	353,179	-	353,179	279,047	-	279,047
Fund-raising	335,546	-	335,546	410,379	-	410,379
Total expenses	24,059,114	-	24,059,114	24,224,045	-	24,224,045
Change in net assets	(56,116)	(673,408)	(729,524)	4,702,759	137,037	4,839,796
Net assets, beginning of year	23,148,455	1,785,618	24,934,073	18,445,696	1,648,581	20,094,277
Net assets, end of year	\$ 23,092,339	\$ 1,112,210	\$ 24,204,549	\$ 23,148,455	\$ 1,785,618	\$ 24,934,073

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

Kansas Foodbank Warehouse, Inc.
Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2022 and 2021

	2022				2021			
	Program	Supporting Activities		Total	Program	Supporting Activities		Total
	Services	Administrative	Fundraising		Services	Administrative	Fundraising	
Donated food distributed	\$ 17,091,932	\$ -	\$ -	\$ 17,091,932	\$ 17,179,231	\$ -	\$ -	\$ 17,179,231
Cost of purchased food distributed	2,699,909	-	-	2,699,909	3,496,016	-	-	3,496,016
Other expenses								
Salaries	1,002,488	159,451	73,958	1,235,897	894,782	137,813	97,687	1,130,282
Employee benefits	304,247	46,151	14,261	364,659	251,069	35,857	20,731	307,657
Depreciation	358,919	9,363	-	368,282	363,812	11,253	-	375,065
Direct mail	55,515	-	238,332	293,847	56,678	-	277,105	333,783
Utilities	145,385	-	-	145,385	133,798	-	-	133,798
Vehicle expense	105,567	-	-	105,567	89,817	-	-	89,817
Warehouse and other supplies	241,995	-	-	241,995	146,896	-	-	146,896
Food purchase - share contributions	783,954	-	-	783,954	492,983	-	-	492,983
Payroll taxes	79,102	12,582	5,836	97,520	72,468	11,161	7,912	91,540
Insurance	82,857	8,303	-	91,160	78,257	-	-	78,257
Freight	148,167	-	-	148,167	30,764	-	-	30,764
Regional development and rural delivery	94,941	-	-	94,941	57,037	-	-	57,037
Postage	13,584	4,968	125	18,677	10,283	8,900	-	19,183
Computer maintenance	44,649	7,750	-	52,399	50,699	4,989	1,800	57,487
Accounting and legal fees	-	45,483	-	45,483	-	45,147	50	45,197
Equipment repair	20,124	-	-	20,124	28,714	88	-	28,802
Retirement	19,068	3,282	2,396	24,746	15,455	3,967	3,486	22,908
Taxes	10,699	3,444	-	14,143	11,324	-	-	11,324
Association dues and subscriptions	14,860	1,405	-	16,265	66	1,181	-	1,246
Building maintenance and repair	17,041	23,492	-	40,533	18,658	11,703	-	30,361
Telephone	6,979	249	41	7,269	9,875	352	58	10,285
Offsite food storage and equipment rental	9,828	304	-	10,132	9,253	3,307	-	12,560
Contract labor	-	-	-	-	10,000	-	75	10,075
Office supplies	4,633	3,933	244	8,810	3,931	2,765	818	7,514
Travel	5,642	365	-	6,007	413	-	-	413
Meetings and conferences	2,104	585	89	2,778	-	214	-	214
Marketing and printing	6,200	1,887	214	8,301	163	-	565	728
Meals and entertainment	-	1,182	50	1,232	119	351	92	561
Loss on uncollectible accounts and contributions	-	19,000	-	19,000	-	22,059	-	22,059
Total other expenses	3,578,548	353,179	335,546	4,267,273	2,837,313	301,106	410,379	3,548,798
Total expenses	\$ 23,370,389	\$ 353,179	\$ 335,546	\$ 24,059,114	\$ 23,512,560	\$ 301,106	\$ 410,379	\$ 24,224,045

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

Kansas Foodbank Warehouse, Inc.
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (729,524)	\$ 4,839,796
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Depreciation	368,282	375,065
Loss on uncollectible Capital Campaign contributions	19,000	-
Realized and unrealized (gain) loss on investments	589,185	(669,816)
Gain on disposition of assets	-	(400)
Donated securities included in support	(9,593)	-
Donated equipment included in support	-	(38,000)
PPP Loan forgiveness	-	(268,000)
(Increase) decrease in operating assets:		
Prepaid expenses	(5,341)	(9,744)
Accounts and contributions receivable, net	(66,449)	32,100
Inventory - food purchased	(28,923)	115,571
Inventory - donated food	639,644	(539,697)
Inventory - government programs	(66,395)	21,038
Increase (decrease) in operating liabilities:		
Accounts payable	94,859	30,976
Funds held for others	(29,299)	(79,977)
Accrued salaries and taxes	-	(33,614)
Deferred compensation payable	20,520	19,703
Other payables and accrued expenses	2,656	715
Refundable grant advances	622,240	-
Net cash provided by operating activities	1,420,862	3,795,717
Cash flows from investing activities:		
Purchases of investments	(1,215,850)	(2,906,617)
Proceeds from sale of certificate of deposit	-	2,573,889
Proceeds from sale of investments	1,083,142	2,214,738
Purchases of property and equipment	(309,961)	(211,819)
Proceeds from sale of property and equipment	-	400
Net cash provided (used) by investing activities	(442,669)	1,670,591
Cash flows from financing activities:		
Collection of contributions for Capital Campaign	35,750	165,100
Net cash provided by financing activities	35,750	165,100
Net increase in cash, restricted cash and cash equivalents	1,013,943	5,631,408
Cash, restricted cash and cash equivalents at beginning of year	11,985,004	6,353,596
Cash, restricted cash and cash equivalents at end of year	\$ 12,998,947	\$ 11,985,004
Reconciliation of Cash, Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 12,545,916	\$ 11,207,346
Cash restricted for capital campaign	453,031	777,658
	\$ 12,998,947	\$ 11,985,004
<u>Supplemental Disclosure of Cash Flow Information</u>		
Noncash reduction in debt for PPP loan forgiveness	\$ -	\$ 268,000

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

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021, were:

	<u>2022</u>	<u>2021</u>
Pounds of product solicited	8,492,775	9,858,070
Pounds of product purchased	3,823,130	4,363,988
Pounds of CSFP product	289,926	285,607
Pounds of TEFAP product	2,613,807	3,264,932
Pounds of TEFAP - Bonus product	468,070	603,614
Total pounds of product received	<u>15,687,708</u>	<u>18,376,211</u>
Pounds of product distributed	<u>15,492,259</u>	<u>18,804,483</u>

The Organization serves as a distribution center for the Federal program, The Emergency Food Assistance Program (TEFAP). Under this program, the Organization receives, stores, and distributes USDA donated product to other agencies. The Organization does not have variance power over the selection of designated agencies for the product received other than bonus product. Accordingly, the value of the food received and distributed for the portion of the program with no variance power is not included in the statement of activities.

Sources of cash revenues were as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
General contributions	72%	60%
Food purchases sales	20%	24%
Food 4 Kids contributions	6%	5%
Other	6%	3%
Shared maintenance fees	3%	1%
Investment income (loss)	-7%	7%

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Nature of Activities (Continued)

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

Effective January 1, 2022, Kansas Food Bank Foundation, Inc. (Foundation) was formed for the benefit of, to perform the function of, or to carry out the purposes of the Organization as a supporting organization under Section 509(a)(3) of the Internal Revenue Code. As of June 30, 2022, there was no activity in the Foundation.

Basis of Accounting

The Organization prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). 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.

Net assets without donor restrictions - Net assets that are not subject to or are no longer subject to donor-imposed restrictions. The Organization's board may designate assets without restrictions for specific purposes.

Net assets with donor restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Satisfaction or expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Change in Accounting Principle

Effective July 1, 2021, the Organization adopted ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard, which was applied retrospectively, did not have a material impact on the financial statements, with the exception of increased disclosure (see Note 10). The Organization did reclassify \$38,000 presented as contributions in the statement of activities for the year ended June 30, 2021 to contributed nonfinancial assets.

Revenue and Revenue Recognition

Donated food over which the Organization has control (i.e. variance power) is accounted for by weight throughout the fiscal year. Donated food, other than TEFAP and the Commodity Supplemental Food Program (CSFP) product is valued at year-end using the weighted average wholesale value per pound of food, as determined by an annual study performed by Feeding America (a national organization for food banks). The market value of one pound of food at June 30, 2022 and 2021, as determined by Feeding America (see Note 11), is \$1.92 and \$1.79, respectively. Donated TEFAP and CSFP product is valued at year-end based on values provided by the State of Kansas Department of Children and Families.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition (Continued)

Donated goods and services, other than donated food, are recorded at fair market value as of the date received and reported as expense when utilized or placed in service. The Organization did not monetize (sell) any donated goods and services and, unless otherwise noted, the contributions did not have donor restrictions.

Food purchased is sold to member agencies at cost plus certain freight costs. Donated food is distributed to member agencies at no charge. Instead, these member agencies reimburse the Organization a fee of up to \$.16 per pound to share in the cost of maintaining the warehouse. These fees are included in shared maintenance revenues.

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

The Organization reports gifts of equipment as support without donor restrictions 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 support with donor restrictions. 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.

Government funding includes federal grant revenue passed through the State of Kansas for food distribution contracts and grant revenue. Federal grant revenue is considered a contribution, with a barrier and a right of return. Grant revenue is recognized as eligible expenses are incurred. Food distribution contracts are considered exchange transactions for the storage and shipping facilitation services. Contract revenue is recognized as services are rendered.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these consolidated 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.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is organized as a Kansas nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is qualified to receive deductible charitable contributions under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation within the meaning of Section 509(a). The Foundation is qualified to receive deductible charitable contributions under Section 170, and has been determined not to be a private foundation under Sections 509(a). The Foundation is exempt under 509(a)(3). The Organization and Foundation are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization and the Foundation are subject to income tax on net income derived from unrelated business income. For the year ended June 30, 2022, the Organization and the Foundation did not incur any unrelated business income. The Organization and the Foundation believe that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization and the Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The federal exemption from income tax is recognized by state authorities. KFBW, LLC is considered a disregarded entity of the Organization and is included in the respective Form 990.

Cash & Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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. Inventory from the food purchase program is stated at the lower of cost or net realizable value, using the first-in, first-out method. Donated food is recorded at its estimated value per pound as described under Revenue and Revenue Recognition above.

Investments and Investment Income

Investments are stated at fair value. Unrealized and realized gains and losses are reported in the statement of activities. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

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 generally capitalizes items exceeding \$1,500 with a life in excess of one year. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	31 – 40 years
Building Improvements	10 – 40 years
Equipment and furnishings	5 – 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.

Funds Held for Others

The Organization may receive contributions that are to be used for specific entities as designated by the donor. This type of transaction is referred to as an agency transaction, in which the Organization has little or no control over the use of the assets received. The Organization records an asset and liability at the time the contribution is promised or received from the donor, and until such time as the Organization remits the contribution to the beneficiary.

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 and other occupancy expenses are allocated based on square footage.

Recent Accounting Pronouncements - Leases

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases* (Topic 842), that will supersede the current lease requirements. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending June 30, 2023, and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the consolidated financial statements has not yet been determined.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Reclassification

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

2. Fair Value Measurements

ASC 820, *Fair Value Measurement and Disclosures* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs were not available. There are no assets measured utilizing level 3 inputs as of June 30, 2022 and 2021.

Fair values of assets measured on a recurring basis at June 30, 2022, are as follows:

	Fair Value	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>June 30, 2022</u>				
Common stocks	\$ 575,862	\$ 575,862	\$ -	\$ -
Equity funds	1,992,765	1,992,765	-	-
Exchange traded funds	246,387	246,387	-	-
Treasury and federal agencies	177,957	-	177,957	-
Nongovernment obligations	248,252	-	248,252	-
Foreign obligations	2,567	-	2,567	-
Fixed income funds	516,256	516,256	-	-
Alternatives	38,781	38,781	-	-
Total	<u>\$ 3,798,827</u>	<u>\$ 3,370,051</u>	<u>\$ 428,776</u>	<u>\$ -</u>

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis at June 30, 2021, are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2021</u>				
Common stocks	\$ 700,163	\$ 700,163	\$ -	\$ -
Equity funds	2,186,493	2,186,493	-	-
Exchange traded funds	291,701	291,701	-	-
Treasury and federal agencies	146,358	-	146,358	-
Nongovernment obligations	175,142	-	175,142	-
Foreign obligations	48,051	-	48,051	-
Fixed income funds	655,930	655,930	-	-
Alternatives	41,873	41,873	-	-
Total	<u>\$ 4,245,711</u>	<u>\$ 3,876,160</u>	<u>\$ 369,551</u>	<u>\$ -</u>

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

3. Investments

Investments are stated at fair value and are summarized as follows at June 30, 2022 and 2021:

	Cost	Fair Value	Appreciation (Depreciation)
June 30, 2022			
Common stocks	\$ 525,263	\$ 575,862	\$ 50,599
Equity funds	1,991,637	1,992,765	1,128
Exchange traded funds	231,165	246,387	15,222
Treasury and federal agencies	183,561	177,957	(5,604)
Nongovernment obligations	212,609	248,252	35,643
Foreign obligations	2,670	2,567	(103)
Fixed income funds	616,653	516,256	(100,397)
Alternatives	41,573	38,781	(2,792)
Total investments at June 30, 2022	<u>\$ 3,805,131</u>	<u>\$ 3,798,827</u>	<u>\$ (6,304)</u>

	Cost	Fair Value	Appreciation (Depreciation)
June 30, 2021			
Common stocks	\$ 489,805	\$ 700,163	\$ 210,358
Equity funds	1,832,581	2,186,493	353,912
Exchange traded funds	252,585	291,701	39,116
Treasury and federal agencies	146,282	146,358	76
Nongovernment obligations	170,314	175,142	4,828
Foreign obligations	47,161	48,051	890
Fixed income funds	645,099	655,930	10,831
Alternatives	38,642	41,873	3,231
Total investments at June 30, 2021	<u>\$ 3,622,469</u>	<u>\$ 4,245,711</u>	<u>\$ 623,242</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2022 and 2021:

	2022	2021
Dividends and capital gains	\$ 148,333	\$ 53,146
Realized and unrealized gain (loss) on investments	(589,185)	682,376
Fees and taxes	(11,975)	(12,560)
Investment income (loss) per statement of activities	<u>\$ (452,827)</u>	<u>\$ 722,962</u>

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

4. Contributions Receivable For Capital Campaign

Contributions receivable for capital campaign consist of the following as of June 30, 2022 and 2021, respectively:

	2022		2021	
	Total	Net Present Value	Total	Net Present Value
Receivable in less than one year	\$ 4,000	\$ 4,000	\$ 58,750	\$ 58,750
Less allowance for uncollectible	-	-	-	-
Net unconditional promises to give	\$ 4,000	\$ 4,000	\$ 58,750	\$ 58,750

5. Property and Equipment

Property and equipment and related accumulated depreciation at June 30, 2022 and 2021, are summarized as follows:

	2022	2021
Land	\$ 1,069,485	\$ 1,069,485
Buildings and improvements	3,290,892	3,290,892
Volunteer Center	2,837,809	2,837,809
Equipment and furnishings	1,576,689	1,408,951
Vehicles	1,399,066	1,382,297
Construction in progress	125,454	-
	\$ 10,299,395	\$ 9,989,434
Less accumulated depreciation	3,591,519	3,223,237
	\$ 6,707,876	\$ 6,766,197

The Organization leases a portion of one of its buildings under an annual lease agreement that automatically renews unless one party provides at least 60 days' notice prior to the end of the renewal term. Annual rent income for the years ended June 30, 2022 and 2021 was \$12,000 and \$10,000, respectively.

6. Refundable Grant Advances

In June, 2022, the Organization was awarded and received a grant in the amount of \$217,240 for the purpose of acquiring a gently used refrigerated truck via a lease agreement to support its food distribution efforts. The Organization was also awarded and received a grant in June, 2022, in the amount of \$405,000 for the purpose of hiring and onboarding a fundraising staff lead or lead food sourcer. If the truck is not acquired or the position is not filled, the funds must be returned. As such a total of \$622,240 is included in the statement of financial position as refundable grant advances as of June 30, 2022.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

7. Board Designated Net Assets

The Board of Directors designated net assets without donor restrictions for the following purposes at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operations endowment	\$ 1,971,115	\$ 2,132,923
Facilities and equipment endowment	1,334,655	1,549,139
Volunteer Center	1,000,000	1,000,000
	<u>\$ 4,305,770</u>	<u>\$ 4,682,062</u>

8. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose:		
Capital campaign	\$ 457,031	\$ 603,397
Food 4 Kids	-	236,708
Mobile pantry	74,722	395,287
Hygiene Pantry	2,121	7,000
Summer feeding	36,080	-
Food security	-	65,956
Nutrition ranking	20,000	-
Food purchases and freight	302,744	-
Emergency generator	-	87,400
Freezer and cooler grants	9,819	139,870
Special events	1,175	-
	<u>903,692</u>	<u>1,535,618</u>
Subject to restriction in perpetuity:		
Endowment	208,518	250,000
Total net assets with donor restrictions	<u>\$ 1,112,210</u>	<u>\$ 1,785,618</u>

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

8. Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Releases during the years ended June 30, 2022 and 2021, consisted of the following:

	2022	2021
Disaster relief	\$ 3,500	\$ 1,029,717
Food 4 Kids	875,527	679,542
Capital campaign	146,366	-
Bob Box	18,669	2,960
Appropriated endowment earnings	-	48,549
Mobile pantry	350,564	21,327
Hygiene pantry	5,884	-
Filling the Gap	-	13,721
Food purchases and freight	219,443	23,836
Summer feeding	8,920	38,681
Food security	65,956	19,044
Emergency generator	87,400	5,600
Freezer and cooler grants	130,051	28,350
Special events	75	-
	\$ 1,912,355	\$ 1,911,327

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.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

9. Endowment (Continued)

Endowment net asset composition by type of fund as of June 30, 2022:

<u>Type of Endowment Fund</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 208,518	\$ 208,518
Board designated endowment funds	3,305,770	-	3,305,770
Total endowment net assets	<u>\$ 3,305,770</u>	<u>\$ 208,518</u>	<u>\$ 3,514,288</u>

Changes in endowment net assets for the year ended June 30, 2022:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,682,062	\$ 250,000	\$ 3,932,062
Transfers	91	-	91
Investment income	135,763	5,620	141,383
Expenses	(10,035)	(1,940)	(11,975)
Net appreciation (depreciation)	(502,111)	(45,162)	(547,273)
Endowment net assets, end of year	<u>\$ 3,305,770</u>	<u>\$ 208,518</u>	<u>\$ 3,514,288</u>

Endowment net asset composition by type of fund as of June 30, 2021:

<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	3,682,062	-	3,682,062
Total endowment net assets	<u>\$ 3,682,062</u>	<u>\$ 250,000</u>	<u>\$ 3,932,062</u>

Changes in endowment net assets for the year ended June 30, 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,525,651	\$ 250,000	\$ 2,775,651
Transfers	527,912	-	527,912
Investment income	90,107	4,584	94,691
Expenses	(10,815)	(1,745)	(12,560)
Net appreciation (depreciation)	500,658	45,710	546,368
Appropriated earnings	48,549	(48,549)	-
Endowment net assets, end of year	<u>\$ 3,682,062</u>	<u>\$ 250,000</u>	<u>\$ 3,932,062</u>

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

9. Endowment (Continued)

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. The Organization does not permit spending from its underwater endowments. As such, no appropriations were made from the endowment funds during the year ended June 30, 2022.

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 accounting principles generally accepted in the United States of America, deficiencies of this nature are reported as net assets with donor restrictions. At June 30, 2022, a fund with an original perpetual gift value of \$250,000, fair value of \$208,518, and deficiency of \$41,482 was reported in net assets with donor restrictions. There were no such deficiencies reported as of June 30, 2021.

10. Donated Food, Goods and Services

Donated food, and other goods and services used in program activities for the fiscal years ended June 30, 2022 and 2021, included in the financial statements, were as follows:

	2022	2021
Food, net of unusable product	\$ 16,609,953	\$ 17,761,423
Donated goods and services		
Equipment	-	38,000
Total donated food, goods and services	\$ 16,609,953	\$ 17,799,423

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

10. Donated Food, Goods and Services (Continued)

Food includes proteins, produce, dairy, bread and beverages as well as essential household and personal products and is reported at values determined as described under Revenue and Revenue Recognition in Note 1.

Equipment includes tangible property provided by donors to help defray the costs of those goods that would otherwise have been purchased. They are reported at estimated fair value based on current market rates for identical or similar items as determined by the donor.

The Organization also receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort has not been satisfied. The Organization has determined it is not practical to estimate a fair value for these services.

11. 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Pounds (unaudited) of food received	116,876	107,821
Share contribution paid	\$ 1,813	\$ 6,535
Dues paid	\$ 14,860	\$ -

12. 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 certain IRS limitations. The Organization provides a match of employees' contributions up to 4% of compensation. Employer contributions during the years ended June 30, 2022 and 2021, were \$24,746 and \$22,908, respectively.

13. 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, 2022 and 2021, the present value of the benefit was \$111,371 and \$90,851, respectively.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

14. Operating Leases

The Organization leases office equipment under varying agreements expiring through June 2027. The following is a schedule by years of future minimum rental payments required under operating leases for office equipment as of June 30, 2022:

<u>Year</u>	<u>Total</u>
2023	\$ 10,008
2024	10,008
2025	10,008
2026	10,008
2027	1,979
	<u>\$ 42,011</u>

Rent expense for the years ended June 30, 2022 and 2021, amounted to \$10,132 and \$12,560, respectively.

15. Concentration of Credit Risk

The Organization maintains cash accounts at two local financial institutions, 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.

16. Loan Payable

In April, 2020, the Organization applied for and was approved for a \$268,000 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The Organization applied for forgiveness with the lender and received forgiveness on December 7, 2020 and reflected the gain on extinguishment as PPP Loan forgiveness in the statement of activities.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

17. Availability and Liquidity of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use within one year of June 30, 2022 and 2021, because of contractual or 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.

	2022	2021
Cash and cash equivalents	\$ 12,545,916	\$ 11,207,346
Cash restricted for capital campaign	453,031	777,658
Accounts and contributions receivable, net, collected in less than one year	250,228	183,779
Contributions receivable	4,000	58,750
Investments	3,798,827	4,245,711
Total financial assets, excluding noncurrent receivables	17,052,002	16,473,244
Contractual or donor-imposed restrictions:		
Donor restricted for purpose	(903,692)	(1,535,618)
Donor restricted in perpetuity	(208,518)	(250,000)
Board designations	(4,305,770)	(4,682,062)
Financial assets available to meet cash needs for general expenditures within one year	\$ 11,634,022	\$ 10,005,564

As part of its liquidity plan, excess cash may be 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.

18. Subsequent Events

The Organization has evaluated subsequent events through January 27, 2023, the date which the consolidated financial statements were available to be issued.

In December, 2022, the KFBW, LLC entered an agreement to purchase a building in Garden City, Kansas for \$1.4 million to provide warehouse and delivery services. The agreement is currently anticipated to close in March, 2023.

Supplementary Information

Kansas Foodbank Warehouse, Inc.
Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

Federal Grantor Pass-through Grantor Program Title	Assistance Listing Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
<u>Child Nutrition Cluster</u>			
Kansas State Department of Education			
Summer Food Service Program for Children	10.559		<u>\$ 210,009</u>
<u>Food Distribution Cluster</u>			
Kansas Department for Children and Families			
Commodity Supplemental Food Program - Administrative Costs	10.565	2017-CSFP-KFB & EES-2022- CSFP-03	67,210
Commodity Supplemental Food Program - Food Commodities	10.565	2017-CSFP-KFB & EES-2022- CSFP-03	292,597
Total Commodity Supplemental Food Program			<u>359,807</u>
Kansas Department for Children and Families			
Emergency Food Assistance Program - Administrative Costs	10.568	52390	45,100
Emergency Food Assistance Program - Food Commodities	10.569	52390	601,345
Total Emergency Food Assistance Program			<u>646,445</u>
Total Food Distribution Cluster			<u>1,006,252</u>
Total United States Department of Agriculture			<u>1,216,261</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,216,261</u></u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Kansas Foodbank Warehouse, Inc.
Notes to the Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

Note 1. 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, 2022. 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 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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

**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***

Independent Auditor's Report

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 consolidated financial statements of Kansas Foodbank Warehouse, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 27, 2023.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kansas Foodbank Warehouse, Inc.'s consolidated 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 consolidated 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 Kansas Foodbank Warehouse, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kansas Foodbank Warehouse, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rejiv Carr & Monroe LLP

January 27, 2023
Wichita, Kansas

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited Kansas Foodbank Warehouse, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Kansas Foodbank Warehouse, Inc.'s major federal program for the year ended June 30, 2022. The Kansas Foodbank Warehouse, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Kansas Foodbank Warehouse, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Rejin Carr & Monroe LLP

January 27, 2023
Wichita, Kansas

Kansas Foodbank Warehouse, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION I – Summary of Auditor’s Results

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?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

Federal Awards

Internal control over major federal programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> 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)?	<u> </u> Yes	<u> X </u> No	

Identification of major federal programs:

<u>Assistance Listing 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
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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Kansas Foodbank Warehouse, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION II – Financial Statement Findings

No reportable matters.

SECTION III – Major Federal Award Findings and Questioned Costs

No reportable matters.

Kansas Foodbank Warehouse, Inc.
Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

SECTION II – Financial Statement Findings

No reportable matters.

SECTION III – Major Federal Award Findings and Questioned Costs

No reportable matters.

EL DORADO	117 W. CENTRAL AVE	EL DORADO, KS 67042-0847	316-321-1150
TUCSON	4801 E. BROADWAY BLVD., STE. 501	TUCSON, AZ 85711-3648	520-624-8229
TULSA	4200 E. SKELLY DR., STE. 560	TULSA, OK 74135-3209	918-494-8700
WAGONER	509 S. MCQUARRIE AVE	WAGONER, OK 74467-6223	918-485-5531
WICHITA	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2914	316-264-2335