

Kansas Foodbank Warehouse, Inc.

Independent Auditor's Report

And

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

June 30, 2024 and 2023



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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, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 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 consolidated 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' internal control. 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 December 30, 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

December 30, 2024
Wichita, Kansas

Kansas Foodbank Warehouse, Inc.
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,672,031	\$ 3,127,952
Prepaid expenses	137,096	115,476
Investments	14,330,561	13,260,063
Accounts receivable, net of allowance for uncollectible accounts of \$1,000 (\$1,000 for 2023)	151,635	152,820
Contributions receivable for capital campaign, net of allowance for uncollectible accounts of \$-0- (\$-0- for 2023)	179,000	4,000
Grants Receivable	547,341	217,734
Inventory - food purchased	515,275	469,735
Inventory - donated food	789,515	1,100,292
Inventory - government programs	52,454	88,023
Cash restricted for capital campaign	775,742	240,564
Finance lease right-of-use asset	101,898	134,946
Property and equipment - net of accumulated depreciation of \$4,286,223 (\$3,930,738 for 2023)	10,935,536	8,465,143
Total assets	\$ 31,188,084	\$ 27,376,748
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 141,211	\$ 56,175
Funds held for others	67,740	114,874
Other payables and accrued expenses	6,052	3,999
Refundable grant advances	338,928	370,921
Deferred compensation payable	154,964	132,733
Total liabilities	708,895	678,702
Net assets		
Without donor restrictions	24,024,988	21,273,337
Without donor restrictions - board designated	5,091,356	4,589,964
Total net assets without donor restrictions	29,116,344	25,863,301
With donor restrictions	1,362,845	834,745
Total net assets	30,479,189	26,698,046
Total liabilities and net assets	\$ 31,188,084	\$ 27,376,748

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, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Donated food	\$ 21,733,394	\$ -	\$ 21,733,394	\$ 20,732,824	\$ -	\$ 20,732,824
Less - unusable product	(506,325)	-	(506,325)	(617,780)	-	(617,780)
Net donated food	21,227,069	-	21,227,069	20,115,044	-	20,115,044
Food purchase program	2,366,300	-	2,366,300	2,051,037	-	2,051,037
Shared maintenance	238,096	-	238,096	242,841	-	242,841
Contributions and grants	3,538,147	3,417,062	6,955,209	3,813,334	2,552,049	6,365,383
Government funding	3,089,134	-	3,089,134	458,616	-	458,616
Interest income	33,605	-	33,605	32,305	-	32,305
Investment income	1,050,733	27,420	1,078,153	428,811	19,441	448,252
Gain on disposition of asset	-	-	-	200	-	200
Other revenue	24,031	-	24,031	22,818	-	22,818
Total revenue	31,567,115	3,444,482	35,011,597	27,165,006	2,571,490	29,736,496
Net assets released from restrictions	2,916,382	(2,916,382)	-	2,848,955	(2,848,955)	-
Expenses						
Program services						
Donated food distributed	21,482,140	-	21,482,140	19,733,834	-	19,733,834
Cost of purchased food distributed	4,811,050	-	4,811,050	3,087,056	-	3,087,056
Purchased produce (VAP)	762,668	-	762,668	522,337	-	522,337
Other program service expenses	3,396,237	-	3,396,237	3,251,031	-	3,251,031
Total program services expense	30,452,095	-	30,452,095	26,594,258	-	26,594,258
Supporting activities						
Administrative	408,433	-	408,433	273,345	-	273,345
Fund-raising	369,926	-	369,926	375,396	-	375,396
Total expenses	31,230,454	-	31,230,454	27,242,999	-	27,242,999
Change in net assets	3,253,043	528,100	3,781,143	2,770,962	(277,465)	2,493,497
Net assets, beginning of year	25,863,301	834,745	26,698,046	23,092,339	1,112,210	24,204,549
Net assets, end of year	\$ 29,116,344	\$ 1,362,845	\$ 30,479,189	\$ 25,863,301	\$ 834,745	\$ 26,698,046

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, 2024 and 2023

	2024				2023			
	Program	Supporting Activities		Total	Program	Supporting Activities		Total
	Services	Administrative	Fundraising		Services	Administrative	Fundraising	
Donated food distributed	\$ 21,482,140	\$ -	\$ -	\$ 21,482,140	\$ 19,733,834	\$ -	\$ -	\$ 19,733,834
Cost of purchased food distributed	4,811,050	-	-	4,811,050	3,087,056	-	-	3,087,056
Purchased produce (VAP)	762,668	-	-	762,668	522,337	-	-	522,337
Other expenses								
Salaries	1,273,577	209,751	85,062	1,568,390	1,200,157	124,984	114,492	1,439,633
Payroll taxes	97,086	15,989	6,484	119,559	91,067	9,308	8,625	109,000
Employee benefits	353,538	45,825	13,777	413,140	313,203	17,012	17,942	348,157
Retirement	26,449	4,356	1,766	32,571	21,838	5,034	4,317	31,189
Amortization of right-of-use asset	33,048	-	-	33,048	30,294	-	-	30,294
Depreciation	339,635	15,850	-	355,485	329,148	15,471	-	344,619
Direct mail	57,194	-	255,379	312,573	61,867	-	221,301	283,168
Utilities	127,296	-	-	127,296	142,494	-	-	142,494
Vehicle expense	191,899	-	-	191,899	149,377	-	-	149,377
Warehouse and other supplies	150,661	-	-	150,661	158,858	-	-	158,858
Insurance	112,447	3,551	2,367	118,365	97,805	3,025	-	100,830
Freight	184,421	-	-	184,421	223,321	-	-	223,321
Regional development and rural delivery	116,798	-	-	116,798	131,008	-	-	131,008
Postage	15,700	3,100	-	18,800	12,750	4,700	50	17,500
Computer maintenance	113,128	9,624	2,883	125,635	78,730	-	3,864	82,594
Accounting and legal fees	2,205	56,038	-	58,243	24,739	24,739	-	49,478
Equipment repair	17,671	773	-	18,444	44,791	1,331	-	46,122
Taxes	27,850	-	-	27,850	3,159	-	-	3,159
Association dues and subscriptions	7,172	2,056	340	9,568	15,698	1,317	-	17,015
Building maintenance and repair	48,703	6,963	-	55,666	39,488	18,074	-	57,562
Telephone and internet	7,734	244	163	8,141	7,114	203	135	7,452
Office equipment	12,851	303	-	13,154	9,688	299	-	9,987
Contract labor	20,803	-	-	20,803	21,282	-	-	21,282
Office supplies	8,776	3,198	496	12,470	6,394	2,056	275	8,725
Travel	25,396	225	19	25,640	7,578	293	1,688	9,559
Meetings and conferences	12,996	410	274	13,680	20,578	3,954	2,707	27,239
Marketing and printing	2,575	6,578	192	9,345	298	14,480	-	14,778
Meals and entertainment	2,441	77	51	2,569	50	294	-	344
Miscellaneous expense	6,187	22,974	673	29,834	8,257	23,126	-	31,383
Interest expense	-	548	-	548	-	-	-	-
Loss on uncollectible accounts/contributions	-	-	-	-	-	3,645	-	3,645
Total other expenses	3,396,237	408,433	369,926	4,174,596	3,251,031	273,345	375,396	3,899,772
Total expenses	\$ 30,452,095	\$ 408,433	\$ 369,926	\$ 31,230,454	\$ 26,594,258	\$ 273,345	\$ 375,396	\$ 27,242,999

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, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 3,781,143	\$ 2,493,497
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Amortization of right-of-use asset	33,048	30,294
Depreciation	355,485	344,619
Noncash interest income on U.S. Treasury securities	(126,167)	-
Realized and unrealized (gain) loss on investments	(462,806)	(232,078)
Gain on disposition of assets	-	(200)
Donated securities included in support	(16,313)	(67,713)
Contributions restricted for long-term assets	(2,350,500)	(1,000,000)
(Increase) decrease in operating assets:		
Prepaid expenses	(21,620)	(25,665)
Accounts receivable, net	1,185	(34,142)
Grants receivable	(329,607)	(86,184)
Inventory - food purchased	(45,540)	51,160
Inventory - donated food	310,777	(423,115)
Inventory - government programs	35,569	41,905
Increase (decrease) in operating liabilities:		
Accounts payable	85,036	(152,914)
Funds held for others	(47,134)	87,805
Deferred compensation payable	22,231	21,362
Other payables and accrued expenses	2,053	628
Refundable grant advances	(31,993)	(251,319)
Net cash provided by operating activities	1,194,847	797,940
Cash flows from investing activities:		
Purchases of investments	(9,330,890)	(20,447,595)
Proceeds from sale of investments	8,865,678	11,286,150
Purchases of property and equipment	(2,825,878)	(2,101,886)
Proceeds from sale of property and equipment	-	200
Net cash provided (used) by investing activities	(3,291,090)	(11,263,131)
Cash flows from financing activities:		
Contributions restricted for long-term assets	2,350,500	1,000,000
Increase in pledges receivable for capital campaign	(175,000)	-
Prepayment of finance lease	-	(165,240)
Net cash provided by financing activities	2,175,500	834,760
Net increase (decrease) in cash, restricted cash and cash equivalents	79,257	(9,630,431)
Cash, restricted cash and cash equivalents at beginning of year	3,368,516	12,998,947
Cash, restricted cash and cash equivalents at end of year	\$ 3,447,773	\$ 3,368,516
Reconciliation of Cash, Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 2,672,031	\$ 3,127,952
Cash restricted for capital campaign	775,742	240,564
	\$ 3,447,773	\$ 3,368,516

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

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023, were:

	<u>2024</u>	<u>2023</u>
Pounds of product solicited	10,872,605	10,201,079
Pounds of product purchased	4,224,786	3,181,798
Pounds of CSFP product	303,351	331,074
Pounds of TEFAP product	1,993,325	1,309,853
Pounds of TEFAP - Bonus product	<u>1,554</u>	<u>752,178</u>
Total pounds of product received	<u><u>17,395,621</u></u>	<u><u>15,775,982</u></u>
Pounds of product distributed	<u><u>18,444,356</u></u>	<u><u>16,550,225</u></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.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

Nature of Activities (Continued)

Sources of cash revenues were as follows for the years ended June 30, 2024 and 2023:

	2024	2023
General contributions	31%	53%
Food purchases sales	17%	21%
Food 4 Kids contributions	3%	3%
Government funding	22%	5%
Shared maintenance fees	2%	3%
Investment income (loss)	8%	5%
Capital campaign contributions	17%	10%

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. The value of donated food, other than TEFAP and the Commodity Supplemental Food Program (CSFP) product is estimated 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, 2024 and 2023, as determined by Feeding America (see Note 11), is \$1.97 and \$1.93, respectively. The value of donated TEFAP and CSFP product is estimated at year-end based on values provided by the State of Kansas Department of Children and Families applied to the pounds recorded throughout the year.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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 as described under Revenue and Revenue Recognition above. 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, 2024 and 2023

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, 2024, 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, 2024 and 2023

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
Buildings and 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 – Financial Instruments – Credit Losses

Effective July 1, 2023 the Organization adopted the new standard, *Financial Instruments – Credit Losses*, (also known as CECL) that requires the measurement of expected credit losses (allowance for doubtful accounts) that is based on historical experience and current conditions and reasonable and supportable forecasts that affect collectability of reported amounts. The Organization assessed all applicable accounts receivable and determined there was no material impact to the Organization’s financial statements as a result of adoption.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the reported net assets or results of operations.

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, 2024 and 2023.

Fair values of assets measured on a recurring basis at June 30, 2024, 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, 2024</u>				
Money market mutual funds	\$ 5,924,311	\$ 5,924,311	\$ -	\$ -
Equity funds	4,193,476	4,193,476	-	-
Exchange traded funds	763,003	763,003	-	-
Treasury and federal agencies	148,395	-	148,395	-
Nongovernment obligations	2,914,499	-	2,914,499	-
Fixed income funds	385,577	385,577	-	-
Alternatives	1,300	1,300	-	-
Total	<u>\$ 14,330,561</u>	<u>\$ 11,267,667</u>	<u>\$ 3,062,894</u>	<u>\$ -</u>

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

2. Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis at June 30, 2023, 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, 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>

3. Investments

Investments are stated at fair value and are summarized as follows at June 30, 2024:

	<u>Cost</u>	<u>Fair Value</u>	<u>Appreciation (Depreciation)</u>
<u>June 30, 2024</u>			
Money market mutual funds	\$ 5,924,311	\$ 5,924,311	\$ -
Equity funds	3,463,792	4,193,476	729,684
Exchange traded funds	755,573	763,003	7,430
Treasury and federal agencies	146,448	148,395	1,947
Nongovernment obligations	2,908,555	2,914,499	5,944
Fixed income funds	409,396	385,577	(23,819)
Alternatives	1,300	1,300	-
Total investments at June 30, 2024	<u>\$ 13,609,375</u>	<u>\$ 14,330,561</u>	<u>\$ 721,186</u>

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

3. Investments (Continued)

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Appreciation (Depreciation)</u>
<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>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest, dividends and capital gains	\$ 665,360	\$ 241,080
Realized and unrealized gain (loss) on investments	462,806	232,078
Fees and taxes	(50,013)	(24,906)
Investment income (loss) per statement of activities	<u>\$ 1,078,153</u>	<u>\$ 448,252</u>

4. Contributions Receivable For Capital Campaign

Contributions receivable for capital campaign consist of the following as of June 30, 2024 and 2023, respectively:

	<u>2024</u>		<u>2023</u>	
	<u>Total</u>	<u>Net Present Value</u>	<u>Total</u>	<u>Net Present Value</u>
Receivable in less than one year	\$ 107,333	\$ 107,333	\$ 4,000	\$ 4,000
Receivable in more than one year	71,667	71,667	-	-
	<u>179,000</u>	<u>179,000</u>	<u>4,000</u>	<u>4,000</u>

The Organization has determined that no allowance is necessary as all contributions are deemed collectable. No present value discount for amounts receivable in more than one year has been recorded as it is immaterial.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

5. Property and Equipment

Property and equipment and related accumulated depreciation at June 30, 2024 and 2023, are summarized as follows:

	2024	2023
Land	\$ 1,069,485	\$ 1,069,485
Buildings and improvements	3,670,028	3,670,028
Volunteer Center	2,837,809	2,837,809
Equipment and furnishings	1,764,500	1,591,734
Vehicles	1,817,133	1,532,241
Construction in progress	4,062,804	1,694,584
	\$ 15,221,759	\$ 12,395,881
Less accumulated depreciation	4,286,223	3,930,738
	\$ 10,935,536	\$ 8,465,143

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:

	2024	2023
Refundable grant advances, beginning of year	\$ 370,921	\$ 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		
Donor Service Insights	100,000	125,000
Revenue recognized from cash received during the period		
Fundraising staff	(37,831)	-
Donor Service Insights	(94,162)	(78,007)
Total refundable grant advances, end of year	\$ 338,928	\$ 370,921

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

7. Board Designated Net Assets

The Board of Directors designated net assets without donor restrictions for the following purposes at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operations endowment	\$ 2,467,295	\$ 2,144,624
Facilities and equipment endowment	1,624,061	1,445,340
Volunteer Center	1,000,000	1,000,000
	<u>\$ 5,091,356</u>	<u>\$ 4,589,964</u>

8. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Subject to the passage of time:		
Unappropriated endowment earnings	\$ 5,380	\$ -
Subject to expenditure for specific purpose:		
Capital campaign - Wichita	240,564	240,564
Capital campaign - Garden City	804,978	-
Mobile pantry	-	32,052
Filling the Gap	-	40,563
Food is Medicine	-	6,904
Food purchases and freight	5,105	174,077
Technology	56,818	112,626
	<u>1,112,845</u>	<u>606,786</u>
Subject to restriction in perpetuity:		
Endowment	250,000	227,959
Total net assets with donor restrictions	<u>\$ 1,362,845</u>	<u>\$ 834,745</u>

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023, consisted of the following:

	2024	2023
Food 4 Kids	\$ 792,862	\$ 718,928
Capital campaign - Wichita	-	216,467
Capital campaign - Garden City	1,545,522	-
Bob Box	13,003	18,669
Mobile pantry	40,351	45,471
Hygiene pantry	7,000	2,121
Summer Feeding	-	36,080
Filling the Gap	71,413	39,440
Food is Medicine	13,154	8,096
Nutrition ranking	-	20,000
Food purchases and freight	179,973	302,847
Food distribution	-	217,240
Technology	55,807	12,375
Fundraising staff	37,831	81,072
Donor Service Insights	94,162	78,007
Freezer and cooler grants	-	9,819
Building acquisition	-	1,000,000
Other	65,304	42,323
	\$ 2,916,382	\$ 2,848,955

9. Endowment

Interpretation of Relevant Law

The Board of Directors of Kansas Foodbank Warehouse, Inc., has interpreted the Kansas Prudent Management of Institutional Funds Act (UPMIFA) 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
June 30, 2024 and 2023

9. Endowment (Continued)

In accordance with UPMIFA, 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, 2024:

<u>Type of Endowment Fund</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 255,380	\$ 255,380
Board designated endowment funds	4,091,356	-	4,091,356
Total endowment net assets	<u>\$ 4,091,356</u>	<u>\$ 255,380</u>	<u>\$ 4,346,736</u>

Changes in endowment net assets for the year ended June 30, 2024:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,589,964	\$ 227,959	\$ 3,817,923
Investment income	142,051	6,252	148,303
Expenses	(15,456)	(1,488)	(16,944)
Net appreciation (depreciation)	374,797	22,657	397,454
Endowment net assets, end of year	<u>\$ 4,091,356</u>	<u>\$ 255,380</u>	<u>\$ 4,346,736</u>

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>

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

9. Endowment (Continued)

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

	Without donor restrictions	With donor restrictions	Total
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>

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. No appropriations were made from the endowment funds during the years ended June 30, 2024 and 2023.

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 UPMIFA 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. There were no such deficiencies as of June 30, 2024. 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.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

10. Donated Food, Goods and Services

Donated food, and other goods and services used in program activities for the fiscal years ended June 30, 2024 and 2023, included in the financial statements, were as follows:

	2024	2023
Food, net of unusable product	\$ 21,227,069	\$ 20,115,044

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, 2024 and 2023:

	2024	2023
Pounds (unaudited) of food received	380,906	246,391
Share contribution paid	\$ 7,903	\$ 7,363
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, 2024 and 2023, were \$32,571 and \$31,189, respectively.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023, the present value of the benefit was \$154,964 and \$132,733, 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 years ended June 30, 2024 and 2023.

Total lease cost for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Finance lease cost		
Amortization of ROU assets	\$ 33,048	\$ 30,294

The following summarizes the supplemental cash flow information for the years ended June 30, 2024 and 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 3.08 and 4.08 at June 30, 2024 and 2023.

15. Concentration of Credit Risk

The Organization maintains cash accounts at financial institutions, which may 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
June 30, 2024 and 2023

15. Concentration of Credit Risk (Continued)

The Organization maintains its investments with various 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 \$2.3 million were incurred against these contracts during the year ended June 30, 2024, resulting in approximately \$202,000 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.

The Organization is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities, including employment claims. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Organization.

Kansas Foodbank Warehouse, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

17. Availability and Liquidity of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general use within one year of June 30, 2024 and 2023, 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.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,672,031	\$ 3,127,952
Cash restricted for capital campaign	775,742	240,564
Accounts receivable, net	151,635	152,820
Contributions receivable for capital campaign, collectable in less than one year	107,333	4,000
Grants receivable	547,341	217,734
Investments	<u>14,330,561</u>	<u>13,260,063</u>
Total financial assets, excluding noncurrent receivables	18,584,643	17,003,133
Contractual or donor-imposed restrictions:		
Donor restricted for purpose, net of related receivables collectable in more than one year	(1,041,178)	(606,786)
Donor restricted in perpetuity	(250,000)	(227,959)
Board designations	<u>(5,091,356)</u>	<u>(4,589,964)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,202,109</u>	<u>\$ 11,578,424</u>

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 costs of the volunteer center.

18. Subsequent Events

The Organization has evaluated subsequent events through December 30, 2024, the date which the consolidated financial statements were available to be issued.