

**Food Bank of North Central Arkansas**  
Norfolk, Arkansas

Financial Statements  
December 31, 2018 and 2017

**FOOD BANK OF NORTH CENTRAL ARKANSAS  
FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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## ***INDEPENDENT AUDITORS' REPORT***

To the Board of Directors of  
Food Bank of North Central Arkansas  
Norfolk, Arkansas

We have audited the accompanying financial statements of Food Bank of North Central Arkansas (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, 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.

### **Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 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 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 Food Bank of North Central Arkansas as of December 31, 2018 and 2017, 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.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of government assistance, the schedule of units of service and the supplemental data sheet on pages 18 through 20 are presented for purposes of additional analysis and are not a required part of the financial statements. The information, except pages 19 and 20, which are marked unaudited and on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 government assistance is fairly stated in all material respects in relation to the 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 July 22, 2019, on our consideration of Food Bank of North Central Arkansas' 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 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 Food Bank of North Central Arkansas' 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 Food Bank of North Central Arkansas' internal control over financial reporting and compliance.



**Porterfield & Company CPA, PLLC**

Harrison, Arkansas  
July 22, 2019

**FOOD BANK OF NORTH CENTRAL ARKANSAS  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018 AND 2017**

**ASSETS**

	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 27,921	\$ 14,900
Accounts Receivable, net	22,273	17,103
Inventory	202,737	281,436
Prepaid Expenses	4,361	7,475
Investments	178,071	190,515
<b>Total Current Assets</b>	<b>435,363</b>	<b>511,429</b>
<b>Restricted Assets</b>		
Cash and Cash Equivalents	409,377	440,985
<b>Total Restricted Assets Cash and Cash Equivalents</b>	<b>409,377</b>	<b>440,985</b>
<b>Property and Equipment, at Cost</b>		
Land	50,000	50,000
Buildings and Building Improvements	940,501	940,501
Equipment	325,173	344,852
Construction in Progress	27,451	16,888
Accumulated Depreciation	(446,226)	(423,053)
<b>Net Property and Equipment</b>	<b>896,899</b>	<b>929,188</b>
<b>Total Assets</b>	<b>\$ 1,741,639</b>	<b>\$ 1,881,602</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 63,640	\$ 34,826
Accrued Interest Payable	2,718	-
Grants Payable	2,637	52,842
Note Payable	666,637	666,637
<b>Total Current Liabilities</b>	<b>735,632</b>	<b>754,305</b>
<b>Total Liabilities</b>	<b>735,632</b>	<b>754,305</b>
<b>Net Assets</b>		
Without Donor Restrictions	596,630	686,312
With Donor Restrictions - Purpose Restrictions	409,377	440,985
<b>Total Net Assets</b>	<b>1,006,007</b>	<b>1,127,297</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,741,639</b>	<b>\$ 1,881,602</b>

See notes to financial statements.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Other Support</b>			
Contributions	\$ 443,714	\$ -	\$ 443,714
Non-cash Food Contributions	2,956,484	-	2,956,484
Grant Income	-	115,061	115,061
Shared Maintenance Fees, Net of Credits	217,526	-	217,526
Sales - Thrift Shop	64,926	-	64,926
Sales - Seed Shop	15	-	15
USDA	30,030	-	30,030
Interest and Investment Income (Expense)	(8,878)	-	(8,878)
Other Income (Expense)	(232)	-	(232)
Net Assets Released from Restrictions:			
Restrictions Satisfied by Purpose	146,669	(146,669)	-
<b>Total Revenue and Other Support</b>	<u>3,850,254</u>	<u>(31,608)</u>	<u>3,818,646</u>
<b>Expenses</b>			
Program Expenses			
USDA	666,355	-	666,355
Move Up	56,433	-	56,433
NCCP	53,995	-	53,995
Back Pack	55,206	-	55,206
Core Distribution	2,848,160	-	2,848,160
Total Program Expenses	<u>3,680,149</u>	<u>-</u>	<u>3,680,149</u>
Supporting Services Expenses			
Management and General	107,068	-	107,068
Fundraising	152,719	-	152,719
Total Supporting Services Expenses	<u>259,787</u>	<u>-</u>	<u>259,787</u>
<b>Total Expenses</b>	<u>3,939,936</u>	<u>-</u>	<u>3,939,936</u>
<b>Increase (Decrease) in Net Assets</b>	(89,682)	(31,608)	(121,290)
<b>Net Assets, Beginning of Year</b>	<u>686,312</u>	<u>440,985</u>	<u>1,127,297</u>
<b>Net Assets, End of Year</b>	<u>\$ 596,630</u>	<u>\$ 409,377</u>	<u>\$ 1,006,007</u>

See notes to financial statements.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Other Support</b>			
Contributions	\$ 415,634	\$ -	\$ 415,634
Non-cash Food Contributions	3,102,202	-	3,102,202
Grant Income	-	248,652	248,652
Shared Maintenance Fees, Net of Credits	314,139	-	314,139
Sales - Thrift Shop	62,481	-	62,481
Sales - Seed Shop	290	-	290
USDA	24,300	-	24,300
Interest and Investment Income	13,623	-	13,623
Other Income	45	-	45
Net Assets Released from Restrictions:			
Restrictions Satisfied by Purpose	61,069	(61,069)	-
<b>Total Revenue and Other Support</b>	<u>3,993,783</u>	<u>187,583</u>	<u>4,181,366</u>
<b>Expenses</b>			
Program Expenses			
USDA	512,209	-	512,209
Move Up	58,687	-	58,687
NCCP	53,151	-	53,151
Back Pack	51,303	-	51,303
Core Distribution	3,081,105	-	3,081,105
Total Program Expenses	<u>3,756,455</u>	<u>-</u>	<u>3,756,455</u>
Supporting Services Expenses			
Management and General	70,598	-	70,598
Fundraising	177,513	-	177,513
Total Supporting Services Expenses	<u>248,111</u>	<u>-</u>	<u>248,111</u>
<b>Total Expenses</b>	<u>4,004,566</u>	<u>-</u>	<u>4,004,566</u>
<b>Increase (Decrease) in Net Assets</b>	(10,783)	187,583	176,800
<b>Net Assets, Beginning of Year</b>	<u>697,095</u>	<u>253,402</u>	<u>950,497</u>
<b>Net Assets, End of Year</b>	<u>\$ 686,312</u>	<u>\$ 440,985</u>	<u>\$ 1,127,297</u>

See notes to financial statements.

**FOOD BANK OF NORTH CENTRAL ARKANSAS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Functional Expenses	Program Services					Total	Management and General	Fundraising	Total
	USDA	Move Up	NCCP	Back Pack	Core Distribution				
Advertising and Marketing	\$ 265	\$ 5,566	\$ 265	\$ 265	\$ 10,072	\$ 16,433	\$ -	\$ 10,073	\$ 26,506
Bank Service Charge	-	-	-	-	-	-	1,303	-	1,303
Computer and Internet	543	543	543	543	543	2,715	2,177	543	5,435
Contract Labor	-	-	-	-	-	-	4,670	-	4,670
Depreciation	4,285	-	-	-	36,425	40,710	2,142	-	42,852
Direct Mail	-	-	-	-	-	-	-	64,439	64,439
Dues and Subscriptions	757	195	757	755	2,500	4,964	250	200	5,414
Equipment Rental	-	-	-	-	2,445	2,445	-	-	2,445
Events	-	-	-	-	-	-	-	24,139	24,139
Insurance	2,100	2,100	2,100	2,100	8,107	16,507	8,108	156	24,771
Interest	-	-	-	-	-	-	32,547	-	32,547
Legal and Professional	1,466	1,466	1,466	1,466	1,466	7,330	8,159	-	15,489
License and Permits	489	-	-	489	489	1,467	-	-	1,467
Meals and Entertainment	-	-	-	-	1,357	1,357	-	-	1,357
Miscellaneous	-	-	815	-	11,676	12,491	1,086	-	13,577
Payroll Taxes and Benefits	3,302	2,476	2,889	2,682	3,322	14,671	2,476	3,488	20,635
Postage	-	-	-	-	-	-	411	1,644	2,055
Raw Food	599,395	-	-	-	2,678,418	3,277,813	-	-	3,277,813
Repairs and Maintenance	814	-	-	-	6,927	7,741	407	-	8,148
Salaries	42,980	32,235	37,607	34,921	42,962	190,705	32,235	45,684	268,624
Supplies	-	-	889	-	9,858	10,747	6,075	2,353	19,175
Telephone	529	529	529	529	529	2,645	2,652	-	5,297
Training	-	2,467	-	-	-	2,467	-	-	2,467
Transportation and Trucking	7,443	-	-	7,443	22,801	37,687	-	-	37,687
Travel	-	6,869	-	1,718	-	8,587	-	-	8,587
Utilities	1,987	1,987	6,135	2,295	8,263	20,667	2,370	-	23,037
<b>Total Functional Expenses</b>	<b>\$ 666,355</b>	<b>\$ 56,433</b>	<b>\$ 53,995</b>	<b>\$ 55,206</b>	<b>\$ 2,848,160</b>	<b>\$ 3,680,149</b>	<b>\$ 107,068</b>	<b>\$ 152,719</b>	<b>\$ 3,939,936</b>

See notes to financial statements.



**FOOD BANK OF NORTH CENTRAL ARKANSAS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functional Expenses	Program Services					Total	Management and General	Fundraising	Total
	USDA	Move Up	NCCP	Back Pack	Core Distribution				
Advertising and Marketing	\$ 302	\$ 6,349	\$ 302	\$ 302	\$ 11,489	\$ 18,744	\$ -	\$ 11,489	\$ 30,233
Bank Service Charge	-	-	-	-	-	-	2,017	-	2,017
Computer and Internet	303	303	303	303	303	1,515	1,208	303	3,026
Contract Labor	581	581	581	581	581	2,905	320	-	3,225
Depreciation	4,242	-	-	-	36,049	40,291	2,121	-	42,412
Direct Mail	-	-	-	-	-	-	-	66,496	66,496
Dues and Subscriptions	747	184	747	746	2,240	4,664	250	200	5,114
Equipment Rental	-	-	-	-	2,093	2,093	-	-	2,093
Events	-	-	-	-	-	-	-	48,071	48,071
Insurance	1,777	1,777	1,777	1,777	5,287	12,395	5,287	156	17,838
Interest	-	-	-	-	-	-	715	-	715
Legal and Professional	2,837	2,837	2,837	2,837	2,838	14,186	14,185	-	28,371
License and Permits	498	-	-	498	499	1,495	-	-	1,495
Meals and Entertainment	-	-	-	-	2,238	2,238	-	-	2,238
Miscellaneous	-	-	324	-	4,934	5,258	510	-	5,768
Payroll Taxes and Benefits	3,050	2,469	2,856	2,469	3,050	13,894	2,378	3,095	19,367
Postage	-	-	-	-	-	-	601	2,404	3,005
Raw Food	450,000	-	-	-	2,929,216	3,379,216	-	-	3,379,216
Repairs and Maintenance	890	-	-	-	7,561	8,451	445	-	8,896
Salaries	39,628	31,684	36,894	32,226	39,915	180,347	30,247	44,512	255,106
Seed Shop Purchases	-	-	248	-	-	248	-	-	248
Supplies	1,170	-	1,287	-	11,275	13,732	4,949	-	18,681
Telephone	516	516	516	516	516	2,580	2,578	-	5,158
Training	-	1,248	-	-	-	1,248	-	-	1,248
Transportation and Trucking	4,739	-	-	4,739	14,219	23,697	-	-	23,697
Travel	-	9,810	-	2,452	-	12,262	-	-	12,262
Utilities	929	929	4,479	1,857	6,802	14,996	2,787	787	18,570
<b>Total Functional Expenses</b>	<b>\$ 512,209</b>	<b>\$ 58,687</b>	<b>\$ 53,151</b>	<b>\$ 51,303</b>	<b>\$ 3,081,105</b>	<b>\$ 3,756,455</b>	<b>\$ 70,598</b>	<b>\$ 177,513</b>	<b>\$ 4,004,566</b>

See notes to financial statements.

**FOOD BANK OF NORTH CENTRAL ARKANSAS  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities:</b>		
Increase (Decrease) in Net Assets	\$ (121,290)	\$ 176,800
Depreciation	42,852	42,412
Changes in Assets and Liabilities:		
Accounts Receivable	(5,170)	1,727
Inventory	78,699	(16,236)
Prepaid Expenses	3,114	(4,075)
Accounts Payable	28,814	11,416
Accrued Interest Payable	2,718	-
Grants Payable	(50,205)	(28,994)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(20,468)</b>	<b>183,050</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Property and Equipment	(10,563)	(685,375)
Transfers (to) from Investments	12,444	(10,701)
Transfers (to) from Restricted Cash	31,608	(187,583)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>33,489</b>	<b>(883,659)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from Notes Payable	-	666,637
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>-</b>	<b>666,637</b>
<b>Net Increase in Cash and Cash Equivalents</b>	13,021	(33,972)
<b>Cash and Cash Equivalents, Beginning of Year</b>	14,900	48,872
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 27,921</b>	<b>\$ 14,900</b>

**SUPPLEMENTAL DISCLOSURES**

<b>Cash Paid for Interest</b>	<b>\$ 29,829</b>	<b>\$ 715</b>
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See notes to financial statements.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Food Bank of North Central Arkansas (the Organization) operates as a non-profit corporation in the state of Arkansas. The Organization was formed for the purpose of feeding the hungry in a nine county area of North Central Arkansas. The Organization primarily acts as a warehouse and broker of various types of donated and purchased food products to member food pantries who distribute the food to those in need. Operational costs are recovered through shared maintenance fees with member partner hunger relief organizations as well as donations from the public.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when measurable and available as net current assets. Expenditures are recognized when the related liability is incurred and are allocated between program and administrative expenditures in accordance with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents**

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash with a maturity date of not more than 90 days.

**Accounts Receivable**

Accounts receivable consist of amounts due from government agencies and member agencies. Management has determined that all accounts are collectible; accordingly, no allowance for doubtful accounts is reflected in the financial statements.

**Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions that increase those net asset classes. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities, functional expenses, and changes in net assets as net assets released from donor restrictions.

**Inventory**

Inventory consists of both purchased and donated food. Donated commodities are valued based on the United States Department of Agriculture's stated valuations, which approximate fair value. Purchased and contributed food is recorded at fair market value based on publications of Feeding America. Feeding America's Product Valuation Survey details price per pound by product categories. For the years ended December 31, 2018 and 2017, the Organization used the average wholesale per pound value of \$1.68 and \$1.73, respectively.

**Investments**

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

**Property and Equipment**

Property and equipment are recorded at cost for property and equipment purchased, and if donated, the estimated fair market value at date of donation. Property and equipment is capitalized and depreciated using the straight-line method over the estimated useful lives, which range from 5 to 40 years. It is the Organization's policy to capitalize all asset purchases greater than \$1,000. Maintenance and repairs are charged to expense as incurred; major improvements, which extend or improve the life of an asset, are capitalized.

**Compensated Absences**

The Organization allows employees to receive compensation for vacation and sick leave. Compensated absences for vacation and sick pay have not been accrued since they cannot be reasonably estimated, but are expensed as incurred.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

**Net Assets With Donor Restrictions** - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Revenues**

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

Revenue from government grant and contract agreements is recognized as it is earned through expenditures in accordance with the agreements. Any government grants received in advance of expenditures are recorded as deferred revenue on the statement of financial position.

Revenue from shared maintenance fees includes handling fees from member food pantries that receive donated food. The Organization also purchases certain commodities and distributes them to member food pantries at cost or below cost. Revenue is recognized upon the agency's receipt of the food.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

**Revenues, (Continued)**

Revenue from contributed food received, as well as the related contributed food distribution expense and the contributed food inventory accounts, is estimated by valuing the Organization's respective pounds of food at an average wholesale price per pound, by product category, as determined by Feeding America. The Organization treats contributed food as net assets without donor restrictions and records the revenue based on the pounds of food contributed, upon receipt, during the year.

**Donated Assets and Services**

All assets donated to the Organization are valued at fair market value at the date of gift and recorded as in-kind contributions. Donated property and equipment are recorded as fixed assets and depreciated accordingly. Donated materials, supplies, food, and services are valued at fair market value and expensed in the year donated.

Donated volunteer services have not been reflected in the financial statements because the criteria for recognition have not been satisfied. Volunteers donate a substantial amount of time to the Organization's programs and fundraising campaigns.

**Advertising**

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended December 31, 2018 and 2017 were \$26,506 and \$30,233, respectively.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Taxes**

The Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and a similar section of Arkansas statutes. The Organization believes it has appropriated support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's income tax returns (Form 990) are subject to examination by the IRS, generally for three years after they are filed.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**FOOD BANK OF NORTH CENTRAL ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 2 - ACCOUNTS RECEIVABLE**

The Organization provides services under contracts or grants with various funding programs through the Arkansas Department of Human Services. All accounts receivable were considered collectible at December 31, 2018 and 2017. Therefore, no provision has been made for doubtful accounts. Accounts receivable at December 31, 2018 and 2017 are as follows:

	2018	2017
Food Reimbursements	\$ 14,026	\$ 7,817
Foodrooms	6,070	9,286
AmeriCorps Reimbursements	2,177	-
Total Accounts Receivable	<u>\$ 22,273</u>	<u>\$ 17,103</u>

**NOTE 3 - RESTRICTED CASH**

The Organization has received various contributions which have been designated for use in a future building project. A portion of these funds, \$50,000, along with general use donations, were used to purchase land. The balance of these funds has been deposited into a restricted account. The balance of the account was \$409,377 and \$440,985 at December 31, 2018 and 2017, respectively.

**NOTE 4 - INVESTMENTS AND INVESTMENT INCOME**

The Organization reports certain assets at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 4 - INVESTMENTS AND INVESTMENT INCOME, (Continued)**

The aggregate carrying amount of investments as of December 31, 2018 and 2017, by major type is presented at fair value based on quoted prices in active markets (all Level 1 measurements) as follows:

	<u>2018</u>	<u>2017</u>
Cash, Money Funds, and Bank Deposits	\$ -	\$ -
Mutual Funds	178,071	190,515
Total	<u>\$ 178,071</u>	<u>\$ 190,515</u>

Management fees for the years ended December 31, 2018 and 2017 totaled \$1,083 and \$1,339, respectively.

A summary of return on investments consists of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Dividends and Interest	\$ 8,631	\$ 7,506
Net Realized Gain (Loss)	(655)	(7,289)
Net Unrealized Gain (Loss)	(16,854)	13,406
Net Investment Return	<u>\$ (8,878)</u>	<u>\$ 13,623</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost, with depreciation being taken over the estimated useful life of the assets (5 - 40 years) using the straight-line method. Changes in property and equipment are as follows:

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u> <u>(Provisions)</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/18</u>
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Buildings	940,501	-	-	940,501
Equipment	344,852	-	(19,679)	325,173
Construction in Progress	16,888	10,563	-	27,451
Total Cost	1,352,241	10,563	(19,679)	1,343,125
Accumulated Depreciation	(423,053)	(42,852)	19,679	(446,226)
Net Property and Equipment	<u>\$ 929,188</u>	<u>\$ (32,289)</u>	<u>\$ -</u>	<u>\$ 896,899</u>

	<u>12/31/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/2017</u>
Land	\$ 50,000	\$ 50,000	\$ (50,000)	\$ 50,000
Buildings	272,014	668,487	-	940,501
Equipment	344,852	-	-	344,852
Construction in Progress	-	16,888	-	16,888
Total Cost	666,866	735,375	(50,000)	1,352,241
Accumulated Depreciation	(380,641)	(42,412)	-	(423,053)
Net Property and Equipment	<u>\$ 286,225</u>	<u>\$ 692,963</u>	<u>\$ (50,000)</u>	<u>\$ 929,188</u>

Depreciation expense was \$42,852 and \$42,412 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 6 - NOTE PAYABLE**

The Organization has a note payable to Integrity Bank of \$666,637 at December 31, 2018 and 2017. The Organization used the borrowings to begin construction of a new building and intended to use the note as a temporary bridge loan until financing was secured through another source. The note was short-term and due in one installment plus interest of 5.125% and 3.875% at December 31, 2018 and 2017, respectively. The note was refinanced during the year ended December 31, 2018 and matures on September 29, 2019.

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for purpose and totaled \$409,377 and \$440,985 at December 31, 2018 and 2017, respectively.

**NOTE 8 - FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Depreciation is allocated on a square footage basis, with all other allocated expenses being allocated on the basis of estimates of time and effort.

**NOTE 9 - DONATED VOLUNTEER SERVICES**

Numerous volunteers and board members have donated significant amounts of time to the Organization's fundraising campaigns, program services, advocacy and board membership. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$597,000 and \$548,000 for the years ended December 31, 2018 and 2017, respectively.

The value of donated service time is based on the *Independent Sector Gallop Poll* recommendations. The *Independent Sector Gallop Poll* figures the value of volunteer time based on the average hourly earnings of all production and non-supervisory workers on private non-farm payrolls (as determined by the Bureau of Labor Statistics). That figure is then increased by 12 percent to estimate fringe benefits. The estimated dollar value of volunteer time for 2018 and 2017 was \$28.48 and \$27.65 per hour, respectively. Volunteers donated 18,620 and 13,571 hours of direct and indirect service, which was valued at approximately \$530,000 and \$375,000 for the years ended December 31, 2018 and 2017, respectively.

The value of time contributed for advocacy and board membership was \$100.00 per hour. A total of 674 and 1,726 hours, or \$67,000 and \$173,000, of advocacy and board membership service was donated to the Organization during the years ended December 31, 2018 and 2017, respectively.

**NOTE 10 - CONCENTRATIONS AND CREDIT RISK**

The Organization received approximately 67% of its revenues from federal and state funding received from the Arkansas Department of Human Services. The funds are disbursed pursuant to grant agreements and service provider contracts with the cognizant agency.

The Organization operates in a heavily regulated environment, which is subject to change.

The Organization maintains its cash accounts in financial institutions in which balances are insured by the FDIC up to \$250,000 per financial institution. At times during the year ended December 31, 2018, these balances may exceed the FDIC limit. At December 31, 2018, all of the Organization's deposits were insured. The Organization does not believe that there is any significant risk associated with the concentrations of credit.

**NOTE 11 - CONCENTRATIONS AND CREDIT RISK**

The Organization operates in North Central Arkansas. Although the economy is diversified, all future revenues are associated within this geographic area.

**NOTE 12 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 22, 2019, the date on which the financial statements were available to be issued.





***INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
Food Bank of North Central Arkansas  
Norfolk, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Food Bank of North Central Arkansas (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 22, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Food Bank of North Central Arkansas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Food Bank of North Central Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the Food Bank of North Central Arkansas' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Food Bank of North Central Arkansas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Porterfield & Company CPA, PLLC".

**Porterfield & Company CPA, PLLC**

Harrison, Arkansas  
July 22, 2019

**FOOD BANK OF NORTH CENTRAL ARKANSAS**  
**SUMMARY OF AUDIT RESULTS**  
**DECEMBER 31, 2018**

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Food Bank of North Central Arkansas.
2. No significant deficiencies in internal control were disclosed by the audit of the financial statements, as required to be reported in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Food Bank of North Central Arkansas which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed by the audit.

**Current Year Findings**

None

**Prior Year Findings**

None

**FOOD BANK OF NORTH CENTRAL ARKANSAS  
SCHEDULE OF GOVERNMENTAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Assistance
<b>U.S. Department of Agriculture:</b>		
Pass-through Programs - Arkansas:		
Arkansas Department of Human Services		
Division of Child Care & Early Childhood Education		
Child and Adult Care Food Program	10.558	\$ 36,855
Summer Food Service Program	10.559	18,342
Department of County Operations		
Temporary Emergency Food Assistance Program	10.568	28,125
TEFAP Commodities	10.555	527,959
<b>Total Federal Assistance</b>		<b>\$ 611,281</b>

**FOOD BANK OF NORTH CENTRAL ARKANSAS  
SCHEDULE OF UNITS OF SERVICE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

*Unaudited*

Program	Units of Service
Nutrition	
Child and Adult Care Food Program	11,255
Summer Food Service Program	4,734
Total	<u>15,989</u>

See Independent Auditors' Report.

**FOOD BANK OF NORTH CENTRAL ARKANSAS  
SUPPLEMENTAL DATA SHEET  
DECEMBER 31, 2018**

*Unaudited*

**Name:** Food Bank of North Central Arkansas

**Address:** 14215 AR-5  
Norfolk, Arkansas 72658

**Employer I.D.:** 58-1881897

**Phone Number:** (870) 499-7565

**Director:** Jeff Quick

**Cost of Audit:** \$7,500

**Contact Person:** Jeff Quick