

IOWA FOOD BANK ASSOCIATION

WATERLOO, IOWA

JUNE 30, 2019

Independent Auditor's Report

Board of Directors
Iowa Food Bank Association
Waterloo, Iowa

Report on the Financial Statements

We have audited the accompanying statements of financial position of Iowa Food Bank Association as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa Food Bank Association as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 1, Iowa Food Bank Association adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
February 4, 2020

Statements of Financial Position

As of June 30, 2019 and 2018

	2019	2018
Assets		
Cash.....	\$ 146,954	\$ 132,292
Accounts receivable (net of allowance for doubtful accounts).....	65,681	84,636
Prepaid expenses.....	4,249	567
Net equipment.....	<u>1,392</u>	<u>36</u>
Total Assets	<u>\$ 218,276</u>	<u>\$ 217,531</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 33,949	\$ 43,555
Accrued expenses.....	<u>6,987</u>	<u>7,498</u>
Total Liabilities	<u>40,936</u>	<u>51,053</u>
 Net Assets		
Without donor restrictions	172,340	162,478
With donor restrictions.....	<u>5,000</u>	<u>4,000</u>
Total Net Assets	<u>177,340</u>	<u>166,478</u>
Total Liabilities and Net Assets	<u>\$ 218,276</u>	<u>\$ 217,531</u>

See accompanying notes to the financial statements.

Statements of Activities

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support						
Contributions						
Cash	\$ 72,267	\$ —	\$ 72,267	\$ 53,616	\$ —	\$ 53,616
In-kind.....	46,938	—	46,938	65,178	—	65,178
Private and government grants and contracts.....	128,330	5,000	133,330	147,872	4,000	151,872
Member dues	73,041	—	73,041	100,000	—	100,000
Investment income	647	—	647	194	—	194
Total Revenue, Gains and Other Support	321,223	5,000	326,223	366,860	4,000	370,860
Functional Expenses						
Program Services						
Supplemental Nutrition						
Assistance Program.....	223,170	—	223,170	267,068	—	267,068
Iowa Hunger Coalition	19,556	—	19,556	18,260	—	18,260
Member food banks.....	—	—	—	26,000	—	26,000
Total Program Services	242,726	—	242,726	311,328	—	311,328
Administrative Support Activities						
Management and general	72,635	—	72,635	69,714	—	69,714
Total Functional Expenses	315,361	—	315,361	381,042	—	381,042
Net Assets Released From Restrictions	4,000	(4,000)	—	69,544	(69,544)	—
Increase (Decrease) in Net Assets for the Year	9,862	1,000	10,862	55,362	(65,544)	(10,182)
Net Assets - Beginning of Year	162,478	4,000	166,478	107,116	69,544	176,660
Net Assets - End of Year	\$ 172,340	\$ 5,000	\$ 177,340	\$ 162,478	\$ 4,000	\$ 166,478

See accompanying notes to the financial statements.

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services			Total Program Services	Administrative Support Activities	Total
	Supplemental Nutrition Assistance Program	Iowa Hunger Coalition	Member Food Banks		Management and General	
Salaries and Related Expenses						
Salaries	\$ 5,441	\$ 15,916	\$ —	\$ 21,357	\$ 36,895	\$ 58,252
Employee benefits	528	1,796	—	2,324	4,777	7,101
Payroll taxes and unemployment	396	1,844	—	2,240	4,443	6,683
Total Salaries and Related Expenses ...	6,365	19,556	—	25,921	46,115	72,036
Other Operating Expenses						
Grants	4,000	—	—	4,000	—	4,000
Travel	8,721	—	—	8,721	8,239	16,960
Communications	6,659	—	—	6,659	2,446	9,105
Conferences	1,098	—	—	1,098	1,974	3,072
Professional fees	477	—	—	477	7,026	7,503
Contract services	193,804	—	—	193,804	2,350	196,154
Advocacy materials	395	—	—	395	—	395
Supplies	1,572	—	—	1,572	406	1,978
Insurance	79	—	—	79	3,625	3,704
Depreciation	—	—	—	—	434	434
Miscellaneous	—	—	—	—	20	20
Total Expenses	\$ 223,170	\$ 19,556	\$ —	\$ 242,726	\$ 72,635	\$ 315,361

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services			Total Program Services	Administrative Support Activities	Total
	Supplemental Nutrition Assistance Program	Iowa Hunger Coalition	Member Food Banks		Management and General	
Salaries and Related Expenses						
Salaries	\$ 3,956	\$ 14,954	\$ —	\$ 18,910	\$ 36,364	\$ 55,274
Employee benefits	408	1,650	—	2,058	3,976	6,034
Payroll taxes and unemployment	311	1,656	—	1,967	3,731	5,698
Total Salaries and Related Expenses ...	4,675	18,260	—	22,935	44,071	67,006
Other Operating Expenses						
Distributions to member food banks	—	—	26,000	26,000	—	26,000
Grants	6,000	—	—	6,000	—	6,000
Travel	5,259	—	—	5,259	7,227	12,486
Communications.....	8,348	—	—	8,348	2,003	10,351
Conferences.....	594	—	—	594	1,502	2,096
Professional fees.....	591	—	—	591	6,382	6,973
Contract services.....	235,598	—	—	235,598	3,155	238,753
Advocacy materials	347	—	—	347	—	347
Supplies	5,169	—	—	5,169	804	5,973
Insurance	487	—	—	487	3,721	4,208
Depreciation	—	—	—	—	849	849
Total Expenses	\$ 267,068	\$ 18,260	\$ 26,000	\$ 311,328	\$ 69,714	\$ 381,042

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Change in net assets.....	\$ 10,862	\$ (10,182)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	434	849
Change in Assets and Liabilities		
(Increase) decrease in receivables	18,955	(44,833)
(Increase) decrease in prepaid expenses	(3,682)	12
Increase (decrease) in accounts payable	(9,606)	4,140
Increase (decrease) in accrued expenses	<u>(511)</u>	<u>7,498</u>
Net Cash Provided by (Used in) Operating Activities	<u>16,452</u>	<u>(42,516)</u>
Cash Flows From Investing Activities		
Payment for purchase of equipment	<u>(1,790)</u>	<u>—</u>
Net Increase (Decrease) in Cash	14,662	(42,516)
Cash at beginning of year.....	<u>132,292</u>	<u>174,808</u>
Cash at End of Year.....	<u>\$ 146,954</u>	<u>\$ 132,292</u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Nature of Activities

The Iowa Food Bank Association (Association) is a nonprofit organization which coordinates efforts to alleviate hunger by supporting Feeding America food banks throughout Iowa.

The Association's members include the Food Bank for the Heartland, Food Bank of Iowa, Food Bank of Siouxland, HACAP Food Reservoir, Northeast Iowa Food Bank, St. Stephen's Food Bank and River Bend Foodbank. On January 1, 2019, St. Stephen's Food Bank merged with Riverbend Food Bank.

Basis of Presentation

Financial statement presentation follows the recommendations of the American Institute of Certified Public Accountants Audit and Accounting Guide, *Not-for-Profit Organizations* (Guide). The Guide requires the Association to report information regarding its financial position and activities according to two classes of net assets: without and with donor restrictions.

Concentrations

Approximately 82% and 87% of the Association's contribution revenue was derived from four and five donors during the years ended June 30, 2019 and 2018, respectively.

Approximately 96% and 97% of the Association's grant and contract revenue was derived from a government grant and a corporate contract during the years ended June 30, 2019 and 2018, respectively.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses.

Liquidity

The Association is supported by contributions, grants, contracts and member dues. Some contributions are received with restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Association must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Association's financial assets as of June 30 are listed below, all of which are convertible to cash within the next 12 months, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

	2019	2018
Financial Assets at Year End		
Cash	\$ 146,954	\$ 132,292
Accounts receivable	<u>65,681</u>	<u>84,636</u>
Total Financial Assets.....	212,635	216,928
Less Amounts Unavailable for General Expenditures Within One Year Due To		
Restricted by donors for a specific time or purpose	<u>5,000</u>	<u>4,000</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 207,635</u>	<u>\$ 212,928</u>

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Payment of invoices is due within 30 days of the invoice date, otherwise the amounts are deemed past due. The Association does not impose a finance charge on invoices that remain unpaid after the due date.

Contributions

Contributions are recognized when the donor makes an unconditional promise to give and are recorded as support without or with restrictions depending on the existence of any donor restrictions. The Association records contributions received as increases in the appropriate net asset category as follows:

Net Assets Without Donor Restrictions - Contributions that are not subject to donor-imposed stipulations or that have restrictions which expire in the year in which the contributions are received.

Net Assets With Donor Restrictions - Contributions for which donor-imposed restrictions have not been met by the passage of time or performance or contributions subject to donor-imposed stipulations that they be maintained permanently by the Association.

Equipment

Equipment is capitalized at cost if purchased, or at fair value as of the date of the gift if donated, with depreciation computed under the straight-line method over estimated useful lives as follows:

Type	Estimated Useful Lives
Office equipment	3 Years

Depreciation expense for the years ended June 30, 2019 and 2018 was \$434 and \$849, respectively.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Donated Resources

Donated materials, land, buildings, equipment and investments are recorded as unrestricted support at their fair value when received unless explicit donor stipulations specify how the donated assets must be used. For the years ended June 30, 2019 and 2018, there were no donated resources recorded by the Association.

A number of unpaid volunteers have made significant contributions of their time to develop the Association's programs. These contributions are utilized in all of the Association's program service areas. When these contributed services require specialized skills or create or enhance nonfinancial assets, the Association records these services at their fair value. For the years ended June 30, 2019 and 2018, \$46,938 and \$65,178, respectively, of contributed services were recorded in the statements of activities of which all were used for the supplemental nutrition assistance program.

Contract Services

The Association has chosen to record various contract services to specific line items such as communications or travel instead of recording them to the contract services account. These expenses are co-mingled with the Association's expenses in the statements of activities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Association is exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for income taxes is reflected in the financial statements.

Management annually makes an appropriate evaluation of any uncertain income tax positions based upon current statutes in completing these financial statements and the notes to the financial statements. As of June 30, 2019, management believes that there were no uncertain income tax positions for which a material change in the unrecognized effect would be reasonably possible within the next 12 months.

Subsequent Events

Management has evaluated subsequent events through February 4, 2020, the date which the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which are likely to negatively impact revenue, expenses, net income and cash flows. Other financial impacts could occur as well. The potential impacts that the pandemic will have on the Association is unknown at this time.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, the Association adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, composition of net assets without donor restrictions, liquidity and expenses by both their natural and functional classifications.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 is presented below:

	<u>ASU 2016-14 Classifications</u>		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net Asset Classifications			
As Previously Presented			
Unrestricted	\$ 162,478	\$ —	\$ 162,478
Temporarily restricted	<u>—</u>	<u>4,000</u>	<u>4,000</u>
Net Assets, as Reclassified, as of			
June 30, 2018.....	<u>\$ 162,478</u>	<u>\$ 4,000</u>	<u>\$ 166,478</u>

(2) Cash Flow Statement Supplementary Information

For purposes of the statements of cash flows, the Association considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

(3) Summary of Equipment

	2019	2018
Office equipment	\$ 4,336	\$ 2,546
Less accumulated depreciation	<u>(2,944)</u>	<u>(2,510)</u>
Net Equipment.....	<u>\$ 1,392</u>	<u>\$ 36</u>

Notes to the Financial Statements

(4) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods as of June 30:

	2019	2018
Supplemental Nutrition Assistance Program	<u>\$ 5,000</u>	<u>\$ 4,000</u>

(5) Related-Party Transactions

The Association's six (2019) and seven (2018) members all operate in the State of Iowa. The Association's Board of Directors is made up entirely of management from its member food banks. As being part of the Association, the members paid membership dues totaling \$73,041 and \$100,000 during the years ended June 30, 2019 and 2018, respectively, with \$0 and \$14,032 accrued as a receivable as of June 30, 2019 and 2018, respectively. The Association's members were given distributions totaling \$0 and \$26,000 of passed-through contributions and grants and were provided grants totaling \$0 and \$6,000 for the Disaster Relief Program during the years ended June 30, 2019 and 2018, respectively.

During the years ended June 30, 2019 and 2018, four of the Association's members entered into agreements with the Association to provide services for SNAP. The Association incurred \$207,356 and \$252,654 for these services during the years ended June 30, 2019 and 2018, respectively, with \$32,794 and \$39,631 accrued as payable as of June 30, 2019 and 2018, respectively.

During the years ended June 30, 2019 and 2018, one of the Association's members entered into an agreement with the Association to provide bookkeeping services for the Association. The Association incurred \$2,350 and \$4,758 for these services during the years ended June 30, 2019 and 2018, respectively, with \$160 and \$2,632 accrued as payable as of June 30, 2019 and 2018, respectively.

During the year ended June 30, 2018, the Association entered into an agreement with a nonprofit organization, Iowa Hunger Coalition, to share the services of the Association's Executive Director. The Association recognized revenue of \$19,555 and \$17,960, respectively, for these services during the years ended June 30, 2019 and 2018, with \$0 and \$4,388, respectively, recorded as a receivable as of June 30, 2019 and 2018.