



FLATHEAD FOOD BANK, INC.
INDEPENDENT AUDITOR'S REPORT and
FINANCIAL STATEMENTS
December 31, 2021 and 2020

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Peterson CPA Group, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Flathead Food Bank, Inc.
Kalispell, Montana

Opinion

We have audited the accompanying financial statements of the Flathead Food Bank, Inc., a nonprofit organization, which comprise the statements of financial position as of December 31, 2021 and 2020 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 referred to above present fairly, in all material respects, the financial position of the Flathead Food Bank, Inc. as of December 31, 2021 and 2020, 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 State of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Flathead Food Bank, Inc. 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 opinion.

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 from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Flathead Food Bank, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, 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 Flathead Food Bank, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Flathead Food Bank, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Peterson CPA Group, P.C.
Missoula, Montana
May 26, 2022

FINANCIAL STATEMENTS

FLATHEAD FOOD BANK, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - general	\$ 1,576,053	\$ 1,667,489
Food inventory	566,254	559,406
Prepaid expenses	3,258	-
Total Current Assets	2,145,565	2,226,895
PROPERTY AND EQUIPMENT, NET	986,528	906,303
OTHER ASSETS		
Cash and cash equivalents - restricted	161,678	44,961
Beneficial interest in assets held by others	32,612	26,406
Total Other Assets	194,290	71,367
TOTAL ASSETS	\$ 3,326,383	\$ 3,204,565
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,649	\$ 16,028
Accrued liabilities	5,739	12,598
Current portion of long-term debt	21,087	12,349
Total Current Assets	32,475	40,975
LONG-TERM LIABILITIES		
Notes payable, less current portion	616,876	637,651
PPP loan (refundable advance)	-	57,700
Total Long-Term Liabilities	616,876	695,351
TOTAL LIABILITIES	649,351	736,326
NET ASSETS		
Without donor restrictions	2,482,742	2,396,872
With donor restrictions	194,290	71,367
TOTAL NET ASSETS	2,677,032	2,468,239
TOTAL LIABILITIES AND NET ASSETS	\$ 3,326,383	\$ 3,204,565

The notes to the financial statements are an integral part of these statements.

FLATHEAD FOOD BANK, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Donated food	\$ 3,368,880	\$ -	\$ 3,368,880
Contributions and grants	552,217	118,836	671,053
United Way contributions	6,085	-	6,085
Fundraising events	162,923	-	162,923
CSFP program administration	22,138	-	22,138
Interest and dividend income	6	-	6
Loan forgiveness	58,119	-	58,119
Gain on disposal of assets	17,774	-	17,774
Unrealized gain - agency funds	-	4,262	4,262
Less: investment fees - agency funds	-	(175)	(175)
Total Revenue and Support	<u>4,188,142</u>	<u>122,923</u>	<u>4,311,065</u>
Net Assets Released from Restriction	<u>-</u>	<u>-</u>	<u>-</u>
Net Revenue and Support	<u>4,188,142</u>	<u>122,923</u>	<u>4,311,065</u>
EXPENSES			
Program services	4,018,947	-	4,018,947
Management and general	43,699	-	43,699
Fundraising	39,626	-	39,626
Total Expenses	<u>4,102,272</u>	<u>-</u>	<u>4,102,272</u>
CHANGE IN NET ASSETS	85,870	122,923	208,793
NET ASSETS			
Beginning of year	<u>2,396,872</u>	<u>71,367</u>	<u>2,468,239</u>
End of year	<u>\$ 2,482,742</u>	<u>\$ 194,290</u>	<u>\$ 2,677,032</u>

The notes to the financial statements are an integral part of this statement

FLATHEAD FOOD BANK, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Donated food	\$ 5,124,998	\$ -	\$ 5,124,998
Contributions and grants	2,025,355	27,149	2,052,504
United Way contributions	18,115	-	18,115
Fundraising events	51,559	-	51,559
CSFP Program administration	29,714	-	29,714
Interest and dividend income	27	-	27
Other in-kind revenue	3,590	-	3,590
Unrealized loss - agency funds	-	(7,225)	(7,225)
Less: investment fees - agency funds	-	(145)	(145)
Total Revenue and Support	<u>7,253,358</u>	<u>19,779</u>	<u>7,273,137</u>
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>
Net Revenue and Support	<u>7,253,358</u>	<u>19,779</u>	<u>7,273,137</u>
EXPENSES			
Program services	5,501,335	-	5,501,335
Management and general	43,034	-	43,034
Fundraising	54,846	-	54,846
Total Expenses	<u>5,599,215</u>	<u>-</u>	<u>5,599,215</u>
CHANGE IN NET ASSETS	1,654,143	19,779	1,673,922
NET ASSETS			
Beginning of year	<u>742,729</u>	<u>51,588</u>	<u>794,317</u>
End of year	<u>\$ 2,396,872</u>	<u>\$ 71,367</u>	<u>\$ 2,468,239</u>

The notes to the financial statements are an integral part of this statement

FLATHEAD FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Donated food given away	\$ 3,535,218	\$ -	\$ -	\$ 3,535,218
Salaries and wages	256,757	25,455	33,214	315,426
Employee benefits	1,076	107	139	1,322
Payroll taxes	28,012	2,777	3,624	34,413
Professional services	17,158	1,800	-	18,958
Advertising	860	578	2,649	4,087
Office and administration	15,839	2,974	-	18,813
Building repair and maintenance	32,448	3,605	-	36,053
Equipment repair and maintenance	20,342	-	-	20,342
Rent	-	-	-	-
Utilities	21,948	2,439	-	24,387
Interest	25,313	2,812	-	28,125
Depreciation	49,712	-	-	49,712
Insurance	10,415	1,157	-	11,572
Volunteer and public relations	1,613	-	-	1,613
Credit card and bank charges	1,531	170	-	1,701
CSFP program assistance	705	-	-	705
Total expenses by function	<u>\$ 4,018,947</u>	<u>\$ 43,874</u>	<u>\$ 39,626</u>	<u>\$ 4,102,447</u>
	98.0%	1.1%	1.0%	100.0%
Less expenses included in revenue and support:				
Investment fees	<u>-</u>	<u>(175)</u>	<u>-</u>	<u>(175)</u>
Functional expenses reported on the statement of activities	<u>\$ 4,018,947</u>	<u>\$ 43,699</u>	<u>\$ 39,626</u>	<u>\$ 4,102,272</u>
	98.0%	1.1%	1.0%	100.0%

The notes to the financial statements are an integral part of this statement

FLATHEAD FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Donated food given away	\$ 5,102,920	\$ -	\$ -	\$ 5,102,920
Salaries and wages	226,975	26,310	48,784	302,069
Employee benefits	724	84	155	963
Payroll taxes	26,808	3,107	5,762	35,677
Professional services	30,550	2,574	-	33,124
Advertising and public awareness	284	260	-	544
Office and administration	17,537	4,273	145	21,955
Building repair and maintenance	13,901	1,544	-	15,445
Equipment repair and maintenance	32,115	-	-	32,115
Rent	27,000	3,000	-	30,000
Utilities	14,849	1,650	-	16,499
Depreciation	3,659	-	-	3,659
Insurance	883	98	-	981
Volunteer and public relations	118	-	-	118
Credit card and bank charges	2,512	279	-	2,791
CSFP program assistance	500	-	-	500
Total expenses by function	<u>\$ 5,501,335</u>	<u>\$ 43,179</u>	<u>\$ 54,846</u>	<u>\$ 5,599,360</u>
	98.2%	0.8%	1.0%	100.0%
Less expenses included in revenue and support:				
Investment Fees	<u>-</u>	<u>(145)</u>	<u>-</u>	<u>(145)</u>
Functional expenses reported on the statement of activities	<u>\$ 5,501,335</u>	<u>\$ 43,034</u>	<u>\$ 54,846</u>	<u>\$ 5,599,215</u>
	98.3%	0.8%	1.0%	100.0%

The notes to the financial statements are an integral part of this statement

FLATHEAD FOOD BANK, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING ACTIVITIES		
Change in net assets	\$ 208,793	\$ 1,673,922
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	49,712	3,659
Gain on sale of asset	(17,774)	-
Earnings from beneficial interest in assets held by others	(6,206)	(17,179)
Changes in operating assets and liabilities:		
Food inventory	(6,848)	(211,939)
Prepaid expenses	(3,258)	-
Accounts payable	(10,379)	4,744
Accrued liabilities	(6,859)	6,036
Total adjustments	(1,612)	(214,679)
Net Cash Flows from Operating Activities	207,181	1,459,243
INVESTING ACTIVITIES		
Purchases of property and equipment	(112,163)	(904,333)
Net Cash Flows from Investing Activities	(112,163)	(904,333)
FINANCING ACTIVITIES		
Proceeds from borrowings	-	707,700
Repayment on loans	(12,037)	-
Forgiveness of refundable advance	(57,700)	-
Net Cash Flows from Financing Activities	(69,737)	707,700
NET CHANGE IN CASH	\$ 25,281	\$ 1,262,610
CASH AND CASH EQUIVALENTS		
Beginning of year	1,712,450	449,840
End of year	\$ 1,737,731	\$ 1,712,450
Cash on the Statements of Financial Position:		
Cash and cash equivalents - general	\$ 1,576,053	\$ 1,667,489
Cash and cash equivalents - restricted	161,678	44,961
	\$ 1,737,731	\$ 1,712,450
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Noncash operating activities:		
In-kind contributions used in operations	\$ 1,882,056	\$ 3,043,634
Noncash financing activities:		
Loan forgiveness	\$ 57,700	\$ -
Cash paid for interest	\$ 28,125	\$ -

The notes to the financial statements are an integral part of these statements.

FLATHEAD FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

NOTE 1. ORGANIZATION AND PURPOSE

The Flathead Food Bank, Inc. (Food Bank) is a nonprofit corporation organized for the purpose of operating a food collection and distribution system for low-income families and individuals. The Food Bank voluntarily participates in a program that provides government commodities to seniors and children on a monthly basis. The main office and distribution center are located in Kalispell, Montana. The Food Bank also operates mobile pantries in Martin City, Hungry Horse, Coram, Kila, and Marion, Montana.

Contributions and donations, including donated food, comprised approximately 94% of total revenue in 2021 and approximately 99% of total revenue in 2020.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Food Bank's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as codified by the Financial Accounting Standards Board (FASB).

B. Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the 2021 format. Total net assets and change in net assets for 2020 are unchanged due to these reclassifications.

C. Cash, Cash Equivalents, and Restricted Cash

For purposes of the statement of cash flows, the Food Bank considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. From time to time, certain bank accounts that are subject to coverage by the Federal Deposit Insurance Corporation (FDIC) may exceed their insured limits. At December 31, 2021 and 2020, approximately \$1,354,000 and \$1,317,000 were not fully insured by the FDIC, respectively. The Food Bank does not believe it is exposed to any significant credit risk on its cash balances.

Restricted cash includes amounts held in a building fund.

D. Inventory

Food inventory is acquired primarily through donations and purchased when necessary. Inventory is decreased as it is distributed to individuals and families on a per-pound basis. The Food Bank reports inventory at net realizable value (first-in, first-out basis) and values food at the Feeding America weighted average rate per pound, \$1.79 and \$1.68 for 2021 and 2020, respectively.

FLATHEAD FOOD BANK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Property and Equipment

Property and equipment are stated at cost if purchased or at fair value on the date of donation. Assets costing \$2,500 or more and having a useful life more than one year are capitalized. Repairs and maintenance costs are expensed as incurred and improvements that extend the life or capacity of the asset are capitalized. Items are depreciated on a straight-line basis over the following estimated useful lives:

Building Improvements	7 - 15 years
Vehicles and Equipment	5 - 7 years

Depreciation expense totaled \$49,712 and \$3,659 for the years ended December 31, 2021 and 2020, respectively.

F. Compensated Absences

Employees are entitled to paid vacation depending on the length of service and other factors. Accrued vacation totaled \$5,861 and \$8,303 at December 31, 2021 and 2020, respectively.

G. Net Asset Classification

The Food Bank reports information regarding its financial position and activities according to two classes of net assets in accordance with GAAP – net assets without donor restrictions and net assets with donor restrictions.

Without Donor Restrictions: Net assets without donor restrictions represent funds that are available to support the Food Bank’s operations with no donor imposed or board of director designated restrictions.

With Donor Restrictions: Net assets with donor restrictions represent funds which are donor-restricted for specific purposes, uses, or use in a specific period. Some may not expire by the passage of time nor be fulfilled or otherwise removed by actions of the Food Bank. The Food Bank had net assets with donor restrictions at December 31, 2021 and 2020 for the capital campaign and Kalispell Community Foundation Endowment detailed in Note 8 and Note 11.

Donor-restricted funds are classified as “with donor restrictions” until the donor restriction expires either by the time restriction ending or the purpose restriction being accomplished, at which time they are accounted for as net assets released from restriction and reclassified as “net assets without donor restrictions”. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as “net assets without donor restrictions”. Public support and revenue are reported as increases in net assets without donor restrictions, unless use of the related asset is restricted by the donor, in the statement of activities.

FLATHEAD FOOD BANK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Net Asset Classification, continued

Expenses are reported as decreases in net assets without donor restrictions in the statement of activities. Gains and losses on investment and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless explicit donor stipulation or law restricts their use.

H. Revenue Recognition

The Food Bank's significant revenue streams include donations, contributions, and grants. These revenue streams are reporting following guidance from Topic 958.

All other revenue sources, which individually are not material to the overall financial statements, are recognized following guidance from ASC 606 at a point in time to all contracts at the date of initial application. There were no significant economic factors impacting revenue recognition.

Contributions that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue was recognized. All other donor or grantor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills and are performed by people with those skills and would otherwise be purchased by the Food Bank.

I. In-kind Contributions

The Food Bank seeks and receives a significant amount of contributed food inventory that is recorded in the accompanying financial statements as unrestricted support. Contributed items are recorded at a per-pound value using the weighted average price per pound determined by Feeding America.

In-kind donations of non-food goods are valued at their estimated fair value at the time of donation. The value of donated services is determined by the donors as the usual fees they would receive for such services in the normal course of their business.

Donors of food items are provided receipts showing the number of pounds of their in-kind donations. Other donation receipts show the fair-value of the donation. Donated goods and services are recorded in the financial statements as unrestricted revenue and as either a corresponding expense or capitalized asset.

FLATHEAD FOOD BANK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Donated Services

The Food Bank receives donated services that do not require specific expertise, but which are nonetheless central to the Food Bank's operations. Much of this time is to assist with processing inventory. The Food Bank received 7,476 hours of volunteer time in 2021 and 7,456 hours of volunteer time in 2020. The estimated value of volunteer services, based on the nature of the service and the amount of time donated, totaled \$71,022 and \$59,648 in 2021 and 2020, respectively. The value of these services is not reflected in the financial statements in accordance with GAAP.

K. Functional Expense Allocations

The cost of program, management and general, and fundraising activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Food program costs are directly charged to program expense. Maintenance and repair costs for equipment, CSFP expenses, and volunteer expenses are allocated 100% to program expense. Special events and other direct fundraising activities are direct charged to fundraising. Employee related costs are allocated based on an analysis of employee time. The remaining expenses are allocated using an estimate of space used.

L. Advertising

The Food Bank expenses advertising costs the first time the advertising occurs. Advertising costs for the years ended December 31, 2021 and 2020 totaled \$4,087 and \$544, respectively.

M. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual amounts could differ from those estimates.

N. Income Tax Status

The Food Bank is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the increase in net assets is generally not subject to taxation. No provision for income taxes has been recorded in the financial statements as the Food Bank does not believe it had any unrelated business income in 2021 or 2020.

FLATHEAD FOOD BANK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Risks and Uncertainty

The Food Bank is exposed to various risks of losses related to torts, damage or loss of assets, errors or omissions, injuries to employees, economic conditions, and changes in financial markets. The Food Bank mitigates its risk through various insurance policies.

P. Subsequent Events

Management has evaluated subsequent events through May 26, 2022, the date which the financial statements were available for issue.

Q. Recent Accounting Pronouncements

The FASB issued Accounting Standard Update (ASU) 2016-02: *Leases*, in February 2016. This ASU requires the recognition of lease assets and liabilities in the financial statements as a “right-of-use” asset and a lease liability. This ASU supersedes lease accounting requirements of the FASB and requires new, additional disclosures. Lessees and Lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach.

The FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities* on June 3, 2020. This ASU defers the effective date of Topic 606 and Topic 842 for certain entities that had not yet issued their financial statements to support and assist stakeholders as they cope with the challenges and hardships related to the COVID-19 pandemic.

The Food Bank elected to defer adoption of Topic 842 to annual reporting periods beginning after December 15, 2021.

NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the statements of financial position date are comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents - general	<u>\$ 1,576,053</u>	<u>\$ 1,667,489</u>

The Flathead Food Bank, Inc. does not have a formal liquidity policy. Management and governance monitor cash flow regularly. The Flathead Food Bank, Inc. had more than 100 days of expenses in unrestricted cash and cash equivalents in 2021 and 2020.

FLATHEAD FOOD BANK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020**

NOTE 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2021 and 2020 were comprised of the following:

	<u>2021</u>	<u>2020</u>
Checking accounts - banks	\$ 1,513,632	\$ 1,604,964
Money market accounts - banks	<u>62,421</u>	<u>62,525</u>
	<u>\$ 1,576,053</u>	<u>\$ 1,667,489</u>

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment comprised of the following at December 31:

	<u>2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>2020</u>
Building	\$ -	\$ 850,000	\$ -	\$ 850,000
Equipment	72,063	54,333	-	126,396
Vehicles	<u>102,526</u>	<u>-</u>	<u>-</u>	<u>102,526</u>
	174,589	904,333	-	1,078,922
Accumulated depreciation	<u>(168,960)</u>	<u>(3,659)</u>	<u>-</u>	<u>(172,619)</u>
Property and equipment, net	<u>\$ 5,629</u>	<u>\$ 900,674</u>	<u>\$ -</u>	<u>\$ 906,303</u>

	<u>2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>2021</u>
Building	\$ 850,000	\$ 48,085	\$ -	\$ 898,085
Equipment	126,396	-	(20,642)	105,754
Vehicle	<u>102,526</u>	<u>81,852</u>	<u>(69,126)</u>	<u>115,252</u>
	1,078,922	129,937	(89,768)	1,119,091
Accumulated depreciation	<u>(172,619)</u>	<u>(49,712)</u>	<u>89,768</u>	<u>(132,563)</u>
Property and equipment, net	<u>\$ 906,303</u>	<u>\$ 80,225</u>	<u>\$ -</u>	<u>\$ 986,528</u>

The Food Bank conducted a physical inventory of its equipment for 2019 and identified certain assets that were no longer in service at December 31, 2019. Most of these assets had been fully depreciated in previous years. The Food Bank's Thrift Store operations ceased in 2018 and the lease expired in 2019. Thrift Store leasehold improvements were disposed of in 2019. In 2019, the Food Bank disposed of \$166,126 of previously capitalized equipment and leasehold improvements and accumulated depreciation of \$118,772 resulting in a loss on disposal of \$47,354.

FLATHEAD FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 5. PROPERTY AND EQUIPMENT, Continued

In December 2020, the Food Bank purchased the facility it had been leasing. See Notes 6 and 10.

The Food Bank purchased new vehicles in 2021 replacing aging delivery vehicles that were no longer feasible to maintain. The Food Bank also identified vehicles and equipment that were no longer being used in 2021 and disposed of these fully depreciated assets via an auction resulting in a gain on disposal of \$17,774.

NOTE 6. LEASES

The Kalispell pantry lease was a multi-year lease from January 1, 2010 through December 31, 2020 with lease payments of \$2,500 per month. Rent expense totaled \$0- and \$30,000 in 2021 and 2020, respectively. This lease was not renewed as the Food Bank purchased the facility in December 2020.

NOTE 7. CAPITAL CAMPAIGN

The Food Bank started a capital campaign for purchasing and renovating the building purchased in December 2020.

Capital campaign expenses reported on the statement of functional expenses are comprised primarily of personnel expenses related to fundraising activities and monitoring donor contributions. Support from contributions and donations are reported as net assets with donor restrictions on the Statement of Activities.

NOTE 8. FAIR VALUE MEASUREMENTS

A framework for measuring fair value and defining fair value is provided by GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

FLATHEAD FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 8. FAIR VALUE MEASUREMENTS, Continued

GAAP also establishes a fair value hierarchy, which prioritizes the valuation of inputs into broad levels, as described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 for which all significant inputs are observable, either directly, or indirectly.

Level 3 – Significant unobservable prices or inputs where there is little or no market activity for the asset or liability at the measurement date.

Beneficial interests in assets held by others – valued at fair value using information provided by the Flathead Community Foundation and Flathead Foodbank Endowment D.A. Davidson year-end statements.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Food Bank’s policy for determining the timing of significant transfers between Levels 1 and 2 is at the end of the reporting period. There were no transfers between levels in 2021 and 2020.

The preceding methods described may produce a fair value calculation that may not be indicative of near realizable value or reflective of future fair values. Furthermore, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. Investment income on the statement of activities is interest and dividend income from various accounts, including the beneficial interest, and totaled \$6 in 2021 and \$27 in 2020.

The following presents the Food Bank’s financial assets, measured on a recurring basis, in the fair value hierarchy as of December 31, 2021 and 2020:

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by others	\$ -	\$ -	\$ 32,612	\$ 32,612
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,612</u>	<u>\$ 32,612</u>
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by others	\$ -	\$ -	\$ 26,406	\$ 26,406
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,406</u>	<u>\$ 26,406</u>

FLATHEAD FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 8. FAIR VALUE MEASUREMENTS, Continued

A reconciliation of beginning and ending fair values for assets measured using Level 3 inputs for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Fair market value, beginning of year	\$ 26,406	\$ 9,227
Additions	21,702	35,873
Disposals	(20,701)	(12,479)
Realized and unrealized gains (losses)	4,262	(7,225)
Reinvested interest and dividends	1,118	1,155
Endowment administrative fee	(175)	(145)
Fair market value, end of year	<u>\$ 32,612</u>	<u>\$ 26,406</u>

The Food Bank established a long-term investment with the Kalispell Community Foundation for the benefit of the Food Bank. The Food Bank is the designated beneficiary for this fund and gave variance power to the Kalispell Community Foundation. Variance power gives the Kalispell Community Foundation complete control and ownership of the investment fund. The Kalispell Community Foundation Board of Directors has full authority to vary the terms of the endowment as appropriate and determines the amount of any annual distributions.

NOTE 9. PAYCHECK PROTECTION PROGRAM LOAN

The Food Bank borrowed \$57,700 under the Paycheck Protection Program (PPP) as administered by the Small Business Administration (SBA) in April 2020. The loan was not collateralized and was fully guaranteed by the Federal Government.

This loan is reported on the statements of financial position as PPP loan (refundable advance).

The Food Bank applied for forgiveness of this loan in 2020. In January 2021, the Food Bank received full forgiveness of the PPP loan from the SBA. The forgiven amount, which includes accrued interest, is reported on the statement of activities in 2021.

FLATHEAD FOOD BANK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 10. NOTES PAYABLE

A description of the notes payable at December 31, are as follows:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Note payable to a local financial institution, interest at 3.50% over the FHLB 5yr/20yr rate, which was 0.75% at December 30, 2021 and 2020, with a floor of 4.50%. The rate was 4.50% at December 31, 2021 and 2020. Monthly principle and interest payments of \$1,581.57, with final payment due December 2040; secured by real estate.	\$ 242,110	\$ 250,000
Note payable to a local lender, interest is fixed at 4.50%. Monthly principle and interest payments of \$950.15 beginning February 2021, with final balloon payment due January 2026; secured by real estate.	145,853	150,000
Note payable to a local lender, interest of 4.50% for 12 months, then 3.50% over the FHLB 5yr/20yr rate for the term. The FHLB rate was 0.75% at December 30, 2021 and 2020, The rate will not be less than 4.50%. Interest only payments for the first 12 months then monthly principle and interest payments for the term of the loan, with final payment due December 2041; secured by real estate.	<u>250,000</u>	<u>250,000</u>
Total long-term debt	\$ 637,963	\$ 650,000
Less: current portion	<u>(21,087)</u>	<u>(12,349)</u>
Net long-term portion	<u>\$ 616,876</u>	<u>\$ 637,651</u>

Annual debt maturities are as follows:

<u>December 31,</u>	
2022	\$ 21,087
2023	22,055
2024	22,993
2025	24,125
2026	143,984
Thereafter	<u>403,719</u>
	<u>\$ 637,963</u>

FLATHEAD FOOD BANK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 10. NOTES PAYABLE, Continued

Notes payable were originated in December 2020 to acquire the facility the Food Bank previously leased.

In accordance with ASU 2015-03, loan balances are reported at unpaid principal balances net of unamortized issuance costs and amortization of issuance costs is recorded as interest expense.

Interest expense totaled \$28,125 and \$-0- for the years ending December 31, 2021 and 2020, respectively.

The Food Bank was in compliance with loan covenants at December 31, 2021 and 2020.

NOTE 11. NET ASSET CLASSIFICATION AND PRESENTATION

Net assets at December 31, 2021 and 2020 are classified and presented as follows:

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions	\$ 2,482,742	\$ 2,396,872
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or time restriction:		
Capital campaign	161,678	44,961
Subject to passage of time:		
Beneficial interest in assets held by others	<u>32,612</u>	<u>26,406</u>
Net assets with donor restrictions	<u>194,290</u>	<u>71,367</u>
Total net assets	<u>\$ 2,677,032</u>	<u>\$ 2,468,239</u>

NOTE 12. ECONOMIC CONDITIONS

The coronavirus outbreak was declared a pandemic in March 2020 negatively impacting the national economy, the Montana economy, and financial markets. The Food Bank's operations, activities, and financial condition were negatively impacted by the coronavirus throughout 2020 and into 2021. The impact of the coronavirus to the Food Bank's financial statements is unknown at this time and cannot be reasonably estimated.

Rising borrowing rates, higher inflation, volatility in the financial markets, along with other factors may have a negative impact on the Food Bank's financial condition in 2022; however, the impact currently is unknown and cannot reasonably be estimated. Management and the board are closely monitoring these metrics to minimize the potential impact to the Food Banks financial condition.