

Kansas Foodbank Warehouse, Inc.

Independent Auditor's Report

And

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

June 30, 2023 and 2022

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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 subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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 subsidiaries as of June 30, 2023 and 2022, 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 audits 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 subsidiaries 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 subsidiaries' 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 consolidated 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 consolidated 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 consolidated 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 subsidiaries. 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 consolidated 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 subsidiaries' 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 February 7, 2024, on our consideration of Kansas Foodbank Warehouse, Inc. and its subsidiaries' 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 and its subsidiaries' 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 subsidiaries' internal control over financial reporting and compliance.

Rejiv Carr & Monroe LLP

February 7, 2024
Wichita, Kansas

Kansas Foodbank Warehouse, Inc.
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,127,952	\$ 12,545,916
Prepaid expenses	115,476	89,811
Investments	13,260,063	3,798,827
Accounts and contributions receivable, net of allowance for uncollectible accounts of \$1,000 (\$1,000 for 2022)	370,554	250,228
Contributions receivable for Capital Campaign, net of allowance for uncollectible accounts of \$-0- (\$-0- for 2022)	4,000	4,000
Inventory - food purchased	469,735	520,895
Inventory - donated food	1,100,292	677,177
Inventory - government programs	88,023	129,928
Cash restricted for capital campaign	240,564	453,031
Finance lease right-of-use asset	134,946	-
Property and equipment - net of accumulated depreciation of \$3,930,738 (\$3,591,519 for 2022)	8,465,143	6,707,876
	\$ 27,376,748	\$ 25,177,689
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 56,175	\$ 209,089
Funds held for others	114,874	27,069
Other payables and accrued expenses	3,999	3,371
Refundable grant advances	370,921	622,240
Deferred compensation payable	132,733	111,371
Total liabilities	678,702	973,140
Net assets		
Without donor restrictions	21,273,337	18,786,569
Without donor restrictions - board designated	4,589,964	4,305,770
Total net assets without donor restrictions	25,863,301	23,092,339
With donor restrictions	834,745	1,112,210
Total net assets	26,698,046	24,204,549
Total liabilities and net assets	\$ 27,376,748	\$ 25,177,689

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, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Donated food	\$ 20,732,824	\$ -	\$ 20,732,824	\$ 17,256,487	\$ -	\$ 17,256,487
Less - unusable product	(617,780)	-	(617,780)	(646,534)	-	(646,534)
Net donated food	20,115,044	-	20,115,044	16,609,953	-	16,609,953
Food purchase program	2,051,037	-	2,051,037	1,367,445	-	1,367,445
Shared maintenance	242,841	-	242,841	166,601	-	166,601
Contributions and grants	3,813,334	2,552,049	6,365,383	3,979,954	1,280,429	5,260,383
Government funding	458,616	-	458,616	322,320	-	322,320
Interest income	32,305	-	32,305	26,550	-	26,550
Investment income (loss)	428,811	19,441	448,252	(411,345)	(41,482)	(452,827)
Gain on disposition of asset	200	-	200	-	-	-
Other revenue	22,818	-	22,818	29,165	-	29,165
Total revenue	27,165,006	2,571,490	29,736,496	22,090,643	1,238,947	23,329,590
Net assets released from restrictions	2,848,955	(2,848,955)	-	1,912,355	(1,912,355)	-
Expenses						
Program services						
Donated food distributed	19,733,834	-	19,733,834	17,091,932	-	17,091,932
Cost of purchased food distributed	3,087,056	-	3,087,056	2,699,909	-	2,699,909
Purchased produce (VAP)	522,337	-	522,337	783,954	-	783,954
Other program service expenses	3,251,031	-	3,251,031	2,794,594	-	2,794,594
Total program services expense	26,594,258	-	26,594,258	23,370,389	-	23,370,389
Supporting activities						
Administrative	273,345	-	273,345	353,179	-	353,179
Fund-raising	375,396	-	375,396	335,546	-	335,546
Total expenses	27,242,999	-	27,242,999	24,059,114	-	24,059,114
Change in net assets	2,770,962	(277,465)	2,493,497	(56,116)	(673,408)	(729,524)
Net assets, beginning of year	23,092,339	1,112,210	24,204,549	23,148,455	1,785,618	24,934,073
Net assets, end of year	\$ 25,863,301	\$ 834,745	\$ 26,698,046	\$ 23,092,339	\$ 1,112,210	\$ 24,204,549

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, 2023 and 2022

	2023			2022		
	Supporting Activities		Total	Supporting Activities		Total
	Program Services	Administrative Fundraising		Program Services	Administrative Fundraising	
Donated food distributed	\$ 19,733,834	\$ -	\$ 19,733,834	\$ 17,091,932	\$ -	\$ 17,091,932
Cost of purchased food distributed	3,087,056	-	3,087,056	2,699,909	-	2,699,909
Purchased produce (VAP)	522,337	-	522,337	783,954	-	783,954
Other expenses						
Salaries	1,200,157	124,984	1,439,633	1,002,488	159,451	1,235,897
Payroll taxes	91,067	9,308	109,000	79,102	12,582	97,520
Employee benefits	313,203	17,012	348,157	304,247	46,151	364,659
Retirement	21,838	5,034	31,189	19,068	3,282	24,746
Amortization of right-of-use asset	30,294	-	30,294	-	-	-
Depreciation	329,148	15,471	344,619	358,919	9,363	368,282
Direct mail	61,867	-	61,867	55,515	238,332	293,847
Utilities	142,494	-	142,494	145,385	-	145,385
Vehicle expense	149,377	-	149,377	105,567	-	105,567
Warehouse and other supplies	158,858	-	158,858	214,874	-	214,874
Insurance	97,805	3,025	100,830	82,857	8,303	91,160
Freight	223,321	-	223,321	148,167	-	148,167
Regional development and rural delivery	131,008	-	131,008	94,941	-	94,941
Postage	12,750	4,700	17,500	13,584	4,968	18,677
Computer maintenance	78,730	-	78,730	82,594	125	52,399
Accounting and legal fees	24,739	3,864	49,478	44,649	7,750	45,483
Equipment repair	44,791	1,331	46,122	-	45,483	20,124
Taxes	3,159	-	3,159	20,124	-	14,143
Association dues and subscriptions	15,698	1,317	17,015	10,699	3,444	16,265
Building maintenance and repair	39,488	18,074	57,562	14,860	1,405	40,533
Telephone	7,114	203	7,452	17,041	23,492	7,269
Office equipment	9,688	299	9,987	6,979	249	10,132
Contract labor	21,282	-	21,282	9,828	304	-
Office supplies	6,394	2,056	8,725	-	-	8,810
Travel	7,578	293	9,559	4,633	3,933	6,007
Meetings and conferences	20,578	3,954	27,239	5,642	365	2,778
Marketing and printing	298	14,480	14,778	2,104	585	8,301
Meals and entertainment	50	294	344	6,200	1,887	214
Miscellaneous expense	8,257	23,126	31,383	-	1,182	50
Loss on uncollectible accounts/contributions	-	3,645	3,645	27,121	-	27,121
Total other expenses	3,251,031	273,345	3,899,772	2,794,594	353,179	3,483,319
Total expenses	\$ 26,594,258	\$ 273,345	\$ 27,242,999	\$ 23,370,389	\$ 353,179	\$ 24,059,114

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, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 2,493,497	\$ (729,524)
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Amortization of right-of-use asset	30,294	-
Depreciation	344,619	368,282
Loss on uncollectible Capital Campaign contributions	-	19,000
Realized and unrealized (gain) loss on investments	(232,078)	589,185
Gain on disposition of assets	(200)	-
Donated securities included in support	(67,713)	(9,593)
Contributions restricted for long-term assets	(1,000,000)	-
(Increase) decrease in operating assets:		
Prepaid expenses	(25,665)	(5,341)
Accounts and contributions receivable, net	(120,326)	(66,449)
Inventory - food purchased	51,160	(28,923)
Inventory - donated food	(423,115)	639,644
Inventory - government programs	41,905	(66,395)
Increase (decrease) in operating liabilities:		
Accounts payable	(152,914)	94,859
Funds held for others	87,805	(29,299)
Deferred compensation payable	21,362	20,520
Other payables and accrued expenses	628	2,656
Refundable grant advances	(251,319)	622,240
Net cash provided by operating activities	797,940	1,420,862
Cash flows from investing activities:		
Purchases of investments	(20,447,595)	(1,215,850)
Proceeds from sale of investments	11,286,150	1,083,142
Purchases of property and equipment	(2,101,886)	(309,961)
Proceeds from sale of property and equipment	200	-
Net cash provided (used) by investing activities	(11,263,131)	(442,669)
Cash flows from financing activities:		
Contributions restricted for long-term assets	1,000,000	-
Collection of contributions for Capital Campaign	-	35,750
Prepayment of finance lease	(165,240)	-
Net cash provided by financing activities	834,760	35,750
Net increase (decrease) in cash, restricted cash and cash equivalents	(9,630,431)	1,013,943
Cash, restricted cash and cash equivalents at beginning of year	12,998,947	11,985,004
Cash, restricted cash and cash equivalents at end of year	\$ 3,368,516	\$ 12,998,947
Reconciliation of Cash, Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 3,127,952	\$ 12,545,916
Cash restricted for capital campaign	240,564	453,031
	\$ 3,368,516	\$ 12,998,947

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

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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 subsidiaries, KFBW, LLC and Kansas Food Bank Foundation, Inc. (collectively the Organization). All material intercompany transactions have been eliminated.

Nature of Activities

Kansas Foodbank Warehouse, Inc. 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. KFBW, LLC was organized in 2009 primarily for the purpose of acquiring and holding real and personal property. 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.

The Organization distributes 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, 2023 and 2022, were:

	2023	2022
Pounds of product solicited	10,201,079	8,492,775
Pounds of product purchased	3,181,798	3,823,130
Pounds of CSFP product	331,074	289,926
Pounds of TEFAP product	1,309,853	2,613,807
Pounds of TEFAP - Bonus product	752,178	468,070
Total pounds of product received	15,775,982	15,687,708
Pounds of product distributed	16,550,225	15,492,259

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.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Nature of Activities (Continued)

Sources of cash revenues were as follows for the years ended June 30, 2023 and 2022:

	2023	2022
General contributions	63%	72%
Food purchases sales	21%	20%
Food 4 Kids contributions	3%	6%
Government funding	5%	5%
Other	0%	1%
Shared maintenance fees	3%	3%
Investment income (loss)	5%	-7%

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

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.

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, 2023 and 2022, as determined by Feeding America (see Note 11), is \$1.93 and \$1.92, 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, 2023 and 2022

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, 2023 and 2022

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, 2023, 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, 2023 and 2022

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	10 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.

Change in Accounting Principle - Leases

Effective July 1, 2022, the Organization adopted ASU 2016-02, *Leases (Topic 842)* and has elected to apply the changes retrospectively at the beginning of the period of adoption, July 1, 2022. 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 are classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Previously, leases were classified as either capital or operating with only capital lease obligations recognized on the statement of financial position. Lessor accounting under this standard remains similar to lessor accounting under previous GAAP. The reporting of lease-related expenses in the statements of activities and cash flows is generally consistent with the previous guidance. The Organization has elected to adopt the package of practical expedients in relation to its contracts and leases existing at the transition date and has also elected the short-term lease exemption. The Organization has also made policy elections to not separate lease and non-lease components and to use the risk-free discount rate for the vehicle asset class.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022.

Fair values of assets measured on a recurring basis at June 30, 2023, 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, 2023</u>				
Money market mutual funds	\$ 4,128,403	\$ 4,128,403	\$ -	\$ -
Equity funds	3,151,415	3,151,415	-	-
Treasury and federal agencies	2,641,470	-	2,641,470	-
Nongovernment obligations	2,928,087	-	2,928,087	-
Fixed income funds	368,736	368,736	-	-
Alternatives	41,952	41,952	-	-
Total	<u>\$ 13,260,063</u>	<u>\$ 7,690,506</u>	<u>\$ 5,569,557</u>	<u>\$ -</u>

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. Fair Value Measurements (Continued)

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>

3. Investments

Investments are stated at fair value and are summarized as follows at June 30, 2023:

	Cost	Fair Value	Appreciation (Depreciation)
<u>June 30, 2023</u>			
Money market mutual funds	\$ 4,128,403	\$ 4,128,403	\$ -
Equity funds	2,836,771	3,151,415	314,644
Treasury and federal agencies	2,589,861	2,641,470	51,609
Nongovernment obligations	2,928,898	2,928,087	(811)
Fixed income funds	395,333	368,736	(26,597)
Alternatives	43,136	41,952	(1,184)
Total investments at June 30, 2023	<u>\$ 12,922,402</u>	<u>\$ 13,260,063</u>	<u>\$ 337,661</u>

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
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3. Investments

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

	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	\$ 3,805,131	\$ 3,798,827	\$ (6,304)

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2023 and 2022:

	2023	2022
Dividends and capital gains	\$ 241,080	\$ 148,333
Realized and unrealized gain (loss) on investments	232,078	(589,185)
Fees and taxes	(24,906)	(11,975)
Investment income (loss) per statement of activities	\$ 448,252	\$ (452,827)

4. Contributions Receivable For Capital Campaign

Contributions receivable for capital campaign consist of the following as of June 30, 2023 and 2022, respectively:

	2023		2022	
	Total	Net Present Value	Total	Net Present Value
Receivable in less than one year	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
Less allowance for uncollectible	-	-	-	-
Net contributions receivable	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
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5. Property and Equipment

Property and equipment and related accumulated depreciation at June 30, 2023 and 2022, are summarized as follows:

	2023	2022
Land	\$ 1,069,485	\$ 1,069,485
Buildings and improvements	3,670,028	3,290,892
Volunteer Center	2,837,809	2,837,809
Equipment and furnishings	1,591,734	1,576,689
Vehicles	1,532,241	1,399,066
Construction in progress	1,694,584	125,454
	<u>\$ 12,395,881</u>	<u>\$ 10,299,395</u>
Less accumulated depreciation	3,930,738	3,591,519
	<u>\$ 8,465,143</u>	<u>\$ 6,707,876</u>

6. Refundable Grant Advances

The Organization may receive grant funds that are subject to a barrier and a right of return. These funds are recorded as a refundable grant advance until such time as eligible expenses are incurred and revenue can be recognized. The following table provides information about significant changes in refundable grant advances for the years ended June 30:

	2023	2022
Refundable grant advances, beginning of year	\$ 622,240	\$ -
Revenue recognized that was included in refundable advances at the beginning of year		
Food distribution	(217,240)	-
Fundraising staff	(81,072)	-
Increase in refundable advances due to cash received during the period		
Food distribution	-	217,240
Fundraising staff	-	405,000
Donor Service Insights	125,000	-
Revenue recognized from cash received during the period		
Donor Service Insights	(78,007)	-
Total refundable grant advances, end of year	<u>\$ 370,921</u>	<u>\$ 622,240</u>

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
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7. Board Designated Net Assets

The Board of Directors designated net assets without donor restrictions for the following purposes at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operations endowment	\$ 2,144,624	\$ 1,971,115
Facilities and equipment endowment	1,445,340	1,334,655
Volunteer Center	1,000,000	1,000,000
	<u>\$ 4,589,964</u>	<u>\$ 4,305,770</u>

8. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose:		
Capital campaign	\$ 240,564	\$ 457,031
Mobile pantry	32,052	74,722
Hygiene Pantry	-	2,121
Summer Feeding	-	36,080
Filling the Gap	40,563	-
Food is Medicine	6,904	-
Nutrition ranking	-	20,000
Food purchases and freight	174,077	302,744
Technology	112,626	-
Freezer and cooler grants	-	9,819
Special events	-	1,175
	<u>606,786</u>	<u>903,692</u>
Subject to restriction in perpetuity:		
Endowment	<u>227,959</u>	<u>208,518</u>
Total net assets with donor restrictions	<u>\$ 834,745</u>	<u>\$ 1,112,210</u>

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
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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, 2023 and 2022, consisted of the following:

	2023	2022
Disaster relief	\$ -	\$ 3,500
Food 4 Kids	718,928	875,527
Capital campaign	216,467	146,366
Bob Box	18,669	18,669
Mobile pantry	45,471	350,564
Hygiene pantry	2,121	5,884
Summer Feeding	36,080	8,920
Filling the Gap	39,440	-
Food is Medicine	8,096	-
Nutrition ranking	20,000	-
Food purchases and freight	302,847	219,443
Food distribution	217,240	-
Technology	12,375	-
Food security	-	65,956
Fundraising staff	81,072	-
Donor Service Insights	78,007	-
Emergency generator	-	87,400
Freezer and cooler grants	9,819	130,051
Building acquisition	1,000,000	-
Other	42,323	75
	<u>\$ 2,848,955</u>	<u>\$ 1,912,355</u>

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.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
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9. Endowment (Continued)

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, 2023:

<u>Type of Endowment Fund</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 227,959	\$ 227,959
Board designated endowment funds	3,589,964	-	3,589,964
Total endowment net assets	<u>\$ 3,589,964</u>	<u>\$ 227,959</u>	<u>\$ 3,817,923</u>

Changes in endowment net assets for the year ended June 30, 2023:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,305,770	\$ 208,518	\$ 3,514,288
Investment income	108,084	5,494	113,578
Expenses	(11,641)	(2,045)	(13,686)
Net appreciation (depreciation)	187,751	15,992	203,743
Endowment net assets, end of year	<u>\$ 3,589,964</u>	<u>\$ 227,959</u>	<u>\$ 3,817,923</u>

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>

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
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9. Endowment (Continued)

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

	Without donor restrictions	With donor restrictions	Total
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>

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 stay in a range of 50% to 80% and that total fixed investments stay in a range of 20% to 50% 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 years ended June 30, 2023 and 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, 2023, a fund with an original perpetual gift value of \$250,000, fair value of \$227,959, and deficiency of \$22,041 was reported in 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.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
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10. Donated Food, Goods and Services

Donated food, and other goods and services used in program activities for the fiscal years ended June 30, 2023 and 2022, included in the financial statements, were as follows:

	2023	2022
Food, net of unusable product	\$ 20,115,044	\$ 16,609,953

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, 2023 and 2022:

	2023	2022
Pounds (unaudited) of food received	246,391	116,876
Share contribution paid	\$ 7,363	\$ 1,813
Dues paid	\$ 14,860	\$ 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, 2023 and 2022, were \$31,189 and \$24,746, respectively.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
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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, 2023 and 2022, the present value of the benefit was \$132,733 and \$111,371, respectively.

14. Lease

In August, 2022, the Organization leased a vehicle under a long-term non-cancelable finance lease agreement that expires in July, 2027 and includes an option to purchase the vehicle at that time for one dollar. The Organization prepaid all future lease payments at the commencement date, therefore, a lease liability is not presented and a discount rate was not required for the year ended June 30, 2023.

Total lease cost for the year ended June 30, 2023:

Finance lease cost	
Amortization of ROU assets	\$ 30,294

The following summarizes the supplemental cash flow information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Financing cash flows from finance leases	\$ 165,240
Right-of-use assets obtained in exchange for lease liabilities	
Finance leases	\$ 165,240

The weighted-average remaining lease term in years for the finance lease is 4.08 at June 30, 2023.

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.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
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15. Concentration of Credit Risk (Continued)

The Organization maintains its investments with three 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. Commitments and Contingencies

The Organization acquired a building in Garden City, Kansas during the year ended June 30, 2023 for purposes of providing additional storage and distribution facilities to better serve western Kansas. As part of the preparation of the building for these services, the Organization has entered into construction contracts totaling approximately \$2.7 million. Expenses totaling approximately \$300,000 were incurred against these contracts during the year ended June 30, 2023, resulting in approximately \$2.4 million remaining commitments. A significant portion of these commitments will be funded by contributions and grants, including federal awards.

The Organization receives funds under various federal and state grant programs and such assistance is to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of noncompliance. Management believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.

17. Availability and Liquidity of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use within one year of June 30, 2023 and 2022, 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.

	2023	2022
Cash and cash equivalents	\$ 3,127,952	\$ 12,545,916
Cash restricted for capital campaign	240,564	453,031
Accounts and contributions receivable, net, collected in less than one year	370,554	250,228
Contributions receivable for capital campaign	4,000	4,000
Investments	<u>13,260,063</u>	<u>3,798,827</u>
Total financial assets, excluding noncurrent receivables	17,003,133	17,052,002
Contractual or donor-imposed restrictions:		
Donor restricted for purpose	(606,786)	(903,692)
Donor restricted in perpetuity	(227,959)	(208,518)
Board designations	<u>(4,589,964)</u>	<u>(4,305,770)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,578,424</u>	<u>\$ 11,634,022</u>

Kansas Foodbank Warehouse, Inc.
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17. Availability and Liquidity of Financial Assets (Continued)

As part of its liquidity plan, excess cash may be invested in short-term certificates of deposit or money market funds.

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 February 7, 2024, the date which the consolidated financial statements were available to be issued.