

***FEEDING AMERICA,
KENTUCKY'S
HEARTLAND, INC.***

***FINANCIAL AND COMPLIANCE AUDIT
June 30, 2023 and 2022***

**FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
313 PETERSON DRIVE,
ELIZABETHTOWN, KY 42701**

FINANCIAL AND COMPLIANCE AUDIT

JUNE 30, 2023 and 2022

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
FINANCIAL STATEMENTS	
- Statements of Financial Position	4
- Statements of Activities	5
- Statements of Functional Expenses	6
- Statements of Cash Flows	7
Notes to the Financial Statements	8
Supplemental Information	21
Schedule of Expenditures of Federal Awards	22
Notes to the Schedule of Expenditures of Federal Awards	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by The Uniform Guidance	26
Schedule of Findings and Questioned Costs	29



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Feeding America, Kentucky's Heartland, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Feeding America, Kentucky's Heartland, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Feeding America, Kentucky's Heartland, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Feeding America, Kentucky's Heartland, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 20 to the financial statements, in fiscal year ended June 30, 2023, the Organization adopted various new accounting guidance that had no financial statement effect. Our opinion is not modified with respect to these matters.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Feeding America, Kentucky's Heartland, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Feeding America, Kentucky's Heartland, Inc.'s internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Feeding America, Kentucky's Heartland, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors
Feeding America, Kentucky's Heartland, Inc.
September 18, 2023
Page 3 of 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2023, on our consideration of Feeding America, Kentucky's Heartland, Inc.'s 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 Feeding America, Kentucky's Heartland, Inc.'s 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 Feeding America, Kentucky's Heartland, Inc.'s internal control over financial reporting and compliance.

Calhoun & Company

Calhoun & Company, PLLC
Hopkinsville, Kentucky
September 18, 2023

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS	2023	2022
Cash and Cash Equivalents	\$ 3,362,594	\$ 5,816,961
Unconditional Promises to Give	-	169,522
Accounts Receivable	54,627	74,481
Grants Receivable	118,003	319,442
Prepaid Insurance	8,558	8,814
Inventory	1,952,655	2,385,851
Deposits on Property	205,202	-
Property, Plant, and Equipment, Net	2,985,957	2,148,003
Right of Use Asset	24,130	-
Long-term Investments	110,367	88,493
	<hr/>	<hr/>
TOTAL ASSETS	\$ 8,822,093	\$ 11,011,567
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Accounts Payable	\$ 290,811	\$ 100,342
Accrued Personnel Expenses	73,158	28,490
Unearned Revenue	747	1,879,065
Lease Obligation	24,130	-
Notes Payable	467,663	41,339
	<hr/>	<hr/>
TOTAL LIABILITIES	856,509	2,049,236
	<hr/> <hr/>	<hr/> <hr/>
NET ASSETS		
Net Assets - Without Donor Restrictions		
Board Designated	1,751,610	1,810,686
Undesignated	3,824,515	4,823,800
	<hr/>	<hr/>
Net Assets - Without Donor Restrictions	5,576,125	6,634,486
Net Assets - With Donor Restrictions	2,389,459	2,327,845
	<hr/>	<hr/>
TOTAL NET ASSETS	7,965,584	8,962,331
	<hr/> <hr/>	<hr/> <hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 8,822,093	\$ 11,011,567
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The accompanying notes are an integral part of the financial statements.

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	For the Year Ended June 30, 2023			For the Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support						
Revenue						
Donated Food (Non-Federal)	\$ 10,214,940	\$ -	\$ 10,214,940	\$ 9,454,322	\$ -	\$ 9,454,322
Donated Food (TEFAP)	-	4,602,652	4,602,652	-	5,881,215	5,881,215
Donated Food (CSFP)	-	4,674,077	4,674,077	-	4,913,638	4,913,638
Contributions and Grants	3,832,109	342,867	4,174,976	3,419,141	244,284	3,663,425
USDA Administrative Funding (CSFP)	858,892	-	858,892	811,846	-	811,846
USDA Administrative Funding (TEFAP)	897,344	-	897,344	1,004,917	-	1,004,917
Shared Maintenance	98,734	-	98,734	93,888	-	93,888
Dividend and Interest Income	-	28,242	28,242	-	9,703	9,703
Sale of Purchased Foods and Delivery Fees	1,879,613	-	1,879,613	1,011,274	-	1,011,274
Gain (Loss) on Investment	-	7,561	7,561	-	(20,728)	(20,728)
Other Income	18,854	-	18,854	17,297	-	17,297
Gain (Loss) on Disposal of Assets	-	-	-	(111)	-	(111)
Net Assets Released from Restrictions	9,593,785	(9,593,785)	-	11,760,666	(11,760,666)	-
Total Revenue and Other Support	<u>27,394,271</u>	<u>61,614</u>	<u>27,455,885</u>	<u>27,573,240</u>	<u>(732,554)</u>	<u>26,840,686</u>
Expenses						
Program Services	27,763,698	-	27,763,698	26,051,824	-	26,051,824
Management and General	269,463	-	269,463	209,989	-	209,989
Fundraising	419,471	-	419,471	188,364	-	188,364
Total Expenses	<u>28,452,632</u>	<u>-</u>	<u>28,452,632</u>	<u>26,450,177</u>	<u>-</u>	<u>26,450,177</u>
Change in Net Assets	(1,058,361)	61,614	(996,747)	1,123,063	(732,554)	390,509
Beginning Net Assets - July 1, 2022	<u>6,634,486</u>	<u>2,327,845</u>	<u>8,962,331</u>	<u>5,511,423</u>	<u>3,060,399</u>	<u>8,571,822</u>
Ending Net Assets - June 30, 2023	<u>\$ 5,576,125</u>	<u>\$ 2,389,459</u>	<u>\$ 7,965,584</u>	<u>\$ 6,634,486</u>	<u>\$ 2,327,845</u>	<u>\$ 8,962,331</u>

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

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	For the Year Ended June 30, 2023				For the Year Ended June 30, 2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Related Expenses								
Salaries	\$ 1,033,326	\$ 172,221	\$ 119,230	\$ 1,324,777	\$ 824,659	\$ 126,870	\$ 105,726	\$ 1,057,255
Payroll Taxes	83,362	13,894	9,619	106,875	80,128	12,327	10,273	102,728
Health Insurance	70,540	11,756	8,139	90,435	57,534	8,851	7,376	73,761
Retirement Expense	17,927	2,987	2,068	22,982	12,714	1,956	1,630	16,300
Total Salaries and Related Expenses	<u>1,205,155</u>	<u>200,858</u>	<u>139,056</u>	<u>1,545,069</u>	<u>975,035</u>	<u>150,004</u>	<u>125,005</u>	<u>1,250,044</u>
Food Distributed	20,068,073	-	-	20,068,073	21,923,686	-	-	21,923,686
Food Acquisition Costs	5,623,273	-	-	5,623,273	2,117,281	-	-	2,117,281
Accounting	17,616	2,936	2,033	22,585	12,928	1,989	1,658	16,575
Dues and Subscriptions	18,131	3,021	2,092	23,244	6,138	944	787	7,869
Auto	158,555	5,007	3,338	166,900	152,271	4,809	3,206	160,286
Interest Expense	-	12,539	-	12,539	-	1	-	1
Meals and Entertainment	8,757	1,459	1,010	11,226	18,535	2,852	2,376	23,763
Miscellaneous	58,300	9,716	6,727	74,743	183,737	28,267	23,556	235,560
Occupancy	67,331	2,126	1,417	70,874	63,695	2,011	1,341	67,047
Postage	2,461	410	1,230	4,101	2,657	443	1,328	4,428
Professional Training and Development	7,793	3,933	208,772	220,498	151,600	-	-	151,600
Repairs and Maintenance	133,160	4,205	2,803	140,168	143,212	4,522	3,015	150,749
Supplies	157,091	8,478	25,436	191,005	104,674	896	2,688	108,258
Utilities and Telephone	37,241	6,207	18,621	62,069	35,794	5,966	17,897	59,657
Investment Fees	-	1,490	-	1,490	-	1,614	-	1,614
Bad Debt	1,000	-	-	1,000	-	-	-	-
Printing and Publishing	5,700	950	2,850	9,500	4,440	740	2,220	7,400
	<u>26,364,482</u>	<u>62,477</u>	<u>276,329</u>	<u>26,703,288</u>	<u>24,920,648</u>	<u>55,054</u>	<u>60,072</u>	<u>25,035,774</u>
Depreciation	194,061	6,128	4,086	204,275	156,141	4,931	3,287	164,359
Total Expenses	<u><u>\$ 27,763,698</u></u>	<u><u>\$ 269,463</u></u>	<u><u>\$ 419,471</u></u>	<u><u>\$ 28,452,632</u></u>	<u><u>\$ 26,051,824</u></u>	<u><u>\$ 209,989</u></u>	<u><u>\$ 188,364</u></u>	<u><u>\$ 26,450,177</u></u>

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

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities		
Change in Net Assets	\$ (996,747)	\$ 390,509
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	204,275	164,359
Unrealized (Gain) Loss on Investments	(7,561)	20,728
(Gain) Loss on Disposal of Asset	-	111
Change in Operating Assets and Liabilities:		
Prepaid Expenses and Deposits	(204,946)	96,279
Accounts Receivable	19,854	36,987
Grants Receivable	201,439	(210,775)
Unconditional Promises to Give	169,522	238,212
Inventory	433,196	389,911
Accounts Payable	190,469	59,560
Deferred Revenue	(1,878,318)	1,868,497
Accrued Personnel Liabilities	44,668	4,834
Net Cash Provided (Used) by Operating Activities	(1,824,149)	3,059,212
Cash Flows From Investing Activities		
Interest Income Reinvested	(14,113)	(675)
Purchase of Property and Equipment	(1,042,429)	(179,118)
Net Cash Provided (Used) by Investing Activities	(1,056,542)	(179,793)
Cash Flows From Financing Activities		
Proceeds from Note Payable	433,553	41,339
Payments on Note Payable	(7,229)	-
Net Cash Provided (Used) by Financing Activities	426,324	41,339
Net Increase in Cash and Cash Equivalents	(2,454,367)	2,920,758
Cash and Cash Equivalents at Beginning of the Year	5,816,961	2,896,203
Cash and Cash Equivalents at End of Year	\$ 3,362,594	\$ 5,816,961
Noncash Transactions		
Donated Inventory	\$ 10,214,940	\$ 9,454,322
USDA Commodities	\$ 9,276,729	\$ 10,794,853
Supplemental Information		
Cash Paid for: Interest	\$ 12,539	\$ 1

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

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the significant accounting policies of Feeding America, Kentucky's Heartland, Inc. (FAKH), is presented to assist in understanding the financial statements. The financial statements and notes are representations of the management of FAKH who is responsible for statements and notes are representations of the management of FAKH who is responsible for their integrity and objectivity. These accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Activities

Feeding America, Kentucky's Heartland, Inc. formerly known as America's Second Harvest of Kentucky's Heartland, Inc. is a Kentucky nonprofit organization and a certified member of Feeding America. The mission of FAKH is to serve those in need by acquiring and distributing donated food, grocery items and government commodities through our member network of 250 nonprofit partner agencies in 42 Kentucky counties.

Basis of Accounting

The financial statements of FAKH have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board Accounting Standards Codification (ASC) is the sole source of authoritative GAAP. Accordingly, revenues and gains are recognized when they are earned, and expenses and losses are recognized when they are incurred.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-225-45, formerly FASB Statement of Financial Accounting Standards (SFAS) NO. 117, *Financial Statements of Not-for-Profit Organizations* and ASU 2016-14. The organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in a checking account and certificate of deposits with original maturities of 90 days or less. Certificates of deposit are considered to be cash if interest penalties for early withdrawal are not material. The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk of loss on deposit accounts.

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities and certificates of deposit are reported at fair value. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as an increase or decrease in unrestricted net assets unless the income or loss is restricted by donor or law. Investments that are held in brokerage accounts are protected by the SIPC in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account with a limit of \$250,000 for claims of uninvested cash balances. The insurance does not protect against market losses on investments.

Accounts Receivable

Accounts receivables are recorded at net invoice amounts. FAKH generally does not require collateral and does not accrue interest on accounts receivable. A receivable is considered past due if payment has not been received within the stated terms. When applicable, FAKH provides an allowance for doubtful accounts or other receivables based on historical collection experience and a review of the status of existing receivables. The allowance represents an amount which, in management's judgement, will be adequate to absorb future losses on existing receivables that may become uncollectible. 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 the receivable. An allowance for doubtful accounts or other receivables of \$1,000 is reflected on the accompanying combined financial statements as of and for the years ended June 30, 2023 and \$0 for 2022.

Grants Receivable

Grants receivables relate to the two federal grant programs from the U.S Department of Agriculture that are passed through the Kentucky Department of Agriculture's Division of Food Distribution to FAKH. As FAKH incurs allowable direct and indirect costs for administering the Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program (CSFP), reimbursement requests are submitted to the Division of Food Distribution for approval. Grants receivable as of June 30, 2023 and 2022 relate to unreimbursed allowable distribution and administrative expenses incurred in the respective fiscal years. Grants receivable is stated at the amounts deemed to be collectible at that time based on all information available and collection experience. Accordingly, no provision for grants receivable has been recorded.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported in contributions without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported net assets with donor restrictions. When a restriction expires, net assets are reclassified to net assets without donor restrictions. The organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

On December 2, 2017, the USDA issued a policy memorandum providing updated guidance on assigning value to USDA product. The memorandum allowed for the use of fair market value (FMV), USDA purchase price, estimated cost-per-pound data provided by USDA, or USDA commodity file cost as of a date specified by the distributing agency. The USDA document references a food bank's FMV valuation as an acceptable valuation. Feeding America Product Valuation Survey is fully permitted under these guidelines. Feeding America, Kentucky's Heartland, Inc. adopted the FMV method of assigning value to its USDA product for fiscal year 2010. The valuation for USDA commodities received during the year ended June 30, 2023 and 2022 were \$1.57 and \$1.53 per pound respectively.

Purchased food inventory is recorded at average cost at the lower of cost or market. Donated food inventory is recorded at the national food rate for year ended June 30, 2023 and 2022, of \$1.93 and \$1.92 respectively, per pound. Inventory is maintained on a first-in, first out basis.

Property and Equipment

Expenditures for property and equipment are capitalized at cost for items costing \$2,500 and having a useful life greater than one year. Donated assets are capitalized at their fair market value on the date of the gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

Revenue Recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from cost reimbursement grants, performance grants, and program fees are recognized as revenue in the period in which the costs are incurred and the service is provided.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (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. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

Donated services are recognized as contributors if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by FAKH. No amounts are recorded for the volunteers who have donated their time to the Food Bank throughout the year since the recognition criterion is not met.

The organization benefits from volunteer services and donations of food. The in-kind donations for volunteer services that are part of day-to-day operations are for those services that do not require special expertise and therefore the estimated value of these services has not been included in the financial statements. Total in-kind donations for volunteer service were \$113,310 and \$77,764 for the year ended June 30, 2023 and 2022 respectively. The amounts are based on volunteer hours and the federal minimum wage.

Income Taxes

The organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Generally accepted accounting principles require an organization to account for uncertainties in income taxes. The interpretation requires recognition and measurement of uncertain income tax positions using a “more-likely-than-not” approach.

Freight Costs

Freight costs, the costs associated with having donated and purchased food delivered to its warehouse, are expensed by FAKH as incurred.

Shared Maintenance Revenue

Feeding America, Kentucky's Heartland, Inc. charges from 0 – 19 cents per pound to the recipient agencies which take the donated food and redistribute such items to the poor, needy, and hungry. The fee is to offset a portion of the receiving, storage, and distribution costs incurred by Feeding America, Kentucky's Heartland, Inc.

Functional Allocation of Expenses

The costs of providing various programs and other activities are summarized on a functional basis in the accompanying statement of activities and changes in net assets. Directly identifiable expenses are charged to the applicable programs and supporting services. Expenses related to more than one function are allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of FAKH.

Subsequent Events

The organization has evaluated subsequent events through September 18, 2023, the date which the financial statements were available to be issued.

**FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2023 AND 2022**

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2023 and 2022, cash and cash equivalents consisted of the following:

	<u>2023</u>	<u>2022</u>
Demand Deposit Accounts	\$ 1,610,984	\$ 4,006,275
Certificates of Deposit	1,489,523	166,166
Money Market Funds	<u>262,087</u>	<u>1,644,520</u>
Total	<u>\$ 3,362,594</u>	<u>\$ 5,816,961</u>

NOTE 3 – GRANTS RECEIVABLE

At June 30, 2023 and 2022, grants receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
TEFAP Distribution Fees	\$ 46,610	\$ 183,577
CSFP Distribution Fees	<u>71,393</u>	<u>135,865</u>
Total	<u>\$ 118,003</u>	<u>\$ 319,442</u>

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

At June 30, 2023 and 2022, unconditional promises to give consisted of the following:

	<u>2023</u>	<u>2022</u>
United Way of Central Kentucky	\$ -	\$ 16,634
United Way - Other than Central Kentucky	-	1,688
Anthem	<u>-</u>	<u>151,200</u>
Unconditional Promises to give, end of the year	<u>\$ -</u>	<u>\$ 169,522</u>

Promises of to give at June 30, 2022 were all received in the year ended June 30, 2023. There were none as of June 30, 2023.

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2023 AND 2022

NOTE 5 – DONATED FOOD AND INVENTORY

Inventory as of June 30, 2023 and 2022, was as follows:

	2023		2022	
	Dollars	Pounds	Dollars	Pounds
Donated Food and Non-Food	\$ 178,952	92,721	\$ 164,312	85,579
USDA Commodities	1,350,074	859,920	1,325,471	866,321
Purchased Product	423,629	311,492	896,068	466,702
Inventory, End of Year	<u>\$ 1,952,655</u>	<u>1,264,133</u>	<u>\$ 2,385,851</u>	<u>1,418,602</u>
	Dollars	Pounds	Dollars	Pounds
Inventory, Beginning of the Year	<u>\$ 2,385,851</u>	<u>1,418,602</u>	<u>\$ 2,775,762</u>	<u>1,849,278</u>
Additions:				
Adjust for Price Changes	(225,845)	-	238,261	-
Donated Product	10,456,636	5,417,946	7,209,988	4,165,609
Purchased Product	4,706,836	3,460,909	2,902,744	2,514,190
USDA Commodities	9,521,576	6,064,698	12,741,258	7,722,844
Total Additions	<u>24,459,203</u>	<u>14,943,553</u>	<u>23,092,251</u>	<u>14,402,643</u>
Distributions				
Donated Product	10,442,852	5,410,804	7,216,991	4,167,131
Purchased Product	4,917,922	3,616,119	3,131,355	2,729,163
USDA Commodities	9,531,625	6,071,099	13,133,816	7,937,025
Total Distributions	<u>24,892,399</u>	<u>15,098,022</u>	<u>23,482,162</u>	<u>14,833,319</u>
Inventory, End of Year	<u>\$ 1,952,655</u>	<u>1,264,133</u>	<u>\$ 2,385,851</u>	<u>1,418,602</u>

The approximate average wholesale value of one pound of donated food (non-USDA) at the national level was determined by Feeding America to be \$1.93 and \$1.92 for 2023 and 2022 respectively. Revenue from donated food received (non-USDA), as well as the related value of donated food distributed and the value of undistributed food inventory as of June 30, 2023 and 2022, are estimated by valuing the number of pounds at \$1.93 and \$1.92 respectively, per pound.

Commodities received under TEFAP are designated for non-profit agencies serving low income families and individuals through their emergency meal and pantry programs. The CSFP provides a monthly box of nutritious food products to eligible seniors, pregnant or post-partum women, children, and infants. Both programs are administered at the state level by the Kentucky Department of Agriculture Division of Food Distribution (The Division). The valuation for USDA commodities received during the year ended June 30, 2023 and 2022 were \$1.57 and \$1.53 respectively, per pound.

Each month the Division compensates FAKH for the distribution of these products based on the number of pounds of food distributed (TEFAP) or the number of recipients served (CSFP). These payments are reflected within program service fees on the accompanying statement of activities and change in net assets (within revenues, gains, and other support).

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2023 AND 2022

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of property, equipment, and accumulated depreciation as of June 30 is as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 89,000	\$ 89,000
Construction in Progress	431,820	41,339
Buildings and Improvements	2,370,412	2,176,538
Furniture and Equipment	1,389,963	962,023
Vehicles	<u>744,305</u>	<u>907,623</u>
Total Property and Equipment	5,025,500	4,176,523
Less: Accumulated Depreciation	<u>(2,039,543)</u>	<u>(2,028,520)</u>
Net Property and Equipment	<u>\$ 2,985,957</u>	<u>\$ 2,148,003</u>

NOTE 7 – LONG-TERM INVESTMENTS – ENDOWMENT FUND

FAKH's investment policy's primary objective is the long-term growth of principal and preservation of purchasing power. The investment portfolio is structured and maintained with the secondary objective of maximizing current income as well as stability of principal through a diversified mix of equity, fixed income, and alternative investments to supplement the cash flows of FAKH.

The fair value of investments as of June 30, 2023 was as follows:

	<u>Fair Value</u>	<u>Cost</u>
Endowment Fund	\$ 110,367	\$ 99,935

The fair value of investments as of June 30, 2022 was as follows:

	<u>Fair Value</u>	<u>Cost</u>
Endowment Fund	\$ 88,493	\$ 86,495

Net Investment income for the years ended June 30, was as follows

	<u>2023</u>	<u>2022</u>
Interest and Dividends, net of Investment		
Expenses of \$1,490 and, \$1,614	\$ 940	\$ 675
Net Unrealized Gains (Losses)	<u>20,934</u>	<u>(20,728)</u>
	<u>\$ 21,874</u>	<u>\$ (20,053)</u>

Net assets with donor restrictions at June 30, 2023 include an endowment fund established in 2016 with the Central Kentucky Community Foundation (CKCF) to support the mission of Feeding America, Kentucky's Heartland, Inc. The funds established through irrevocable contributions of \$6,000 from FAKH and \$1,000 from CKCF to the fund during fiscal year 2016. An additional \$3,000 was contributed by FAKH for the year ending June 30, 2018. Then during the years ended June 30, 2021 and 2020 contributions were \$1,222 and \$70,388. During year ended June 30, 2022 no contributions were made. \$12,500 were contributed during year ended June 30, 2023. Contributions to the endowment fund are subject to donor restrictions that stipulate

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2023 AND 2022

NOTE 7 – LONG-TERM INVESTMENTS – ENDOWMENT FUND, CONTINUED

the original principal of contributions to be held and invested by CKCF indefinitely and income from the fund is to be expended for FAKH's program services. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

FAKH has interpreted the Kentucky Prudent Management of Institutional Funds Act (KPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance KPMIFA, FAKH considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from the income and appreciation of investments, (6) other resources of FAKH, and (7) the CKCF's investment policies.

The Organization has adopted investment and spending policies for the endowment assets that attempt to subject the fund to low investment risk and provide its programs with current income. Endowment assets are invested in accordance with policies established by the Central Kentucky Community Foundation. FAKH seeks to build endowment assets through additional contributions. The Fund is administered by CKCF as a designated Endowment Fund. The Fund is intended to be and shall be administered as a component part of CKCF under Treasury Regulation Selection 1.1701A-9(e)(11) and is specifically subject to the powers of the CKCF Board of Directors. Such powers include the power to unilaterally modify any restriction or condition of the Fund in the event such restriction or condition becomes in effect, unnecessary, obsolete, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served, with any modification being as consistent as reasonably possible with the charitable intent of the donor. The only distributions from the fund shall be in accordance with CKCF's distribution policy; no other distributions from the fund will be considered or permitted.

The composition of endowment net assets for this fund and the changes in endowment net assets as of June 30, 2023 and 2022 are as follows:

	2023	2022
Endowment net assets, beginning of the year	\$ 88,493	\$ 108,546
Contributions	12,500	-
Investment Income	940	675
Net appreciation (depreciation)	20,934	(20,728)
Amounts appropriated for expenditure	-	-
Endowment net assets, end of year	\$ 110,367	\$ 88,493

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2023 AND 2022

NOTE 8 – NOTES PAYABLE

On May 26, 2022, the Organization signed a promissory note for \$474,892 for construction of an office addition. This note has a variable rate starting with 3.49% with interest only payments until all funds are disbursed. Principal payments began February 2023. At June 30, 2023 and 2022, the balance of the note payable were \$467,663 and \$41,339.

Maturities of Long-term Debt

2024	\$	17,713
2025		18,341
2026		21,580
2027		19,396
2028		19,079
2029 - 2033		108,554
2034 - 2038		133,896
Thereafter		129,104
Total	\$	<u>467,663</u>

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets include commodities, gifts, or grants for which donor imposed purpose restrictions have not been met as of year-end. Net assets with donor restrictions as of June 30, 2023 consist of various grants restricted for certain program services and other purposes as follows:

	<u>2023</u>	<u>2022</u>
Endowment funds	\$ 110,367	\$ 88,493
Anthem and United Way produce	67,200	169,521
Backpack program	861,818	744,360
USDA commodities (CSFP)	919,158	1,160,081
USDA commodities (TEFAP)	430,916	165,390
	<u>\$ 2,389,459</u>	<u>\$ 2,327,845</u>

NOTE 10 – FAIR VALUE MEASUREMENTS

FASB ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

- Level 1 Inputs - Quoted prices for identical assets and liabilities in active markets.
- Level 2 Inputs - Observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Inputs - Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2023 AND 2022

NOTE 10 – FAIR VALUE MEASUREMENTS, CONTINUED

Fair values of assets measured on a recurring basis at June 30, are as follows:

	Fair Value	Fair value measurements at the report date using:	
		Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)
<u>June 30, 2023</u>			
Endowment fund	\$ 110,367	\$ -	\$ 110,367
<u>June 30, 2022</u>			
Endowment fund	\$ 88,493	\$ -	\$ 88,493

Valuation techniques used in fair value measurement need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

The endowment fund is valued in accordance with the policies of the Central Kentucky Community Foundation which uses observable market data for the underlying assets of the funds investments. However, since there is no active market for the funds held by FAKH in the name of CKCF, the fund is classified as level 2.

There have been no changes in the methodologies used at June 30, 2023 and 2022.

NOTE 11 – LIQUIDITY AND FUNDS AVAILABLE

The following tables reflect the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment. These board designations could be drawn upon if the board approves that action.

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 3,362,594	\$ 5,816,961
Unconditional Promises to Give	-	169,522
Accounts Receivable	54,627	74,481
Grants Receivable	<u>118,003</u>	<u>319,442</u>
Total Financial Assets Available Within One Year	3,535,224	6,380,406
Board Designated Reserves Based on Six Month Operating Budget	<u>(1,751,610)</u>	<u>(1,810,686)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,783,614</u>	<u>\$ 4,569,720</u>

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2023 AND 2022

NOTE 12 – ADVERTISING COSTS

The Organization uses advertising to promote its programs among the communities it serves. Advertising costs are expensed as incurred. Advertising expenses are included in the development and training cost. Development and training cost for the year ended June 30, 2023 and 2022 were \$ 220,498 and \$151,600 respectively.

NOTE 13 – RETIREMENT

The Organization maintains a retirement plan that allows all eligible employees to defer a portion of their compensation. The Organization matches all employee contributions up to 3% of compensation. Retirement plan expense for the year ended June 30, 2023 and 2022 were \$22,982 and \$16,300 respectively.

NOTE 14 – COMMITMENTS AND CONTIGENCIES

Reimbursement claims under federal and state program grants are subject to audit and adjustment by grantor agencies. Any disallowed claims might become a liability of the Organization. The Organization is aware of no communications from granting agencies regarding the lack of compliance with grant conditions that could result in a liability.

Lease Commitments

The Organization determines if an arrangement is a lease at inception of the contract. The right-of-use asset represents our right to use the underlying assets for the lease term and our lease liabilities represent our obligation to make lease payments arising from the lease arrangement. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of the lease payments over the term of the lease. The Organization used the risk-free discount rate provided by Internal Revenue Service on the date of inception in determining the present value of lease payments. When a new lease agreement was made, the interest rate used to determine the present value of lease payments was executed.

The Organization has various operating leases for equipment. Monthly payments range from \$40 to \$2,159 with lease terms ranging from two to six years. Future minimum lease payments required under these non-cancelable operating leases are as follows:

2024	\$ 16,838
2025	14,856
2026	1,678
2027	280
2028	-
Thereafter	-
Total	<u>33,652</u>
Imputed Interest	<u>(9,522)</u>

**FEEDING AMERICA, KENTUCKY’S HEARTLAND, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2023 AND 2022**

NOTE 15 – CONCENTRATION

The Organization received 40% and 46% of total revenue from the Kentucky Department of Agriculture (USDA pass-through grants) for the years ended June 30, 2023 and 2022 respectively. The Organization received 48% and 53% of its donated inventory from the Kentucky Department of Agriculture (USDA pass-through grants) for the years ending June 30, 2023 and 2022 respectively.

The Organization maintains cash balances at multiple financial institutions and credit unions in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) of \$250,000. During the year ended June 30, 2023, the organization’s cash balances reached as high as \$6,003,506, of which \$4,753,506 was not insured. Management has currently obtained pledged securities and insurance to cover amounts above FDIC and NCUA limits.

NOTE 16 – PAYMENTS TO AFFILIATE

In accordance with the affiliation agreement between Feeding America and the Organization, the Organization pays fees based on the total poundage of food received from Feeding America. Affiliation payments for the year ended June 30, 2023 and 2022 were \$12,264 and \$12,264 respectively. There were also \$9,078 and \$9,078 in payment to Feeding Kentucky during year ended June 30, 2023 and 2022 respectively.

NOTE 17 – EXPENSE ALLOCATIONS

Expenses have been allocated to their financial categories using specific identification for items that clearly apply to a functional category. Expenses relating to multiple functional categories are allocated based on percentage of time spent on the activity. The total percentages of expenses in each functional category for the years ended June 30, 2023 are as follows:

	2023	2022
Program Expenses	97.58%	98.49%
Mangement and General Expenses	0.95%	0.79%
Fundraising Expenses	1.47%	0.71%
	100.00%	100.00%

NOTE 18 – COVID-19 IMPACT ON OPERATIONS

On January 31, 2020, the U.S. Department of Health and Human Services declared a public health emergency for the COVID-19 virus. On March 6, 2020, the Kentucky Governor declared a state of emergency as a result of the COVID-19 virus. On March 25, 2020, the Governor issued an executive order closing all businesses that are not life sustaining by March 26, 2020. The result of these events was an unstable economic environment that resulted in significantly higher unemployment and uncertain economic conditions for the future. The result was a greater need for the Organization’s services in the area it serves. The Organization received an atypical amount of donated food, monetary donations, and grants from individuals, businesses, and governments. These factors led to the Organization ending the fiscal year with more assets and recording more revenues and expenses than prior years. As the COVID-19 virus continues to impact the economy of the area served, the Organization could continue to have financial results, both positive and negative, that are not typical of its historical results. The U.S. ended the public health emergency on May 11, 2023.

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2023 AND 2022

NOTE 19 – TORNADO DISASTER RELIEF

Eight tornadoes hit Kentucky in December 2021 killing 80 people and injuring over 500 residents. Fifteen of the 16 counties that sustained severe damage and were declared natural disaster areas by FEMA were in Feeding America, Kentucky's Heartland's service area. The Organization received an atypical amount of Tornado Relief/Recovery monetary donations and grants in the amount of \$4,467,322 and donated food. This natural disaster resulted in a greater need for services in the affected areas. This resulted in the Organization ending the fiscal year with more financial liabilities and recording more revenue and expenses than prior years. As tornado recovery efforts continue, the Organization could continue to have financial results, both positive and negative, that are not typical of its historical results. At June 30, 2022, the organization had \$1,876,967 in funds still available to those counties. All of these funds had been spent by June 30, 2023.

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2023, the Organization implemented ASU 2016-02 – *Leases* (Topic 842) and the related standards of ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*, ASU 2018-10, *Codification Improvements to Topic 842, Leases*, ASU 2018-11, *Targeted Improvements*, ASU 2018-20, *Narrow-Scope Improvements for Lessors*, ASU 2019-01, *Codification Improvements*, ASU 2019-10, *Effective Dates*, ASU 2021-09, *Discount Rate for Lessees That Are Not Public Business Entities*. This new standard was issued to increase transparency and comparability amount organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements.

The following accounting standards were also implemented by the Organization. The Organization has assessed the new standards and has determined that there was no financial statement impact.

ASC 205-10, Presentation of Financial Statements - Overall

ASU 2020-10 Codification Improvements

ASC 310-20, Nonrefundable Fees and Other Costs

ASU 2021-03 Accounting Alternate for Evaluating Triggering Events

SUPPLEMENTARY INFORMATION

**FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Grantor / Program Title</u>	<u>Assistance Number</u>	<u>Pass-Through Grant Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture				
Passed through the Kentucky Department of Agriculture				
Food Distribution Cluster				
Emergency Food Assistance Program - Administrative	10.568	PON2 035 2200002683	\$ -	\$ 385,360
CCC - TEFAP - Administrative	10.568	PON2 035 2300002880	-	32,958
COVID-19: CARES - TEFAP - Administrative	10.568	PON2 035 2200001553	-	103,247
COVID-19: COSUP - TEFAP - Administrative	10.568	PON2 035 2200002683	-	375,779
Emergency Food Assistance Program - Commodities	10.569	PON2 035 2200002683	4,337,126	4,337,126
Commodity Supplemental Food Program - Administrative	10.565	PON2 035 2000002695	-	858,892
Commodity Supplemental Food Program - Commodities	10.565	PON2 035 2000002695	<u>4,915,000</u>	<u>4,915,000</u>
Total U.S. Department of Agriculture			<u>9,252,126</u>	<u>11,008,362</u>
U.S. Department of Homeland Security				
Passed through United Way of America				
Emergency Food and Shelter National Board Program	97.024	Phase 39	-	1,800
Emergency Food and Shelter National Board Program	97.024	COVID-19: ARPA	<u>-</u>	<u>1,800</u>
Total U.S. Department of Homeland Security			<u>-</u>	<u>3,600</u>
Total Expenditures of Federal Awards			<u>\$ 9,252,126</u>	<u>\$ 11,011,962</u>

FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal assistance programs of Feeding America, Kentucky's Heartland, Inc. Feeding America reporting entity is defined in Note 1 to Feeding America's financial statements. All federal financial assistance was received directly from federal agencies unless specifically noted on the schedule.

The grant revenue amounts received and expensed are subject to audit and adjustment. If any expenditures are disallowed by the grantor as a result of such audit, any claim for reimbursement to the grantor would become a liability of Feeding America, Kentucky's Heartland, Inc. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulation.

NOTE 2 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Feeding America, Kentucky's Heartland, Inc. and is presented on the accrual basis of accounting. The amount of federal awards reflects the amount of cash received, which is the grantor's method of accounting.

NOTE 3 – FOOD DISTRIBUTION

The value of USDA food commodities received during the year was estimated by Feeding America, Kentucky's Heartland, Inc. and the USDA. The value of USDA food commodities distributed during the year includes amounts held in inventory at the beginning of the year. As of June 30, 2023, Feeding America, Kentucky's Heartland, Inc. had an inventory of USDA commodities of \$1,350,074.

NOTE 4 – INDIRECT COST RATE

Feeding America Kentucky's Heartland, Inc has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



**INDEPENDENT AUDITOR'S 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
Feeding America, Kentucky's Heartland, Inc.

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 Feeding America, Kentucky's Heartland, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, 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 September 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Feeding America, Kentucky's Heartland, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Feeding America, Kentucky's Heartland, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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.

To the Board of Directors
Feeding America, Kentucky's Heartland, Inc.
September 18, 2023

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Feeding America, Kentucky's Heartland, Inc.'s 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 financial statement. 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.

Calhoun & Company

Hopkinsville, Kentucky
September 18, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Directors
Feeding America, Kentucky's Heartland, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Feeding America, Kentucky's Heartland, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Feeding America, Kentucky's Heartland, Inc.'s major federal programs for the year ended June 30, 2023. Feeding America, Kentucky's Heartland, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Feeding America, Kentucky's Heartland, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Feeding America, Kentucky's Heartland, Inc. and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Feeding America, Kentucky's Heartland, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Feeding America, Kentucky's Heartland, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Feeding America, Kentucky's Heartland, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Feeding America, Kentucky's Heartland, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Feeding America, Kentucky's Heartland, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Feeding America, Kentucky's Heartland, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Feeding America, Kentucky's Heartland, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over

To the Board of Directors
Feeding America, Kentucky's Heartland, Inc.
September 18, 2023
Page 3 of 3

compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Calhoun & Company

Hopkinsville, Kentucky
September 18, 2023

**FEEDING AMERICA, KENTUCKY'S HEARTLAND, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Cluster</u>
10.565 / 10.568 / 10.569	Food Distribution Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.