

Montana Food Bank Network

Audited Financial Statements

June 30, 2024 and 2023



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, 2024 and 2023, 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, 2024 and 2023, 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 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 our 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.

Board of Directors and Management
Montana Food Bank Network

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 September 25, 2024, on our consideration of the 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.

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

Missoula, Montana
September 25, 2024

**Montana Food Bank Network
Statements of Financial Position
June 30, 2024 and 2023**

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 2,149,108	\$ 1,476,726
Restricted cash	5,749,504	3,382,420
Certificate of deposit	557,163	1,006,756
Accounts receivable	100,300	111,684
Grants receivable	248,297	201,493
Pledges receivable	338,650	545,419
Inventories	909,903	809,340
Prepaid expenses	17,663	33,209
Total current assets	10,070,588	7,567,047
Other assets		
Property and equipment, net	4,528,488	2,964,553
Pledges receivable, noncurrent, net	396,565	314,867
Right-of-use asset	-	38,482
Investments	955,172	862,633
Total other assets	5,880,225	4,180,535
Total assets	\$ 15,950,813	\$ 11,747,582
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 963,380	\$ 159,836
Accrued liabilities	114,023	99,034
Grants payable	275,000	-
Contract advances	102,305	87,222
Operating lease liability, current	-	22,712
Total current liabilities	1,454,708	368,804
Long-term liabilities		
Operating lease liability, net of current portion	-	15,770
Total long-term liabilities	-	15,770
Total liabilities	1,454,708	384,574
Net assets		
Net assets without donor restrictions	6,689,736	6,585,759
Net assets with donor restrictions	7,806,369	4,777,249
Total net assets	14,496,105	11,363,008
Total liabilities and net assets	\$ 15,950,813	\$ 11,747,582

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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Public support			
Value of donated food	\$ 25,402,549	\$ -	\$ 25,402,549
Contributions	1,818,592	721,831	2,540,423
Contributions - in-kind	578	-	578
Grants	1,420,428	3,232,199	4,652,627
Special events	81,367	-	81,367
Net assets released from restriction	924,910	(924,910)	-
Total public support	29,648,424	3,029,120	32,677,544
Revenue			
Shared maintenance fees	2,495	-	2,495
Partnership food sales	3,148,649	-	3,148,649
Other revenue	26,321	-	26,321
Investment income (loss)	308,586	-	308,586
Total revenue	3,486,051	-	3,486,051
Total public support and revenue	33,134,475	3,029,120	36,163,595
Expenses			
Program services			
Value of donated food distributed	25,407,891	-	25,407,891
Food distribution	5,590,097	-	5,590,097
Public policy	497,361	-	497,361
Total program services	31,495,349	-	31,495,349
Support services			
Administration	428,313	-	428,313
Fundraising	1,106,836	-	1,106,836
Total support services	1,535,149	-	1,535,149
Total program and support services	33,030,498	-	33,030,498
Change in net assets	103,977	3,029,120	3,133,097
Net assets - beginning of year	6,585,759	4,777,249	11,363,008
Net assets - end of year	\$ 6,689,736	\$ 7,806,369	\$ 14,496,105

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Public support			
Value of donated food	\$ 24,898,448	\$ -	\$ 24,898,448
Contributions	1,984,090	626,062	2,610,152
Contributions - in-kind	95	500	595
Grants	1,150,856	3,153,127	4,303,983
Special events	83,926	-	83,926
Net assets released from restriction	1,044,244	(1,044,244)	-
Total public support	<u>29,161,659</u>	<u>2,735,445</u>	<u>31,897,104</u>
Revenue			
Shared maintenance fees	2,243	-	2,243
Partnership food sales	3,411,696	-	3,411,696
Other revenue	19,867	-	19,867
Investment income (loss)	106,127	-	106,127
Total revenue	<u>3,539,933</u>	<u>-</u>	<u>3,539,933</u>
Total public support and revenue	<u>32,701,592</u>	<u>2,735,445</u>	<u>35,437,037</u>
Expenses			
Program services			
Value of donated food distributed	24,978,911	-	24,978,911
Food distribution	5,870,806	-	5,870,806
Public policy	472,342	-	472,342
Total program services	<u>31,322,059</u>	<u>-</u>	<u>31,322,059</u>
Support services			
Administration	401,590	-	401,590
Fundraising	1,064,684	-	1,064,684
Total support services	<u>1,466,274</u>	<u>-</u>	<u>1,466,274</u>
Total program and support services	<u>32,788,333</u>	<u>-</u>	<u>32,788,333</u>
Change in net assets	(86,741)	2,735,445	2,648,704
Net assets - beginning of year	6,672,500	2,041,804	8,714,304
Net assets - end of year	<u>\$ 6,585,759</u>	<u>\$ 4,777,249</u>	<u>\$ 11,363,008</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, 2024**

	Food Distribution	Public Policy	General and Administrative	Fundraising	Total
Value of donated food distributed	\$ 25,407,891	\$ -	\$ -	\$ -	\$ 25,407,891
Cost of food delivered	3,568,964	-	-	-	3,568,964
Salaries	620,701	308,160	279,221	383,404	1,591,486
Payroll taxes	61,976	23,885	22,338	30,326	138,525
Employee benefits	106,862	43,216	40,024	52,026	242,128
Training	1,721	12,994	8,371	364	23,450
Travel	7,734	11,427	10,746	6,046	35,953
Supplies	27,615	2,202	1,475	2,242	33,534
Printing and publications	474	5,817	513	277,990	284,794
Postage and delivery	639	1,915	1,234	116,006	119,794
Telephone	11,205	7,712	3,164	3,824	25,905
Advertising	-	90	-	1,310	1,400
Contract services	40,337	38,782	6,832	81,930	167,881
Professional fees	1,783	675	27,337	100,268	130,063
Conference and meeting costs	3,759	20,468	2,253	6,673	33,153
Agency grants	660,036	3,595	-	-	663,631
Insurance	20,472	2,738	2,033	3,091	28,334
Dues and subscriptions	14,686	3,076	15,332	15,095	48,189
Utilities	39,478	889	862	1,718	42,947
Equipment purchases	97	1,174	24	49	1,344
Depreciation	240,950	6,924	4,620	8,076	260,570
Repairs and maintenance	88,162	1,088	725	1,269	91,244
Fuel, oil, and gas	71,378	-	-	-	71,378
Bank and finance charges	-	-	57	14,595	14,652
Other	1,068	534	1,152	534	3,288
Total expenses	<u>\$ 30,997,988</u>	<u>\$ 497,361</u>	<u>\$ 428,313</u>	<u>\$ 1,106,836</u>	<u>\$ 33,030,498</u>
Percentage of total expenses	93.8 %	1.5 %	1.3 %	3.4 %	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, 2023**

	Food Distribution	Public Policy	General and Administrative	Fundraising	Total
Value of donated food distributed	\$ 24,978,911	\$ -	\$ -	\$ -	\$ 24,978,911
Cost of food delivered	4,234,890	-	-	-	4,234,890
Salaries	568,332	228,914	252,359	317,595	1,367,200
Payroll taxes	55,617	18,103	20,039	25,312	119,071
Employee benefits	98,673	30,386	35,480	43,956	208,495
Training	8,357	17,015	12,183	1,079	38,634
Travel	11,832	10,042	8,852	9,046	39,772
Supplies	19,675	1,703	3,962	3,946	29,286
Printing and publications	521	5,316	431	267,274	273,542
Postage and delivery	564	1,559	1,249	115,475	118,847
Telephone	9,777	8,560	3,043	3,781	25,161
Advertising	147	726	98	4,338	5,309
Contract services	38,261	86,874	6,683	64,725	196,543
Professional fees	12,684	986	21,397	152,267	187,334
Conference and meeting costs	9,365	33,491	1,641	9,285	53,782
Agency grants	314,009	15,930	-	-	329,939
Insurance	21,806	3,003	2,212	3,447	30,468
Dues and subscriptions	12,831	758	21,754	16,600	51,943
Utilities	37,752	1,245	830	1,659	41,486
Equipment purchases	7,318	1,191	3,639	59	12,207
Depreciation	252,734	4,996	4,168	7,002	268,900
Repairs and maintenance	67,734	1,133	610	1,069	70,546
Fuel, oil, and gas	87,101	-	-	25	87,126
Interest	16	3	26	40	85
Bank and finance charges	32	20	500	15,813	16,365
Other	778	388	434	891	2,491
Total expenses	<u>\$ 30,849,717</u>	<u>\$ 472,342</u>	<u>\$ 401,590</u>	<u>\$ 1,064,684</u>	<u>\$ 32,788,333</u>
Percentage of total expenses	94.1 %	1.4 %	1.2 %	3.2 %	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, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 3,133,097	\$ 2,648,704
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	260,570	268,900
(Gain) on disposal of assets	-	(511)
Unrealized (gain) on investments	(74,063)	(56,282)
Changes in operating assets and liabilities		
Receivables	89,651	(126,689)
Inventories	(100,563)	66,625
Prepaid expenses	15,546	(4,981)
Right-of-use asset	38,482	(38,482)
Accounts payable	803,544	(19,616)
Accrued liabilities	14,989	11,403
Lease liability	(38,482)	38,482
Grants payable	275,000	-
Contract advances	15,083	85,140
	<u>4,432,854</u>	<u>2,872,693</u>
Net cash provided by operating activities		
Cash flows from investing activities		
(Purchase) of property and equipment	(1,824,505)	(436,203)
Net (purchases) of investments and reinvestments	(18,476)	(14,379)
Net proceeds from certificates of deposit	449,593	493,244
	<u>(1,393,388)</u>	<u>42,662</u>
Net cash used in investing activities		
Cash flows from financing activities		
Principle payments on capital lease obligation	-	(3,255)
	<u>-</u>	<u>(3,255)</u>
Net cash provided by financing activities		
Net change in cash	3,039,466	2,912,100
Cash and cash equivalents - beginning of year	4,859,146	1,947,046
Cash and cash equivalents - end of year	<u>\$ 7,898,612</u>	<u>\$ 4,859,146</u>
Reconciliation of Ending Cash Balance		
Cash and cash equivalents	\$ 2,149,108	\$ 1,476,726
Restricted cash	5,749,504	3,382,420
Total	<u>\$ 7,898,612</u>	<u>\$ 4,859,146</u>
Non-Cash Investing and Financing Activities		
Construction in process transferred to capital assets	\$ 81,591	\$ -
Supplemental Cash Flow Information		
Cash paid for interest	\$ -	\$ 85

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, 2024 and 2023

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 360 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.

New Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB Accounting Standards Codification (ASC) 326, *Financial Instruments - Credit Losses*) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

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

New Accounting Pronouncement (Continued)

Financial assets held by the MFBN that are subject to the guidance in FASB ASC 326 were accounts receivable. MFBN adopted the standard effective July 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures.

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 \$557,163 and \$1,006,756 at June 30, 2024 and 2023, respectively. The original term of the certificate of deposit was twelve months and the certificate of deposit has matured and renewed multiple times. The most recent maturity was March 8, 2024, at which time it was renewed for 7 months. The certificate of deposit pays interest annually at a stated rate of 5.05%.

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 a minimum of three months of operating expenses in cash reserves. 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.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

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

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.

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

Accounts receivable represent amounts due from partner agencies for food purchases and miscellaneous receivables. Grants receivable historically represent amounts due to be reimbursed based on qualifying expenditures incurred. Accounts and grants receivable are stated at the amount management expects to collect from balances outstanding at year-end.

Allowance for Credit Losses

The Organization uses the allowance method for uncollectible receivables. The Organization believes that net accounts receivable balances at year-end are collectible based on past collection experience. Balances that are still outstanding after management has used reasonable collection efforts are written off. Bad debts of zero and \$500 were recognized during the years ended June 30, 2024 and 2023, respectively. Management estimates the allowance for credit losses to be zero at June 30, 2024 and 2023.

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 \$1.97 and \$1.93 per pound as of June 30, 2024 and 2023, 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.

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:

	2024	2023
Other goods	\$ 578	\$ 595

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

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

Contributed Nonfinancial Assets and Services (Continued)

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, 2024 and 2023.

Donated food is recorded as a contribution when received 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, 2024 and 2023, MFBN received donated goods used for programmatic education events in the amount of \$578 and \$595, respectively. The value of these goods was provided by the vendor at current market rates.

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 partner 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 \$182,219 and \$134,737 for the years ended June 30, 2024 and 2023, 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 MFBN has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as contract advances in the statement of financial position. MFBN received advance payments of \$102,305 and \$87,222 recognized in the statement of financial position as contract advances at June 30, 2024 and 2023, respectively. Contract advances as of June 30, 2022 were \$2,082.

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, 2024 and 2023

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.

Leases

The determination of whether an arrangement is a lease is made at lease inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in the statement of financial position. ROU assets represent MFBN's right to use an underlying asset for the lease term, and lease liabilities represent MFBN's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. MFBN uses the implicit rate when it is readily determinable. Since MFBN's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free rate based on the information available at lease commencement. Operating lease ROU assets also include any lease payments made and excludes any lease incentives. Lease expense is recognized on a straight-line basis over the lease term. Options to renew are included in the lease term when it is reasonably certain that MFBN will exercise the option.

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, 2024 and 2023.

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.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

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

Functional Allocation of Expenses (Continued)

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
Interest	Square Footage
Utilities	Square Footage
Depreciation	Time and effort, square footage, or equal benefit depending on the asset

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. 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.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

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:

	2024		2023	
	Basis	Market	Basis	Market
Interest bearing cash	\$ 54,060	\$ 54,301	\$ 62,181	\$ 62,427
Common stock	429,983	612,318	427,210	549,595
Bonds	192,510	187,573	154,929	146,966
Alternative investments	107,511	100,980	111,672	103,645
Total Investments	\$ 784,064	\$ 955,172	\$ 755,992	\$ 862,633

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

	2024	2023
Interest and dividends	\$ 242,977	\$ 57,434
Net gains and losses, realized and unrealized	74,063	56,282
Investment fees	(8,454)	(7,589)
Investment income (loss), net	\$ 308,586	\$ 106,127

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.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

3. Fair Value Measurements (Continued)

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, 2024. The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2024 and 2023.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2024				
Interest bearing cash	\$ 54,301	\$ 54,301	\$ -	\$ -
Common stock	612,318	612,318	-	-
Bonds	187,573	187,573	-	-
Alternative investments	<u>100,980</u>	<u>100,980</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 955,172</u>	<u>\$ 955,172</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2023				
Interest bearing cash	\$ 62,427	\$ 62,427	\$ -	\$ -
Common stock	549,595	549,595	-	-
Bonds	146,966	146,966	-	-
Alternative investments	<u>103,645</u>	<u>103,645</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 862,633</u>	<u>\$ 862,633</u>	<u>\$ -</u>	<u>\$ -</u>

4. Grants Receivable

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

	<u>2024</u>	<u>2023</u>
Montana State DPHHS		
Supplemental Nutrition Assistance Program	\$ 3,080	5,984
United States Department of Agriculture		
Emergency Food Assistance Program	50,217	135,509
Other	<u>195,000</u>	<u>60,000</u>
Total grants receivable	<u>\$ 248,297</u>	<u>\$ 201,493</u>

The balance of grants receivable at June 30, 2024 and 2023 is expected to be collected within one year.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

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, 2024 and 2023. The grants are reimbursement based contracts that are conditional upon related expenditures being incurred.

	<u>2024</u>	<u>2023</u>
Montana State DPHHS		
Award "Reach and Resiliency"	\$ 501,104	\$ 121,667
Award "Emergency Food Assistance Program"	18,596	6,776
Award "Supplemental Nutrition Assistance Program"	7,947	14,464
Award "Emergency Food Assistance Program - CCC	3,273	7,334
Award "Local Food Purchase Assistance Program"	<u>81,142</u>	<u>-</u>
Total	<u>\$ 612,062</u>	<u>\$ 150,241</u>

6. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Pledges receivable	\$ 761,650	\$ 923,950
Less: discount on pledges receivable	<u>(26,435)</u>	<u>(63,664)</u>
Net pledges receivable	<u>\$ 735,215</u>	<u>\$ 860,286</u>

Pledges receivable consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 338,650	\$ 570,950
Receivable in one to five years	<u>423,000</u>	<u>353,000</u>
Total pledges receivable	761,650	923,950
Less: discount on pledges receivable	<u>(26,435)</u>	<u>(63,664)</u>
Net pledges receivable	<u>\$ 735,215</u>	<u>\$ 860,286</u>

The discount on pledges receivable was \$26,435 and \$63,664 at June 30, 2024 and 2023, respectively. Pledges were discounted to their present value based on the term of the underlying pledge. The discount rate ranged from 4.52% to 5.09%.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

7. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 1,019,873	\$ 1,019,873
Buildings	1,221,245	1,221,245
Building improvements	765,895	412,395
Machinery and equipment	1,651,569	1,651,569
Computer equipment and software	286,535	303,455
Construction in progress	<u>2,197,685</u>	<u>726,680</u>
	7,142,802	5,335,217
Less accumulated depreciation	<u>(2,614,314)</u>	<u>(2,370,664)</u>
Total	<u>\$ 4,528,488</u>	<u>\$ 2,964,553</u>

Depreciation expense for the years ended June 30, 2024 and 2023 was \$260,570 and \$268,900, respectively.

8. Grants Payable

Grants payable represent an unconditional promise to give made by the Organization during the year ended June 30, 2024. Under the terms of the agreement, MFBN pledged a total of \$495,000, payable in monthly installments of \$27,500, maturing in April of 2025.

9. Leases

During the year ended June 30, 2023, MFBN entered into a lease for office space in Missoula, Montana under a noncancelable operating lease. The lease was cancelled in June of the current year without penalty. The lease was originally scheduled for a term of two years, maturing in February of 2025, and did not contain an option to renew upon expiration of the original lease term. The total monthly payment for the leased office space was \$2,000. Total lease expense recognized in the statement of functional expenses was \$24,000 and \$8,000 for the years ended June 30, 2024 and 2023, respectively.

The right-of-use asset obtained in exchange for lease obligations is as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Right-of-use asset	<u>\$ -</u>	<u>\$ 38,482</u>
Lease liability, current	\$ -	\$ 22,712
Lease liability, net of current portion	<u>-</u>	<u>15,770</u>
Total lease liability	<u>\$ -</u>	<u>\$ 38,482</u>

The weighted average remaining lease term for the operating lease was zero and 20 months as of June 30, 2024 and 2023, respectively. The weighted average risk-free discount rate used is 4.89% as of the commencement date of the lease.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

10. 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, 2024 and 2023, Montana Food Bank Network made matching contributions of \$40,757 and \$37,454, respectively.

11. 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 9.00%, and was scheduled to mature in August 2024. As of June 30, 2024 and 2023, the line of credit had no outstanding balance. See Note 15 for additional information.

12. Net Assets Without Donor Restrictions

At June 30, 2024 and 2023, the Organization reported net assets without donor restrictions of \$6,689,736 and \$6,585,759, 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, 2024 and 2023, the amount of operating expenses required to be held in reserve totaled \$1,957,516 and \$1,598,034, respectively.

13. Net Assets With Donor Restrictions

Restrictions on net assets consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Public policy and advocacy support	\$ 529,752	\$ 370,795
Restricted for vehicle, building, and equipment	5,925,761	3,354,149
Food distribution support	185,535	86,621
Backpack program	150,106	55,398
Food capacity	280,000	50,000
Restricted by time requirements	<u>735,215</u>	<u>860,286</u>
Total net assets with donor restrictions	<u>\$ 7,806,369</u>	<u>\$ 4,777,249</u>

The table above presents the composition of net assets with donor restrictions. As of June 30, 2024 and 2023, \$7,071,154 and \$3,916,963, respectively, are restricted by donors as to their use, while \$735,215 and \$860,286, respectively, are restricted by donors by the passage of time.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

14. Financial Assets

The following table 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,	<u>2024</u>	<u>2023</u>
Cash and restricted cash	\$ 7,898,612	\$ 4,859,146
Certificate of deposit	557,163	1,006,756
Receivables, net	1,083,812	1,173,463
Investments	<u>955,172</u>	<u>862,633</u>
	10,494,759	7,901,998
Less: Financial assets unavailable for general expenditures within one year, due to:		
Financial assets with donor restrictions	(7,806,369)	(4,777,249)
First Nonprofit unemployment insurance reserve	(17,567)	(19,019)
Amounts set aside for liquidity reserve	<u>(1,957,516)</u>	<u>(1,598,034)</u>
Financial assets available to meet cash needs for general expenditure	<u>\$ 713,307</u>	<u>\$ 1,507,696</u>

15. Subsequent Events

The Organization has evaluated subsequent events through September 25, 2024, the date on which the financial statements were available to be issued. The following disclosure was deemed necessary by management.

In August of 2024, subsequent to year end, the line of credit more fully described in Note 11 was not renewed upon maturity.

**Montana Food Bank Network
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024**

FEDERAL SOURCE <i>PASS THROUGH SOURCE</i> PROGRAM NAME	ASSISTANCE LISTING NUMBER	CONTRACT NUMBER	TOTAL FEDERAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
<i>United States Department of Agriculture State of Montana Department of Public Health and Human Services</i>				
Food Distribution Cluster				
Commodity Supplemental Food Program	10.565		\$ -	\$ -
Emergency Food Assistance Program				
EFAP Administrative Costs	10.568	24-027-24001-0	302,145	-
Reach and Resiliency	10.568	24-027-19004-0	207,375	75,242
Reach and Resiliency Round 2	10.568	24-027-19004-0	<u>132,640</u>	<u>52,860</u>
			642,160	128,102
EFAP Commodities	10.569	24-027-24001-0	2,483,498	2,483,498
EFAP Commodities - Commodity Credit Corporation	10.569	24-027-19005-0	<u>1,830,812</u>	<u>1,830,812</u>
Total Food Distribution Cluster			<u>4,956,470</u>	<u>4,442,412</u>
Emergency Food Assistance Program - Commodity Credit Corporation				
EFAP Administrative Costs - Commodity Credit Corporation	10.187	24-027-19005-0	<u>162,561</u>	<u>-</u>
SNAP Cluster				
Supplemental Nutrition Assistance Program	10.551		-	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	19-022-0000-10	<u>29,516</u>	<u>-</u>
Total SNAP Cluster			<u>29,516</u>	<u>-</u>
<i>State of Montana Department of Agriculture</i>				
Local Food Purchase Assistance Program	10.182	58LFPA010	<u>26,858</u>	<u>26,858</u>
Total United States Department of Agriculture			<u>\$ 5,175,405</u>	<u>\$ 4,469,270</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, 2024

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, 2024. 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, 2024, contributed food reported in the Schedule was valued at \$1.74 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. provided awards to subrecipients totaling \$154,960 for the year ended June 30, 2024. Additionally, Montana Food Bank Network, Inc. distributed food to subrecipients valued at \$4,314,310 for the year ended June 30, 2024.



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, 2024, 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 25, 2024.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item **2024-001** that we consider to be a significant deficiency.



Board of Directors and Management
Montana Food Bank Network

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*.

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
September 25, 2024



**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, 2024. Montana Food Bank Network's major federal programs are identified in the summary of auditors' 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, 2024.

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.

Board of Directors and Management
Montana Food Bank Network

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.

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
September 25, 2024

Montana Food Bank Network
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

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 material weaknesses and one significant deficiency relating to the audit of the financial statements was 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 material weaknesses and no significant deficiencies 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 determined to be a low-risk auditee.

Montana Food Bank Network
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

II. Findings - Financial Statements Audit

FINDING 2024-001: UNCONDITIONAL AND CONDITIONAL PROMISES TO GIVE

Condition and Criteria: During the current year audit, we discovered an unconditional promise to give awarded prior to year-end that was not properly accrued as a receivable and revenue. Additionally, we discovered a conditional promise to give, in which the underlying conditions of the award had not been met prior to year-end, had been improperly accrued as a receivable and revenue. Per ASC 958-605-25-8, unconditional promises to give shall be recognized as revenue when the promise is received. Per ASC 958-605-25-11, conditional promises to give shall be recognized as revenue when the condition or conditions on which they depend are substantially met.

Cause: Internal controls were not in place to recognize unconditional and conditional promises to give in accordance with U.S. generally accepted accounting principles.

Effect: Assets and net assets were overstated by \$205,000. This deficiency has the potential effect of overstating or understating resources available to the Organization.

Recommendation: We recommend the Organization implement procedures, such as the use of a check list, that can be attached to all major promises to give to ensure proper reporting in accordance with U.S. generally accepted accounting principles. This checklist could include items such as the name of the resource provider, the date the promise to give was received, corresponding payment schedule for multi-year promises to give, whether or not there are any conditions related to the underlying promise to give, and mechanisms for tracking any conditions such as the nature of the underlying condition and when conditions must be satisfied.

III. Findings and Questioned Costs - Major Federal Award Programs

No matters were reported.

IV. Status of Prior Year Findings

No matters were reported.