

**KANSAS FOODBANK WAREHOUSE, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019 and 2018

With Report of Independent Certified Public Accountants

## CONTENTS

	<b><u>Page</u></b>
<b>Report of Independent Certified Public Accountants</b>	1
<b>Financial Statements</b>	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Functional Expenses	4
Consolidated Statements of Cash Flows	5
Notes to Financial Statements	6-16



KIRKPATRICK, SPRECKER & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
Kansas Foodbank Warehouse, Inc.

We have audited the accompanying consolidated financial statements of Kansas Foodbank Warehouse, Inc. (a nonprofit organization) and its subsidiary, which comprise the consolidated statement of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kansas Foodbank Warehouse, Inc. and its subsidiary as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Kirkpatrick, Sprecker & Company, LLP*  
KIRKPATRICK, SPRECKER & COMPANY, LLP  
Wichita, Kansas

October 24, 2019

311 S. HILLSIDE

WICHITA, KS 67211

PH: 316.685.1411

FAX: 316.685.4575

WWW.KSCPA.COM

**KANSAS FOODBANK WAREHOUSE, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

June 30, 2019 and 2018

**ASSETS**

	<b><u>2019</u></b>	<b><u>2018</u></b>
Cash and cash equivalents	\$ 3,552,180	\$ 3,970,017
Certificate of deposit	1,260,121	518,952
Prepaid expenses	75,635	63,781
Investments	2,753,769	2,613,016
Accounts receivable, net of allowance for bad debts of \$1,000 (\$1,000 for 2018)	130,077	134,739
Contributions receivable for Capital Campaign, net of allowance for uncollectible accounts of \$-0- (\$-0- for 2018)	556,850	1,783,424
Inventory - donated food	1,012,890	926,930
Inventory - food purchased	156,860	140,677
Cash restricted for capital campaign	890,918	1,224,334
Property and equipment - net of accumulated depreciation of \$2,527,942 (\$2,296,818 for 2018)	<u>6,710,326</u>	<u>4,381,304</u>
Total assets	<u>17,099,626</u>	<u>15,757,174</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable	\$ 300,174	\$ 104,276
Funds held for others	75,367	109,682
Accrued salaries	21,890	19,064
Deferred compensation payable	52,235	34,089
Withheld and accrued payroll taxes	<u>-</u>	<u>726</u>
Total liabilities	<u>449,666</u>	<u>267,837</u>
<b>Net assets</b>		
Without donor restrictions	11,769,176	8,948,626
Without donor restrictions - board designated	<u>3,389,017</u>	<u>3,254,029</u>
Total net assets without donor restrictions	15,158,193	12,202,655
With donor restrictions	<u>1,491,767</u>	<u>3,286,682</u>
Total net assets	<u>16,649,960</u>	<u>15,489,337</u>
Total liabilities and net assets	<u>17,099,626</u>	<u>15,757,174</u>

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

**KANSAS FOODBANK WAREHOUSE, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue						
Donated food	\$ 15,338,810	\$ -	\$ 15,338,810	\$ 16,377,072	\$ -	\$ 16,377,072
Less - unusable product	<u>(113,631)</u>	<u>-</u>	<u>(113,631)</u>	<u>(242,602)</u>	<u>-</u>	<u>(242,602)</u>
Net donated food	15,225,179	-	15,225,179	16,134,470	-	16,134,470
Food purchase program	1,236,996	-	1,236,996	1,205,332	-	1,205,332
Shared maintenance	208,854	-	208,854	212,616	-	212,616
Contributions	2,510,966	1,274,302	3,785,268	2,183,732	2,753,845	4,937,577
Interest income	22,473	-	22,473	10,800	-	10,800
Rent income	12,000	-	12,000	12,000	-	12,000
Investment income	153,820	-	153,820	318,689	-	318,689
Loss on disposition of asset	(2,496)	-	(2,496)	(343)	-	(343)
Other revenue	<u>142,839</u>	<u>-</u>	<u>142,839</u>	<u>145,401</u>	<u>-</u>	<u>145,401</u>
Total revenue	<u>19,510,631</u>	<u>1,274,302</u>	<u>20,784,933</u>	<u>20,222,697</u>	<u>2,753,845</u>	<u>22,976,542</u>
Net assets released from restrictions	<u>3,069,217</u>	<u>(3,069,217)</u>	<u>-</u>	<u>1,067,508</u>	<u>(1,067,508)</u>	<u>-</u>
Expenses						
Program services						
Donated food distributed	15,137,624	-	15,137,624	16,054,063	-	16,054,063
Cost of purchased food distributed	1,786,398	-	1,786,398	1,661,874	-	1,661,874
Other program service expenses	2,105,774	-	2,105,774	1,996,646	-	1,996,646
Supporting activities						
Administrative	187,065	-	187,065	175,323	-	175,323
Fund-raising	<u>407,449</u>	<u>-</u>	<u>407,449</u>	<u>407,695</u>	<u>-</u>	<u>407,695</u>
Total expenses	<u>19,624,310</u>	<u>-</u>	<u>19,624,310</u>	<u>20,295,601</u>	<u>-</u>	<u>20,295,601</u>
Change in net assets	2,955,538	(1,794,915)	1,160,623	994,604	1,686,337	2,680,941
Net assets, beginning of year	<u>12,202,655</u>	<u>3,286,682</u>	<u>15,489,337</u>	<u>11,208,051</u>	<u>1,600,345</u>	<u>12,808,396</u>
Net assets, end of year	<u>15,158,193</u>	<u>1,491,767</u>	<u>16,649,960</u>	<u>12,202,655</u>	<u>3,286,682</u>	<u>15,489,337</u>

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

**KANSAS FOODBANK WAREHOUSE, INC.**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Years Ended June 30, 2019 and 2018

	2019				2018			
	Program	Supporting Activities		Total	Program	Supporting Activities		Total
	Services	Administrative	Fund-raising		Services	Administrative	Fund-raising	
Donated food distributed	\$ 15,137,624	\$ -	\$ -	\$ 15,137,624	\$ 16,054,063	\$ -	\$ -	\$ 16,054,063
Cost of purchased food distributed	1,786,398	-	-	1,786,398	1,661,874	-	-	1,661,874
Other expenses								
Salaries	816,419	76,876	122,083	1,015,378	787,623	71,901	80,356	939,880
Employee benefits	206,232	17,206	34,110	257,548	189,035	23,227	21,909	234,171
Depreciation	228,712	7,074	-	235,786	206,524	6,387	-	212,911
Direct mail	34,420	-	197,579	231,999	44,726	-	184,454	229,180
Utilities	116,144	-	-	116,144	117,849	-	-	117,849
Vehicle expense	112,813	-	-	112,813	91,681	-	-	91,681
Warehouse and other supplies	84,549	12,585	2,327	99,461	74,653	13,516	8,191	96,360
Food purchase - share contributions	83,179	-	-	83,179	82,166	-	-	82,166
Payroll taxes	63,704	6,244	9,916	79,864	62,085	5,543	6,283	73,911
Insurance	71,144	2,200	-	73,344	58,327	1,804	-	60,131
Freight	72,382	-	-	72,382	82,580	-	-	82,580
Regional development and rural delivery	67,774	-	-	67,774	63,886	-	-	63,886
Postage	11,437	5,999	30,309	47,745	8,702	6,264	47,604	62,570
Computer maintenance	31,394	9,079	-	40,473	17,148	7,248	223	24,619
Accounting and legal fees	-	32,340	-	32,340	-	27,333	-	27,333
Equipment repair	22,149	121	-	22,270	22,763	300	-	23,063
Retirement	14,618	2,151	2,207	18,976	15,961	2,192	1,250	19,403
Taxes	16,342	977	-	17,319	9,221	950	315	10,486
Association dues and subscriptions	15,347	1,224	645	17,216	13,948	1,159	-	15,107
Building maintenance and repair	7,451	7,737	-	15,188	11,413	2,179	-	13,592
Telephone	8,383	875	-	9,258	8,981	870	-	9,851
Offsite food storage and equipment rental	8,904	-	-	8,904	6,092	2,507	-	8,599
Contract labor	3,206	-	4,600	7,806	4,632	-	55,200	59,832
Office supplies	4,186	644	538	5,368	3,766	579	483	4,828
Travel	2,672	1,342	743	4,757	3,715	465	-	4,180
Meetings and conferences	1,318	1,455	246	3,019	8,167	681	627	9,475
Marketing and printing	340	750	1,918	3,008	800	200	800	1,800
Meals and entertainment	555	186	228	969	202	18	-	220
Total other expenses	<u>2,105,774</u>	<u>187,065</u>	<u>407,449</u>	<u>2,700,288</u>	<u>1,996,646</u>	<u>175,323</u>	<u>407,695</u>	<u>2,579,664</u>
Total expenses	<u>19,029,796</u>	<u>187,065</u>	<u>407,449</u>	<u>19,624,310</u>	<u>19,712,583</u>	<u>175,323</u>	<u>407,695</u>	<u>20,295,601</u>

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

**KANSAS FOODBANK WAREHOUSE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,160,623	\$ 2,680,941
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Depreciation	235,786	212,911
Gain on investments	(49,446)	(259,934)
Loss on disposition of assets	2,495	343
Donated securities included in support	(56,411)	-
(Increase) decrease in operating assets:		
Prepaid expenses	(11,854)	(11,234)
Accounts and contributions receivable	4,662	32,860
Inventory - donated food	(85,960)	(82,000)
Inventory - food purchase	(16,183)	66,687
Increase (decrease) in operating liabilities:		
Accounts payable	(40,613)	(21,344)
Funds held for others	(34,315)	(75,128)
Accrued salaries and taxes	2,100	793
Deferred compensation payable	18,147	17,432
Contributions restricted for capital campaign	(559,500)	(1,982,500)
Net cash provided by operating activities	<u>569,531</u>	<u>579,827</u>
Cash flows from investing activities:		
Purchases of investments	(439,921)	(2,655,810)
Purchases of certificates of deposit	(1,260,121)	(1,253)
Proceeds from sale of certificate of deposit	518,953	-
Proceeds from sale of investments	405,023	3,612,021
Purchases of construction in progress and equipment	(2,330,792)	(455,166)
Net cash provided by (applied to) investing activities	<u>(3,106,858)</u>	<u>499,792</u>
Cash flows from financing activities:		
Contributions restricted for capital campaign	559,500	1,982,500
Increase in pledges receivable for capital campaign	(554,500)	(1,947,500)
Collection of pledges for capital campaign	1,781,074	469,476
Net (increase) decrease in restricted cash	333,416	(68,334)
Net cash provided by financing activities	<u>2,119,490</u>	<u>436,142</u>
Net increase (decrease) in cash and cash equivalents	(417,837)	1,515,761
Cash and cash equivalents at beginning of year	<u>3,970,017</u>	<u>2,454,256</u>
Cash and cash equivalents at end of year	<u><u>3,552,180</u></u>	<u><u>3,970,017</u></u>

Supplemental Disclosure of Cash Flow Information

Accounts payable incurred for equipment	\$ 236,511	\$ -
---	------------	------

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

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

1. Summary of significant accounting policies

Principles of consolidation

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

Nature of activities

Kansas Foodbank Warehouse, Inc. (the Organization) was incorporated in 1983 to feed the hungry by soliciting and receiving food and other goods from local, regional, and national food companies and other enterprises. The Organization, in turn, distributes the food and other goods to community charities with programs for the needy. The sources of product for the Organization during the years ended June 30, 2019 and 2018, were:

	<u>2019</u>	<u>2018</u>
Pounds of product solicited	9,098,622	9,518,299
Pounds of product purchased	2,388,528	2,121,213
Pounds of TEFAP product	<u>1,814,910</u>	<u>1,193,832</u>
Total pounds of product received	<u>13,302,060</u>	<u>12,833,344</u>
Pounds of product distributed	<u>14,513,307</u>	<u>14,004,828</u>

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

The market value of one pound of food at June 30, 2019 and 2018, as determined by Feeding America (see Note 6), is \$1.62 and \$1.68, respectively.

Sources of revenue were as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
General contributions	50%	37%
Food purchases sales	22%	18%
Capital campaign contributions	10%	29%
Food 4 Kids contributions	8%	6%
Shared maintenance fees	4%	3%
Investment income	3%	5%
Other	3%	2%

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

Basis of presentation

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

(continued)



**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

1. Summary of significant accounting policies (continued)

Basis of presentation (continued)

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

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

Income recognition

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

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

Use of estimates

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

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business income. For the year ended June 30, 2019, the Organization did not incur any unrelated business income. The federal exemption from income tax is recognized by state authorities.

Cash and cash equivalents

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

(continued)

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

1. Summary of significant accounting policies (continued)

Accounts receivable

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

Inventory

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

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

Property and equipment

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

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

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

Functional allocation of expenses

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

Capital campaign

In January 2017, the Organization's board of directors approved a capital campaign designed to raise \$5 million for the building expansion. During the years ended June 30, 2019 and 2018, the Organization received gross contributions, including pledges, totaling \$559,500 and \$1,982,500, respectively, which is recorded with donor restricted contributions on the statement of activities for the years then ended.

(continued)

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

1. Summary of significant accounting policies (continued)

Reclassification

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

New accounting pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. Fair value measurements

Fair values of assets measured on a recurring basis at June 30, 2019 and 2018, 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, 2019</u>				
Common stocks	\$ 603,923	\$ 603,923	\$ -	\$ -
Equity funds	1,439,988	1,439,988	-	-
Exchange traded funds	232,092	232,092	-	-
Treasury and federal agencies	65,097	-	65,097	-
Nongovernment obligations	87,660	-	87,660	-
Foreign obligations	16,322	-	16,322	-
Fixed income funds	125,720	125,720	-	-
Alternatives	182,968	182,968	-	-
Total	<u>2,753,770</u>	<u>2,584,691</u>	<u>169,079</u>	<u>-</u>
<u>June 30, 2018</u>				
Common stocks	\$ 560,279	\$ 560,279	\$ -	\$ -
Equity funds	1,357,138	1,357,138	-	-
Exchange traded funds	239,539	239,539	-	-
Treasury and federal agencies	51,363	-	51,363	-
Nongovernment obligations	90,332	-	90,332	-
Foreign obligations	16,701	-	16,701	-
Fixed income funds	115,879	115,879	-	-
Alternatives	181,785	181,785	-	-
Total	<u>2,613,016</u>	<u>2,454,620</u>	<u>158,396</u>	<u>-</u>

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

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

3. Investments

Investments are stated at current market value and are summarized as follows at June 30, 2019 and 2018:

	<u>Cost</u>	<u>Current Market Value</u>	<u>Appreciation (Depreciation)</u>
<u>June 30, 2019</u>			
Common stocks	\$ 542,657	\$ 603,923	\$ 61,266
Equity funds	1,428,871	1,439,988	11,117
Exchange traded funds	260,534	232,092	(28,442)
Treasury and federal agencies	63,113	65,097	1,984
Nongovernment obligations	84,829	87,660	2,831
Foreign obligations	15,983	16,322	339
Fixed income funds	123,279	125,720	2,441
Alternatives	199,256	182,968	(16,288)
Total investments at June 30, 2019	<u>2,718,522</u>	<u>2,753,770</u>	<u>35,248</u>
<u>June 30, 2018</u>			
Common stocks	\$ 531,824	\$ 560,279	\$ 28,455
Equity funds	1,265,704	1,357,138	91,434
Exchange traded funds	260,534	239,539	(20,995)
Treasury and federal agencies	51,142	51,363	221
Nongovernment obligations	86,955	90,332	3,377
Foreign obligations	22,978	16,701	(6,277)
Fixed income funds	117,861	115,879	(1,982)
Alternatives	190,785	181,785	(9,000)
Total investments at June 30, 2018	<u>2,527,783</u>	<u>2,613,016</u>	<u>85,233</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Total investment interest and dividends	\$ 113,429	\$ 70,651
Gain on investments	49,446	259,934
Fees and taxes	(9,055)	(11,896)
Investment income per statement of activities	<u>153,820</u>	<u>318,689</u>

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

4. Contributions receivable for capital campaign

Contributions receivable for capital campaign consist of the following as of June 30, 2019 and 2018:

	2019		2018	
	<u>Total</u>	<u>Net Present Value</u>	<u>Total</u>	<u>Net Present Value</u>
Receivable in less than one year	\$ 335,750	\$ 335,750	\$ 1,380,124	\$ 1,380,124
Receivable in one to five years	221,100	221,100	403,300	403,300
	556,850	556,850	1,783,424	1,783,424
Less allowance for uncollectible	-	-	-	-
Net unconditional promises to give	<u>556,850</u>	<u>556,850</u>	<u>1,783,424</u>	<u>1,783,424</u>

5. Property and equipment

Property and equipment and related accumulated depreciation at June 30, 2019 and 2018, are summarized as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,069,485	\$ 1,069,485
Buildings and improvements	3,290,892	3,290,892
Equipment and furnishings	1,331,698	1,237,786
Vehicles	1,059,280	942,760
Construction in progress	2,486,913	137,199
	9,238,268	6,678,122
Less accumulated depreciation	<u>2,527,942</u>	<u>2,296,818</u>
	<u>6,710,326</u>	<u>4,381,304</u>

6. Transactions with affiliate

The Organization is a certified food bank of Feeding America, an organization that solicits surplus food and distributes the donations to a nationwide network of food banks. The Organization had the following activity with Feeding America and other Feeding America affiliates during the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Pounds (unaudited) of food received	463,947	519,165
Share contribution paid	\$ 4,717	\$ 8,613
Dues paid	\$ 14,860	\$ 13,848

7. Board designated net assets

The Board of Directors designated net assets without donor restrictions for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Operations endowment	\$ 1,263,435	\$ 1,185,968
Facilities and equipment endowment	1,125,582	1,068,061
Construction of volunteer center	1,000,000	1,000,000
	<u>3,389,017</u>	<u>3,254,029</u>

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

8. Net assets

Net assets with donor restrictions consist of:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose:		
Capital campaign	\$ 1,214,757	\$ 3,008,758
Freezer grants	12,370	12,370
Summer feeding	13,087	14,001
Disaster relief	1,553	1,553
	<u>1,241,767</u>	<u>3,036,682</u>
Subject to restriction in perpetuity:		
Endowment	<u>250,000</u>	<u>250,000</u>
Total net assets with donor restrictions	<u>1,491,767</u>	<u>3,286,682</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Releases during the years ended June 30, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Capital campaign	\$ 2,356,001	\$ 297,001
Food 4 Kids	680,333	656,332
Appropriated endowment earnings	10,454	28,078
Produce procurement	9,075	18,325
Hygiene pantry	6,550	4,100
Bob Box	3,610	8,953
Mobile pantry	1,700	23,011
Summer feeding	1,144	2,884
Filling the Gap	350	205
Technology	-	27,000
Disaster relief	-	1,619
	<u>3,069,217</u>	<u>1,067,508</u>

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

9. Endowment

*Interpretation of Relevant Law*

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

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

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

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

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,254,029	\$ 250,000	\$ 2,504,029
Investment income	108,180	6,093	114,273
Expenses	(7,409)	(1,646)	(9,055)
Appropriated earnings	10,454	(10,454)	-
Net appreciation	<u>23,763</u>	<u>6,007</u>	<u>29,770</u>
Endowment net assets, end of year	<u>2,389,017</u>	<u>250,000</u>	<u>2,639,017</u>

(continued)

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

9. Endowment (continued)

*Endowment net asset composition by type of fund as of June 30, 2018:*

<u>Type of Endowment Fund</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 250,000	\$ 250,000
Board designated endowment funds	<u>2,254,029</u>	<u>-</u>	<u>2,254,029</u>
Total endowment net assets	<u>2,254,029</u>	<u>250,000</u>	<u>2,504,029</u>

*Changes in endowment net assets for the year ended June 30, 2018:*

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,958,657	\$ 250,000	\$ 3,208,657
Investment income	480,446	7,871	488,317
Expenses	(9,640)	(2,256)	(11,896)
Appropriated earnings	28,078	(28,078)	-
Transfer	(1,000,000)	-	(1,000,000)
Net appreciation (depreciation)	<u>(203,512)</u>	<u>22,463</u>	<u>(181,049)</u>
Endowment net assets, end of year	<u>2,254,029</u>	<u>250,000</u>	<u>2,504,029</u>

*Return objectives*

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

*Investment strategies for achieving objectives*

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

*Spending policies and the relationship with investment policies*

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

*Funds with deficiencies*

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with Generally Accepted Accounting Principles (GAAP), deficiencies of this nature are reported as net assets with donor restrictions. There were no such deficiencies reported as of June 30, 2019 and 2018.



**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

10. Pension plan

The Organization has a Section 403(b) pension plan for all full and part-time employees. Employees can defer up to 75% of their gross salary under the plan, not to exceed \$18,500 and \$18,000 for the years ended June 30, 2019 and 2018, respectively. The Organization provides a match of employees' contributions up to 4%. Employer contributions during the years ended June 30, 2019 and 2018, were \$18,976 and \$19,403, respectively.

11. Deferred compensation plan

In December 2016, the Board of Directors approved the creation of a deferred compensation plan for the President of the Organization. The Organization adopted and executed the plan in March of 2017, at which time the President was entitled to receive a contribution to the plan. The plan states that if the employee is actively employed on December 28th of the relevant year, \$20,000 will be credited to the deferred compensation account. The balance in the account will be paid out in a lump sum on December 28, 2025, if the employee is actively employed at that date. If the employee is no longer able to perform services due to death or disability, a lump sum payment for the amount credited to the account will be made within ten days following the event. The Organization has the right to terminate the plan at any time. At June 30, 2019 and 2018, the present value of the benefit was \$52,235 and \$34,089, respectively.

12. Operating leases

The following is a schedule by years of future minimum rental payments required under operating leases for office equipment as of June 30, 2019:

<u>Year</u>	<u>Total</u>
2020	\$ 8,910
2021	8,352
2022	1,022
	<u>18,284</u>

Rent expense for the years ended June 30, 2019 and 2018, amounted to \$8,900 and \$8,600, respectively.

13. Concentration of credit risk

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

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

**KANSAS FOODBANK WAREHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

14. Availability and liquidity of financial assets

The following reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general use within one year of June 30, 2019, 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.

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

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

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

15. Subsequent events

The Organization has evaluated subsequent events through October 24, 2019, the date which the financial statements were available to be issued, and no events required disclosure were identified.

