

Montana Food Bank Network

Audited Financial Statements

June 30, 2022 and 2021



Montana Food Bank Network

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Montana Food Bank Network
Missoula, Montana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Montana Food Bank Network (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 financial statements present fairly, in all material respects, the financial position of Montana Food Bank Network as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted out 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial statements section of our report. We are required to be independent of Montana Food Bank Network and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for out audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 of 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 Montana Food Bank Network's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities 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 auditors' 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Montana Food Bank Network'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 Montana Food Bank Network'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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 November 23, 2022, on our consideration of Montana Food Bank Network's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Montana Food Bank Network'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 Montana Food Bank Network's internal control over financial reporting and compliance.

Board of Directors and Management
Montana Food Bank Network

Prior Period Adjustment for Correction of an Error

As discussed in Note 14 to the financial statements, certain errors resulting in the understatement of amounts previously reported for inventory and net assets were discovered by management of the Organization in the current year. Accordingly, amounts reported for inventory and net assets have been restated as of July 1, 2020 to correct this error. Our opinion is not modified with respect to this matter.

Junkermier, Clark, Campanella, Stevens, P.C.

Missoula, Montana
November 23, 2022

Montana Food Bank Network
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021 Restated
Assets		
Current assets		
Cash and cash equivalents	\$ 1,590,961	\$ 2,446,762
Restricted cash	356,085	2,500
Certificate of deposit	1,500,000	-
Accounts receivable	96,219	94,726
Grants receivable	46,628	121,111
Pledges receivable	610,285	-
Inventories	875,965	882,105
Prepaid expenses	<u>28,228</u>	<u>23,938</u>
Total current assets	5,104,371	3,571,142
Other assets		
Property and equipment, net	2,797,248	2,640,479
Promises to give, noncurrent, net	293,642	-
Investments	<u>791,463</u>	<u>931,665</u>
Total other assets	<u>3,882,353</u>	<u>3,572,144</u>
Total assets	<u><u>\$ 8,986,724</u></u>	<u><u>\$ 7,143,286</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 179,452	\$ 276,019
Accrued liabilities	87,631	75,845
Contract advances	2,082	-
Capital lease obligation, current	<u>2,999</u>	<u>2,864</u>
Total current liabilities	272,164	354,728
Long-term liabilities		
Capital lease obligation, net of current portion	<u>256</u>	<u>3,255</u>
Total liabilities	<u>272,420</u>	<u>357,983</u>
Net assets		
Net assets without donor restrictions	6,672,500	6,548,439
Net assets with donor restrictions	<u>2,041,804</u>	<u>236,864</u>
Total net assets	<u>8,714,304</u>	<u>6,785,303</u>
Total liabilities and net assets	<u><u>\$ 8,986,724</u></u>	<u><u>\$ 7,143,286</u></u>

See the independent auditors' report and the accompanying notes to the financial statements.

Montana Food Bank Network
Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Public support			
Value of donated food	\$ 25,393,195	\$ -	\$ 25,393,195
Contributions	2,134,902	942,798	3,077,700
Contributions - in-kind	72,161	-	72,161
Grants	1,034,794	1,548,889	2,583,683
Special events	91,609	-	91,609
Net assets released from restriction	686,747	(686,747)	-
Total public support	29,413,408	1,804,940	31,218,348
Revenue			
Shared maintenance fees	9,033	-	9,033
Partnership food sales	2,081,358	-	2,081,358
Other revenue	50,203	-	50,203
Investment income (loss)	(138,308)	-	(138,308)
Total revenue	2,002,286	-	2,002,286
Total public support and revenue	31,415,694	1,804,940	33,220,634
Expenses			
Program services			
Value of donated food distributed	25,486,528	-	25,486,528
Food distribution	4,138,563	-	4,138,563
Public policy	296,042	-	296,042
Total program services	29,921,133	-	29,921,133
Support services			
Administration	406,715	-	406,715
Fundraising	963,785	-	963,785
Total support services	1,370,500	-	1,370,500
Total program and support services	31,291,633	-	31,291,633
Change in net assets	124,061	1,804,940	1,929,001
Net assets - beginning of year	6,548,439	236,864	6,785,303
Net assets - end of year	<u>\$ 6,672,500</u>	<u>\$ 2,041,804</u>	<u>\$ 8,714,304</u>

See the independent auditors' report and the accompanying notes to the financial statements.

Montana Food Bank Network
Statement of Activities
For the Year Ended June 30, 2021, Restated

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Public support			
Value of donated food	\$ 19,953,797	\$ -	\$ 19,953,797
Contributions	1,243,579	1,042,984	2,286,563
Contributions - in-kind	15,020	-	15,020
Grants	2,737,622	322,000	3,059,622
Special events	132,163	-	132,163
Net assets released from restriction	<u>1,924,981</u>	<u>(1,924,981)</u>	<u>-</u>
Total public support	26,007,162	(559,997)	25,447,165
Revenue			
Shared maintenance fees	129,859	-	129,859
Partnership food sales	1,651,057	-	1,651,057
Other revenue	100,607	-	100,607
Investment income (loss)	<u>211,268</u>	<u>-</u>	<u>211,268</u>
Total revenue	<u>2,092,791</u>	<u>-</u>	<u>2,092,791</u>
Total public support and revenue	28,099,953	(559,997)	27,539,956
Expenses			
Program services			
Value of donated food distributed	19,970,783	-	19,970,783
Food distribution	4,997,276	-	4,997,276
Public policy	<u>283,823</u>	<u>-</u>	<u>283,823</u>
Total program services	25,251,882	-	25,251,882
Support services			
Administration	339,154	-	339,154
Fundraising	<u>799,432</u>	<u>-</u>	<u>799,432</u>
Total support services	<u>1,138,586</u>	<u>-</u>	<u>1,138,586</u>
Total program and support services	<u>26,390,468</u>	<u>-</u>	<u>26,390,468</u>
Change in net assets	1,709,485	(559,997)	1,149,488
Net assets - beginning of year, as previously stated	4,714,006	796,861	5,510,867
Prior period adjustment (Note 14)	<u>124,948</u>	<u>-</u>	<u>124,948</u>
Net assets - beginning of year, as restated	<u>4,838,954</u>	<u>796,861</u>	<u>5,635,815</u>
Net assets - end of year	<u>\$ 6,548,439</u>	<u>\$ 236,864</u>	<u>\$ 6,785,303</u>

See the independent auditors' report and the accompanying notes to the financial statements.

Montana Food Bank Network
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Food Distribution	Public Policy	General and Administrative	Fundraising	Total
Value of donated food distributed	\$ 25,486,528	\$ -	\$ -	\$ -	\$ 25,486,528
Cost of food delivered	2,817,007	-	-	-	2,817,007
Salaries	494,899	169,435	260,988	216,602	1,141,924
Payroll taxes	52,179	14,131	20,623	16,032	102,965
Employee benefits	87,882	26,387	38,147	27,324	179,740
Training	4,040	4,933	9,878	2,915	21,766
Travel	8,466	2,346	2,498	5,633	18,943
Supplies	47,429	1,796	2,350	2,723	54,298
Printing and publications	548	7,765	468	299,112	307,893
Postage and delivery	388	1,971	820	109,867	113,046
Telephone	10,353	4,351	3,655	3,177	21,536
Advertising	100	49	-	23,641	23,790
Contract services	30,343	38,266	8,933	82,879	160,421
Professional fees	320	111	26,004	124,906	151,341
Conference and meeting costs	5,572	5,707	81	3,469	14,829
Agency grants	40,423	2,450	-	-	42,873
Insurance	19,146	3,127	2,254	3,849	28,376
Dues and subscriptions	12,894	334	17,027	11,980	42,235
Utilities	33,141	1,089	726	1,452	36,408
Equipment purchases	37,126	5,180	2,310	588	45,204
Depreciation	284,588	6,250	7,982	9,144	307,964
Repairs and maintenance	76,899	337	609	774	78,619
Fuel, oil, and gas	74,726	-	-	-	74,726
Interest	46	16	64	95	221
Bank and finance charges	-	-	49	17,495	17,544
Other	48	11	1,249	128	1,436
Total expenses	<u>\$ 29,625,091</u>	<u>\$ 296,042</u>	<u>\$ 406,715</u>	<u>\$ 963,785</u>	<u>\$ 31,291,633</u>
Percentage of total expenses	94.7 %	0.9 %	1.3 %	3.1 %	100 %

See the independent auditors' report and the accompanying notes to the financial statements.

Montana Food Bank Network
Statement of Functional Expenses
For the Year Ended June 30, 2021, Restated

	Food Distribution	Public Policy	General and Administrative	Fundraising	Total
Value of donated food distributed	\$ 19,970,783	\$ -	\$ -	\$ -	\$ 19,970,783
Cost of food delivered	3,506,521	-	-	-	3,506,521
Salaries	468,979	145,197	226,425	197,015	1,037,616
Payroll taxes	62,753	12,251	19,742	18,104	112,850
Employee benefits	73,044	21,512	27,466	22,049	144,071
Training	1,885	785	1,027	709	4,406
Travel	1,427	119	549	34	2,129
Supplies	60,446	1,766	1,386	1,431	65,029
Printing and publications	490	4,193	527	264,775	269,985
Postage and delivery	664	2,558	996	103,017	107,235
Telephone	9,633	3,928	3,059	3,361	19,981
Advertising	-	630	-	7,677	8,307
Contract services	75,068	61,616	5,333	30,341	172,358
Professional fees	12,109	3,445	20,818	100,819	137,191
Conference and meeting costs	90	-	-	42	132
Agency grants	235,939	12,500	-	-	248,439
Insurance	17,941	2,968	2,117	3,671	26,697
Dues and subscriptions	4,239	387	13,970	12,231	30,827
Utilities	29,592	825	654	1,302	32,373
Equipment purchases	31,416	119	2,075	2,603	36,213
Depreciation	279,113	6,465	8,067	8,932	302,577
Repairs and maintenance	56,778	348	502	737	58,365
Fuel, oil, and gas	46,417	-	-	-	46,417
Interest	14,764	363	1,691	767	17,585
Bank and finance charges	-	-	87	14,336	14,423
Other	7,968	1,848	2,663	5,479	17,958
Total expenses	<u>\$ 24,968,059</u>	<u>\$ 283,823</u>	<u>\$ 339,154</u>	<u>\$ 799,432</u>	<u>\$ 26,390,468</u>
Percentage of total expenses	94.6 %	1.1 %	1.3 %	3.0 %	100 %

See the independent auditors' report and the accompanying notes to the financial statements.

Montana Food Bank Network
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021, Restated

	2022	2021 Restated
Cash flows from operating activities		
Change in net assets	\$ 1,929,001	\$ 1,149,488
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	307,964	302,577
(Gain) Loss on disposal of assets	(30,179)	(82,010)
Unrealized loss (gain) on investments	154,713	(200,637)
Forgiveness of debt and accrued interest	-	(224,963)
Changes in operating assets and liabilities		
Receivables	(830,937)	281,290
Inventories	6,140	(91,128)
Prepaid expenses	(4,290)	(17,895)
Accounts payable	(96,567)	(31,888)
Accrued liabilities	11,786	15,366
Contract advances	2,082	-
Net cash provided by operating activities	<u>1,377,552</u>	<u>1,100,200</u>
Cash flows from investing activities		
Purchase of property and equipment	(394,372)	(347,651)
Proceeds from sales of property and equipment	32,000	82,000
Net purchases of investments and reinvestments	(14,532)	(8,515)
Purchase of certificate of deposit	<u>(1,500,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,876,904)</u>	<u>(274,166)</u>
Cash flows from financing activities		
Payments on long-term debt	-	(560,000)
Principle payments on capital lease obligation	<u>(2,864)</u>	<u>(2,736)</u>
Net cash provided by financing activities	<u>(2,864)</u>	<u>(562,736)</u>
Net change in cash	(502,216)	263,298
Cash and cash equivalents - beginning of year	<u>2,449,262</u>	<u>2,185,964</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,947,046</u></u>	<u><u>\$ 2,449,262</u></u>
Reconciliation of Ending Cash Balance		
Cash and cash equivalents	\$ 1,590,961	\$ 2,446,762
Restricted cash	356,085	2,500
Total	<u><u>\$ 1,947,046</u></u>	<u><u>\$ 2,449,262</u></u>
Supplemental Cash Flow Information		
Cash paid for interest	\$ 221	\$ 17,585

See the independent auditors' report and the accompanying notes to the financial statements.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2022 and 2021, Restated

1. Organization and Summary of Significant Accounting Policies

Organization

The Montana Food Bank Network, Inc. ("MFBN") ("the Organization") is a nonprofit, tax-exempt section 501(c)(3) organization whose vision is building a unified force to address hunger in Montana. The mission of MFBN is working to eliminate hunger in Montana through food acquisition and distribution, education and advocacy. The Organization acts to accomplish its mission by soliciting, warehousing, transporting, and distributing food to charitable programs that directly serve needy families, children, and seniors in the State of Montana. MFBN is a network made up of over 280 community food banks, pantries, social organizations, homeless shelters, schools, and many others that are partners in ending hunger. The Organization coordinates the hunger-relief work of its Network Partners through promoting hunger awareness in Montana, maintenance of publications and resources, facilitating a state-wide system for the transportation and storage of food, and providing education on hunger-related issues. The following are the major programs of the Organization.

Food Distribution - MFBN solicits food donations from the food industry, Feeding America, Montana retailers and wholesalers, and produce recovery efforts through statewide and regional farmers. The Organization is contracted by the U.S. Department of Agriculture and the State of Montana to warehouse and distribute The Emergency Food Assistance Program ("TEFAP") commodity food. The Organization also purchases food with grant and donated funds at wholesale cost for benefit of its Partner Agencies. Donated commodity and purchased food is then transported, warehoused, and distributed to charitable programs that directly serve needy people throughout all 56 counties in the State of Montana.

Complimentary to its Food Distribution model, MFBN also fights hunger by supporting a Mobile Food Pantry and Mail-A-Meal Program that distributes food to unserved and underserved communities in Montana. In an effort to combat childhood hunger, the Organization has begun a Backpack Program in local area counties to provide healthy food that income-qualified students at risk of hunger can take home and eat over the weekend and during school holidays.

Public Policy Program - MFBN promotes sustainable solutions to hunger and works to address long-term chronic hunger issues. The Organization aims to improve access to adequate nutrition among Montanans with limited income by increasing awareness about and access to public nutrition programs through application assistance workshops, community meetings, and working with those interested in applying. The Organization also collects and monitors data on hunger, food insecurity, and access to affordable healthy food. The Organization promotes public awareness and encourages Montanans to make the hunger issue a priority by establishing an ongoing dialogue about ways to end hunger in our communities. MFBN's Food Security Council ("the Council") provides a forum for discussion and sharing best practices among anti-hunger leaders. The Council serves to identify barriers that create food insecurity, gaps in services, and the need for program development throughout the state.

Basis of Accounting

The Organization's financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Accounting Standards Update

During the year ended June 30, 2022, MFBN adopted FASB Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The accounting change has been retrospectively applied to prior periods as if the policy had always been in place.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2022 and 2021, Restated

1. Organization and Summary of Significant Accounting Policies (Continued)

Classification of Net Assets

The financial statement presentation follows the recommendation of Financial Accounting Standards Board Accounting Standards Codification 958, *Not for Profit Entities* (FASB ASC 958). Under ASC 958, MFBN is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represent the expendable resources that are available for operations at management's discretion, and net assets with donor restrictions, which represent resources restricted by donors as to purpose or by passage of time, or resources whose use by MFBN is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of MFBN.

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 may differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization maintains various accounts at local banks that are insured by the Federal Deposit Insurance Corporation (FDIC). The Organization's bank accounts may exceed the FDIC limits at various times during the year. The Organization believes they are not exposed to any significant credit risk on cash balances.

Certificate of Deposit

The Organization maintains a certificate of deposit at a local bank with a balance of \$1,500,000 and zero at June 30, 2022 and 2021, respectively. The term of the certificate of deposit is twelve months and the certificate of deposit matures in February 2023. The certificate of deposit pays interest annually at a stated rate of 0.50%.

Management of Liquid Resources

Montana Food Bank Network, Inc. is primarily funded by individual donors, largely residing in the State of Montana. MFBN is the only recognized Feeding America partner in the state of Montana and has a contractual agreement with Feeding America. Part of this contract requires MFBN to hold in cash reserve a minimum of three months of operating expenses. In addition to the operating reserve, MFBN receives donations from individuals and corporations that contain restrictions. These restrictions require MFBN to use resources in a certain manner or future time period. As a result, MFBN must maintain adequate reserves to meet these responsibilities to its donors. The Board of Directors has put in place a financial investment policy for MFBN. As part of this policy, the Board of Directors may designate a portion of MFBN's liquidity reserve to a long-term investment that could be utilized in the event of an unanticipated liquidity need. Additionally, MFBN could draw upon a \$50,000 line of credit should the need for additional liquid resources arise.

Investments

Investments are composed of money market funds, common stock, and bonds purchased through and held by a third party investment manager and are reported at fair value based on quoted market prices. Interest and dividend income, as well as net gains and losses on these investments are included in other income. The Organization determined the fair value of its investments through the application of FASB ASC 820, *Fair Value Measurements and Disclosures* as discussed in Note 3.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2022 and 2021, Restated

1. Organization and Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Accounts and Grants Receivable

The Organization uses the allowance method for uncollectible receivables. Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off. Bad debts of \$5 and \$3,000 were recorded during the years ended June 30, 2022 and 2021, respectively. Management estimates the allowance for doubtful accounts to be zero at June 30, 2022 and 2021.

Inventory

Inventories consist of food that has been donated or purchased during the current year and has not yet been distributed. In accordance with Feeding America's Product Valuation Survey, donated inventory items are valued at \$1.92 and \$1.79 per pound as of June 30, 2022 and 2021, respectively.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or fair value at the date of donation. Depreciation is computed using the straight line method over the estimated useful lives of the assets, which ranges from 5-7 years for equipment to 39 years for buildings. The Organization capitalizes all expenditures for property and equipment equal to or greater than \$3,000 and having a useful life exceeding one year.

Paycheck Protection Program

During the year ended June 30, 2021, the Organization was granted forgiveness of principle and related interest of Small Business Administration Paycheck Protection Program loan proceeds received under the provisions of the loan program. Principle and interest forgiven in the amount of \$224,963 is included in grant revenue in the statement of activity for the year ended June 30, 2021.

Contributed Nonfinancial Assets and Services

Donated food is reported as its own line item within the statement of activities. Contributions in-kind consist of the following for the years ended June 30:

	2022	2021 Restated
Professional fees	\$ -	\$ 15,020
Fixed assets	72,161	-
Total	<u>\$ 72,161</u>	<u>\$ 15,020</u>

MFBN's policy related to contributed nonfinancial assets and services is to utilize the assets to carry out the mission of the Organization. If an asset is provided that cannot be utilized the Organization will attempt to monetize the contribution. All contributed nonfinancial assets and services were utilized in program services during the years ended June 30, 2022 and 2021, respectively.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2022 and 2021, Restated

1. Organization and Summary of Significant Accounting Policies (Continued)

Contributed Nonfinancial Assets and Services (Continued)

Donated food is recorded as a contribution when donated and an expense when distributed. Donated food contributed and expensed is valued based on the estimated wholesale value of a pound of donated food as provided in Feeding America's Product Valuation Survey.

During the year ended June 30, 2022, MFBN made capital improvements to its warehouse. As part of the improvements technology capabilities totaling \$72,161 were donated to the Organization. The value of these improvements was provided by the vendor at current market rates.

During the year ended June 30, 2021, MFBN received donated professional services in the amount of \$15,020. Donated professional services are valued at the current market rate the Organization would have been required to pay had the donated professional services not been donated.

MFBN reports gifts of donated food and grocery products over which it has control (i.e. variance power) as unrestricted public support and, shortly thereafter, as an expense when granted to MFBN agencies. In the absence of specified donor restrictions, MFBN reports contributions in-kind as without donor restriction as determined by management.

Additionally, many individuals volunteer their time and skills to perform a variety of tasks that assist MFBN, but these services do not meet the criteria for recognition as contributed services. The estimated value of services that do not meet the criteria for recognition was \$130,043 and \$95,638 for the years ended June 30 2022 and 2021, respectively.

Contributions and Pledges

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 are restricted by the donor for specific purposes are reported as net assets with donor restrictions. Contributions, including unconditional pledges, are recognized in the period received. A donor restriction expires when a time restriction ends or when the purpose for which it was intended is attained. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the reporting period in which the revenue is recognized.

Revenue and Revenue Recognition

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as unearned revenue in the statement of financial position. The Organization received no advance payments required to be recognized in the statement of financial position as unearned revenue at June 30, 2022 and 2021, respectively.

Partnership food sales, including related shared maintenance and delivery fees, contain a single delivery element and revenue is recognized at a single point in time when ownership, risks, and rewards transfer. That is, when control of the merchandise transfers to partner agencies. Control of merchandise transfers when the shipped order arrives at the destination.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2022 and 2021, Restated

1. Organization and Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition (Continued)

The Organization recognizes revenue from special event ticket sales at the time of admission. For special events, revenue equal to the fair value of direct benefits to donors and contribution income for the excess received is recorded when the event takes place.

Advertising Costs

The Organization expenses non-direct response advertising costs as incurred.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. This code section enables the Organization to accept donations that qualify as charitable contributions to the donor. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. No provision for income taxes has been recorded in the accompanying financial statements, because the Organization did not have any unrelated business income during the years ended June 30, 2022 and 2021.

Functional Allocation of Expenses

The costs of providing various programs and activities are summarized on a functional basis in the statement of activities. Certain administrative and other costs have been allocated among the programs based on specific identification or based on estimates of the expenses incurred. The primary activity groups and their related purposes are summarized as follows:

Administrative Expenses - Expenses which allow MFBN to operate and provide services to clients, but are not directly attributable to client services.

Program Services - Expenses which are associated with food distribution, education, and outreach activities.

Fundraising Expenses - Provides for direct mail fundraising and low-cost supplies and services for special events and activities designed to create public awareness and support for hunger-related issues.

Program Cost Allocation

The financial statements of Montana Food Bank Network report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Payroll taxes	Time and effort
Benefits	Time and effort
Insurance	Time and effort
Printing	Time and effort
Supplies	Time and effort
Communication	Time and effort
Interest	Square Footage
Janitorial	Square Footage
Utilities	Square Footage
Depreciation	Time and effort, square footage, or equal benefit depending on the asset

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2022 and 2021, Restated

1. Organization and Summary of Significant Accounting Policies (Continued)

Management and General Cost Allocation

The duties of the Organization's CEO include oversight of the entire Organization. At MFBN, the CEO spends a portion of time overseeing each of its programs and assisting with administrative and development activities. A portion of the CEO's compensation, taxes, benefits and other expense would be allocated to each of these departments as they represent direct conduct or supervision. A time study is administered periodically to develop an allocation for the CEO's time based on the time activity study. Although the Organization feels the duties of the CFO encompass all areas for the Organization at times, the Organization chooses not to allocate the CFO time to any other departments. MFBN applies all time for the CFO to the administration department of the Organization, as it feels this is the most conservative approach for expensing the CFO's time.

MFBN receives federal grants and employs a staff position who is responsible for grant accounting and reporting. In some cases, under the terms of the grant agreement, a fiscal report is required to be filed that details expenses incurred and charged against the grant. The fiscal report is not part of the direct conduct or supervision of the grant but rather an accounting function. Therefore, the staff person's compensation and benefits would not be allocated to the grant. However, a scientific report prepared by a staff person who is responsible for the research activity would be indicative of direct conduct and/or direct supervision of the grant activity, and the principal investigator's compensation and benefits could be allocated to the grant.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications had no effect on total net assets or changes in net assets.

2. Investments

Investments are maintained in custodial accounts with an investment firm. The cost basis and market value of investments held are as follows at June 30:

	2022		2021 Restated	
	Basis	Market	Basis	Market
Interest bearing cash	\$ 58,223	\$ 58,275	\$ 62,514	\$ 62,515
Common stock	502,736	564,409	394,388	579,065
Bonds	128,106	112,497	219,295	224,611
Alternative investments	56,019	56,282	56,019	65,474
Total Investments	<u>\$ 745,084</u>	<u>\$ 791,463</u>	<u>\$ 732,216</u>	<u>\$ 931,665</u>

The components of investment income are as follows for the years ended June 30:

	2022	2021 Restated
Interest and dividends	\$ 24,900	\$ 18,398
Net gains and losses, realized and unrealized	(154,713)	200,637
Investments fees	(8,495)	(7,767)
Investment income (loss), net	<u>\$ (138,308)</u>	<u>\$ 211,268</u>

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2022 and 2021, Restated

3. Fair Value Measurements

The Financial Accounting Standards Board developed the Accounting Standards Codification 820, *Fair Value Measurements*, to establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under the “Fair Value Measurements” guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include (1) quoted prices for similar assets in active markets (2) quoted prices for identical or similar assets in inactive markets (3) inputs other than quoted market prices that are observable from the asset (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets itemized below were measured at fair value using the market approach. There have been no changes in the methodologies used at June 30, 2022. The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022 and 2021.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2022				
Interest bearing cash	\$ 58,275	\$ 58,275	\$ -	\$ -
Common stock	564,409	564,409	-	-
Bonds	112,497	112,497	-	-
Alternative investments	<u>56,282</u>	<u>56,282</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 791,463</u>	<u>\$ 791,463</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2021, Restated				
Interest bearing cash	\$ 62,515	\$ 62,515	\$ -	\$ -
Common stock	579,065	579,065	-	-
Bonds	224,611	224,611	-	-
Alternative investments	<u>65,474</u>	<u>65,474</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 931,665</u>	<u>\$ 931,665</u>	<u>\$ -</u>	<u>\$ -</u>

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2022 and 2021, Restated

4. Grants Receivable

The following is a schedule detailing the balance of grants receivable at June 30:

	<u>2022</u>	<u>2021 Restated</u>
Montana State DPHHS		
Supplemental Nutrition Assistance Program	\$ 6,518	5,299
United States Department of Agriculture		
Emergency Food Assistance Program	<u>40,110</u>	<u>115,812</u>
Total grants receivable	<u>\$ 46,628</u>	<u>\$ 121,111</u>

The balance of grants receivable at June 30, 2022 and 2021 are expected to be collected within one year.

5. Conditional Grants Receivable

MFBN had the following conditional grants receivable that are not recognized as assets in the statement of financial position at June 30, 2022 and 2021. The grants are reimbursement based contracts that are conditional upon related expenditures being made.

	<u>2022</u>	<u>2021 Restated</u>
Montana State DPHHS		
Award "Emergency Food Assistance Program"	\$ -	\$ 41,218
Award "Supplemental Nutrition Assistance Program"	<u>9,604</u>	<u>1,757</u>
Total	<u>\$ 9,604</u>	<u>\$ 42,975</u>

6. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	<u>2022</u>	<u>2021 Restated</u>
Pledges receivable	\$ 939,000	\$ -
Less: discount on pledges receivable	<u>(35,073)</u>	<u>-</u>
Net pledges receivable	<u>\$ 903,927</u>	<u>\$ -</u>

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2022 and 2021, Restated

6. Pledges Receivable (Continued)

Pledges receivable consisted of the following at June 30:

	2022	2021 Restated
Receivable in less than one year	\$ 619,000	\$ -
Receivable in one to five years	<u>320,000</u>	<u>-</u>
Total pledges receivable	939,000	-
Less: discount on pledges receivable	<u>(35,073)</u>	<u>-</u>
Net pledges receivable	<u>\$ 903,927</u>	<u>\$ -</u>

The discount on pledges receivable was \$35,073 and zero at June 30, 2022 and 2021, respectively. Pledges were discounted to their present value based on the term of the underlying pledge. The discount rate ranges from 2.80% to 3.01%.

7. Property and Equipment

Property and equipment consists of the following:

	2022	2021 Restated
Land	\$ 1,019,873	\$ 1,019,873
Buildings	1,221,245	1,221,245
Building improvements	393,418	393,418
Machinery and equipment	1,651,569	1,690,450
Computer equipment and software	305,045	229,917
Construction in progress	<u>334,550</u>	<u>23,975</u>
	4,925,700	4,578,878
Less accumulated depreciation	<u>(2,128,452)</u>	<u>(1,938,399)</u>
Total	<u>\$ 2,797,248</u>	<u>\$ 2,640,479</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$307,964 and \$302,577, respectively.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2022 and 2021, Restated

8. Capital Leases

Equipment under capital lease consists of a copier with a capitalized cost of \$13,750. Accumulated depreciation related to the leased copier in the statements of financial position was \$11,000 and \$8,250 at June 30, 2022 and 2021, respectively. Depreciation expense reported in the statements of functional expense includes \$2,750 for the years ended June 30, 2022 and 2021, for the equipment under capital lease. Interest expense related to the capital lease reported in the statements of functional expense was \$221 and \$350 for the years ended June 30, 2022 and 2021, respectively. The lease period is for sixty (60) months, which is equal to the estimated economic useful life of the copier.

Future minimum lease payments are as follows for the years ended June 30:

2023	\$	2,999
2024		<u>256</u>
Total future minimum lease payments	\$	<u><u>3,255</u></u>

9. Employee Benefit Plan

Montana Food Bank Network employees participate in individual retirement accounts under a SIMPLE IRA Plan. Under the terms of the SIMPLE IRA Plan, the employer will match up to 3% of eligible employee contributions. During the years ended June 30, 2022 and 2021, Montana Food Bank Network made matching contributions of \$31,902 and \$28,667, respectively.

10. Line of Credit

MFBN has one line of credit with a local bank which provides borrowings up to a maximum of \$50,000, at a rate of 5.25% and matures in August 2022. As of June 30, 2022 and 2021, the line of credit had no outstanding balance.

11. Net Assets Without Donor Restrictions

At June 30, 2022 and 2021, the Organization reported net assets without donor restrictions of \$6,672,500 and \$6,548,439, respectively. As part of the Organization's contract with Feeding America, the Organization is required to hold in cash reserve a minimum of three months of operating expenses. The amount of operating expenses held in reserve fluctuates from year to year based on the Organization's budgeted operating expenses. At June 30, 2022 and 2021, the amount of operating expenses held in reserve totaled \$1,118,939 and \$1,020,372, respectively.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2022 and 2021, Restated

12. Net Assets With Donor Restrictions

Restrictions on net assets consist of the following at June 30, 2022 and 2021:

	2022	2021 Restated
Public policy and advocacy support	\$ 472,749	\$ 15,890
Restricted for vehicle, building, and equipment	356,000	-
Food distribution support	173,930	90,129
Backpack program	135,198	130,845
Restricted by time requirements	<u>903,927</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 2,041,804</u>	<u>\$ 236,864</u>

The table above presents the composition of net assets with donor restrictions. As of June 30, 2022 and 2021, \$1,137,877 and \$236,864, respectively, are restricted by donors as to their use, while \$903,927 and zero, respectively, are restricted by donors by the passage of time. Additionally, as of June 30, 2022 and 2021, \$903,927 and zero, respectively, are restricted by donors as to their use as well as by the passage of time.

13. Financial Assets

The table on the following page reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor imposed restrictions within one year of the statement of financial position date:

Financial assets as of June 30,

	2022	2021 Restated
Cash	\$ 1,947,046	\$ 2,449,262
Certificate of deposit	1,500,000	-
Receivables, net	1,046,774	215,837
Investments	<u>791,463</u>	<u>931,665</u>
	5,285,283	3,596,764

Less: Financial assets unavailable for general expenditures within one year, due to:

Financial assets with donor restrictions	(2,041,804)	(236,864)
First Nonprofit unemployment insurance reserve	(17,418)	(15,684)
Amounts set aside for liquidity reserve	<u>(1,118,939)</u>	<u>(1,020,372)</u>

Financial assets available to meet cash needs for general expenditure	<u>\$ 2,107,122</u>	<u>\$ 2,323,844</u>
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Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2022 and 2021, Restated

14. Correction of Error in Previously Issued Financial Statements

During the year ended June 30, 2022, management discovered errors in previously issued financial statements. As a result of the error, inventory and net assets were understated by \$124,948 for the year ended June 30, 2021. The understatement was the result of the Organization's classification as a contractor by the State of Montana, which resulted in certain inventory passed through and delivered by the Organization not being reflected in the statement of financial position. In the current year, the Organization was determined to be a subrecipient of the State of Montana and it was determined that inventory passed through and delivered by the Organization should be recorded in the statement of financial position. The beginning balance of net assets has been restated as of July 1, 2020 to correct this error.

15. Subsequent Events

The Organization has evaluated subsequent events through November 23, 2022, the date on which the financial statements were available to be issued and there were no events required to be reported.

Montana Food Bank Network
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

FEDERAL SOURCE <i>PASS THROUGH SOURCE</i> PROGRAM NAME	ASSISTANCE LISTING NUMBER	CONTRACT NUMBER	TOTAL FEDERAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
United States Department of Agriculture <i>State of Montana Department of Public Health and Human Services</i>				
Food Distribution Cluster				
Emergency Food Assistance Program				
EFAP - Administrative Costs	10.568	19-027-24001-0	\$ 461,504	\$ -
Farm 2 Food	10.568	22-027-1900-30	<u>27,811</u>	<u>-</u>
			489,315	-
EFAP - Commodities	10.569	19-027-24001-0	<u>4,265,499</u>	<u>4,265,499</u>
Total Food Distribution Cluster			<u>4,754,814</u>	<u>4,265,499</u>
SNAP Cluster				
Supplemental Nutrition Assistance Program	10.561	19-022-000-1	1,757	-
Supplemental Nutrition Assistance Program	10.561	19-022-000-10	<u>19,897</u>	<u>-</u>
Total SNAP Cluster			<u>21,654</u>	<u>-</u>
Total United States Department of Agriculture			<u><u>\$ 4,776,468</u></u>	<u><u>\$ 4,265,499</u></u>

See the accompanying notes to the schedule of expenditures of federal awards.

Montana Food Bank Network
Notes to Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2022

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Montana Food Bank Network, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the 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). Because the Schedule only presents a selected portion of operations of Montana Food Bank Network, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Montana Food Bank Network, Inc.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Donated food was valued above utilizing rates provided by Feeding America, specifically the fair market value of donated foods excluding non-food items as required by the USDA. For the year ended June 30, 2022, contributed food reported in the Schedule was valued at \$1.53 per pound. See Note 1 of the accompanying financial statements for the determined per pound value of donated inventory for reporting within those statements.

3. Indirect Cost Rate

Montana Food Bank Network, Inc. did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Subrecipients

Montana Food Bank Network, Inc. distributed food to subrecipients valued at \$4,265,499 for the year ended June 30, 2022.



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ACCOUNTING
AUDIT
TAX
EMPLOYEE BENEFITS
SPECIALIZED SERVICES

**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***

Board of Directors and Management
Montana Food Bank Network
Missoula, Montana

We have audited, 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, the financial statements of Montana Food Bank Network (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2022, 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 November 23, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montana Food Bank Network's internal control over financial reporting (internal control) as a basis for designing 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 Montana Food Bank Network's internal control. Accordingly, we do not express an opinion on the effectiveness of Montana Food Bank Network'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montana Food Bank Network'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 statements. 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*.



Board of Directors and Management
Montana Food Bank Network

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.

Junkermier, Clark, Campanella, Stevens, P.C.

Missoula, Montana
November 23, 2022



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ACCOUNTING
AUDIT
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EMPLOYEE BENEFITS
SPECIALIZED SERVICES

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors and Management
Montana Food Bank Network
Missoula, Montana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Montana Food Bank Network'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 Montana Food Bank Network's major federal programs for the year ended June 30, 2022. Montana Food Bank Network'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, Montana Food Bank Network complied, in all material respects, with the types of 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, 2022.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Montana Food Bank Network and to meet our other 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 Montana Food Bank Network'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 Montana Food Bank Network'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 to express an opinion on Montana Food Bank Network'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 generally accepted auditing standards, *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 Montana Food Bank Network's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Montana Food Bank Network'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 Montana Food Bank Network'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 Montana Food Bank Network'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 a 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 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 Auditors' 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.

Board of Directors and Management
Montana Food Bank Network

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.

Junkermier, Clark, Campanella, Stevens, P.C.

Missoula, Montana
November 23, 2022

**Montana Food Bank Network
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

I. Summary of Auditors' Results

1. The independent auditors' report expresses an unmodified opinion on whether the financial statements of Montana Food Bank Network, Inc. were prepared in accordance with U.S. GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Montana Food Bank Network, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The independent auditors' report on compliance for the major federal award programs for Montana Food Bank Network, Inc. expresses an unmodified opinion on the major federal program.
6. There are no findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program included the following: United States Department of Agriculture: Food Distribution Cluster ALN 10.568 and 10.569.
8. The threshold for distinguishing Type A and B programs was \$750,000 in expenditures.
9. Montana Food Bank Network, Inc. was not determined to be a low-risk auditee.

II. Findings - Financial Statements Audit

No matters were reported.

III. Findings and Questioned Costs - Major Federal Award Programs

No matters were reported.

IV. Status of Prior Year Findings

No matters were reported.