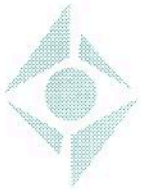


**BILLINGS FOOD BANK**  
Billings, Montana

**FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

MANGIS ACCOUNTING, PC  
Certified Public Accountants  
Billings, Montana

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**MANGIS ACCOUNTING**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**Independent Auditor's Report**

To the Board of Directors  
Billings Food Bank  
Billings, Montana

We have audited the accompanying financial statements of the Billings Food Bank of Billings, Montana, a non-profit corporation, which comprise the Statements of Financial Position as of June 30, 2020 and 2019, and the related Statements of Activities and Change in Net Assets, Statements of Functional Expense and Statements of Cash Flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

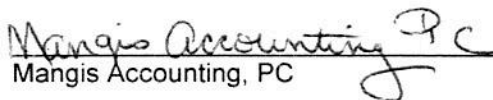
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Billings Food Bank as of June 30, 2020 and 2019, and the change 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.

  
Mangis Accounting, PC

Billings, Montana  
June 23, 2021

**BILLINGS FOOD BANK**  
Billings, Montana

**STATEMENTS OF FINANCIAL POSITION**  
June 30

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 271,199	\$ 126,743
Investments	45,368	34,890
Inventories	1,479,134	1,158,287
Total Current Assets	1,795,701	1,319,920
<u>Property and Equipment</u>		
Land	684,875	684,875
Building and improvements	4,615,851	4,496,715
Furniture and fixtures	36,673	36,673
Equipment	385,834	323,426
Total Property and Equipment	5,723,233	5,541,689
Less Accumulated Depreciation	(1,591,729)	(1,444,894)
Net Property and Equipment	4,131,504	4,096,795
<u>Other Assets</u>		
Endowment investments	1,097,224	1,149,388
Total Assets	\$ 7,024,429	\$ 6,566,103
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 50,774	\$ 9,474
Interest payable	884	1,023
Accrued expenses	49,026	50,387
Refundable advance	56,700	-
Current maturities of long-term debt	62,962	60,160
Total Current Liabilities	220,346	121,044
<u>Long-term Liabilities</u>		
Annuity Liability	39,479	63,581
Long-term debt - Less current maturities	325,016	388,854
Total Long-term Liabilities	364,495	452,435
Total Liabilities	584,841	573,479
<u>Net Assets</u>		
Without donor restrictions	5,309,506	4,834,479
With donor restrictions	1,130,082	1,158,145
Total Net Assets	6,439,588	5,992,624
Total Liabilities and Net Assets	\$ 7,024,429	\$ 6,566,103

See accompanying notes to financial statements

BILLINGS FOOD BANK  
Billings, MT

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS  
Year ended June 30

	2020		2019		Total
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions	
<b>Public support</b>					
Cash contributions	\$ 750,530	\$ -	\$ 343,102	\$ 10,905	\$ 354,007
Non-cash contributions	34,106,636	13,951	33,768,283	5,122	33,773,405
Culinary Center	20,073	-	36,296	-	36,296
Special events	104,895	-	206,841	-	206,841
Less: Direct benefit to donor	(15,963)	-	(22,588)	-	(22,588)
Total Public support	34,966,171	13,951	34,331,934	16,027	34,347,961
<b>Other income (expense)</b>					
Investment income - net	11,371	8,884	4,591	23,951	28,542
Change in value - deferred gift annuities	-	24,102	-	(3,951)	(3,951)
Insurance proceeds	-	-	187,478	-	187,478
Total Other income ( expense)	11,371	32,986	192,069	20,000	212,069
<b>Net assets released from restrictions</b>					
Board appropriations for endowment	75,000	(75,000)	55,000	(55,000)	-
Total Public support and Other income	35,052,542	(28,063)	34,579,003	(18,973)	34,560,030
<b>Expense</b>					
Program	34,315,443	-	34,570,079	-	34,570,079
Support services	164,516	-	147,547	-	147,547
Fundraising	97,556	-	109,185	-	109,185
Total expense	34,577,515	-	34,826,811	-	34,826,811
Changes in net assets - increase (decrease)	475,027	(28,063)	(247,808)	(18,973)	(266,781)
<b>Net assets - Beginning of year</b>	4,834,479	1,158,145	5,082,287	1,177,118	6,259,405
Adjustment to net assets to reflect prior endowment transaction	-	-	-	-	-
Adjusted net assets - Beginning of year	4,834,479	1,158,145	5,082,287	1,177,118	6,259,405
<b>Net assets - End of year</b>	\$ 5,309,506	\$ 1,130,082	\$ 4,834,479	\$ 1,158,145	\$ 5,992,624

See accompanying notes to financial statements



BILLINGS FOOD BANK  
Billings, MT

STATEMENTS OF FUNCTIONAL EXPENSE

	Year Ended June 30, 2020							Total
	Program Services- Food Assistance	Program Services- Culinary Program	Total Program Services	Support Services	Fund- Raising	Total Supporting Services	2020	
Contract labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	87,367	37,443	124,810	20,924	1,101	22,025	146,835	
Food	33,803,459	5,403	33,808,862	-	14,173	14,173	33,823,035	
Insurance & benefits	15,457	5,153	20,610	2,988	92	3,080	23,690	
Interest	11,328	4,357	15,685	1,743	-	1,743	17,428	
Maintenance & repairs	50,652	2,428	53,080	2,698	-	2,698	55,778	
Other expense	4,906	-	4,906	-	616	616	5,522	
Occupancy	36,509	12,170	48,679	6,872	1,720	8,592	57,271	
Officer's salary	17,179	-	17,179	60,126	8,589	68,715	85,894	
Office supplies expense	2,327	-	2,327	259	-	259	2,586	
Payroll taxes	9,425	9,428	18,853	6,465	1,620	8,085	26,938	
Printing & postage	1,726	-	1,726	1,725	13,804	15,529	17,255	
Professional fees	-	-	-	41,669	10,012	51,681	51,681	
Promotional	-	-	-	-	26,904	26,904	38,434	
Salaries	9,608	1,922	11,530	3,455	6,910	10,365	181,775	
Lawsuit - payout	76,686	94,724	171,410	14,505	-	14,505	14,505	
Supplies	-	-	-	-	11,760	11,760	17,319	
Taxes and licenses	3,891	1,668	5,559	-	-	576	5,761	
Telephone	5,185	-	5,185	576	-	766	5,761	
Telephone	3,574	766	4,340	511	255	766	5,106	
Vehicle expense	702	-	702	-	-	-	702	
<b>Total Functional Expenses</b>	<b>\$ 34,139,981</b>	<b>\$ 175,462</b>	<b>\$ 34,315,443</b>	<b>\$ 164,516</b>	<b>\$ 97,556</b>	<b>\$ 262,072</b>	<b>\$ 34,577,515</b>	

See accompanying notes to financial statements

BILLINGS FOOD BANK  
Billings, MT

STATEMENTS OF FUNCTIONAL EXPENSE

Year Ended June 30, 2019

	Program Services- Food Assistance	Program Services- Culinary Program	Program Services- Management	Fund- Raising	Total Supporting Services	Total 2019
	\$	\$	\$	\$	\$	\$
Contract labor	-	-	-	2,217	2,217	2,217
Depreciation	80,334	34,429	13,502	6,751	20,253	135,016
Food	34,070,428	4,380	-	1,279	1,279	34,076,087
Insurance & benefits	17,973	5,991	2,754	826	3,580	27,544
Interest	12,876	4,952	1,981	-	1,981	19,809
Maintenance & repairs	51,234	3,715	4,127	-	4,127	59,076
Other expense	7,393	2,150	9,543	796	796	10,339
Occupancy	41,750	13,917	7,859	1,965	9,824	65,491
Officer's salary	36,979	-	71,655	10,236	81,891	118,870
Office supplies expense	1,356	-	151	-	151	1,507
Payroll taxes	7,595	9,690	7,333	1,571	8,904	26,189
Printing & postage	3,206	-	3,205	26,702	29,907	33,113
Professional fees	-	-	30,528	7,724	38,252	38,252
Promotional	8,162	1,633	-	29,083	29,083	38,878
Salaries	37,597	97,488	3,378	6,757	10,135	145,220
Supplies	1,876	764	-	13,024	13,024	15,664
Taxes and licenses	5,096	-	566	-	566	5,662
Telephone	3,560	763	508	254	762	5,085
Vehicle expense	2,792	-	-	-	-	2,792
<b>Total Functional Expenses</b>	<b>\$ 34,390,207</b>	<b>\$ 179,872</b>	<b>\$ 147,547</b>	<b>\$ 109,185</b>	<b>\$ 256,732</b>	<b>\$ 34,826,811</b>

See accompanying notes to financial statements

BILLINGS FOOD BANK  
Billings, Montana

STATEMENTS OF CASH FLOWS  
Years Ended June 30

<u>OPERATING ACTIVITIES</u>	<u>2020</u>	<u>2019</u>
Increase (Decrease) in net assets	\$ 446,964	\$ (266,781)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	146,835	135,016
Unrealized (gain) loss on operating investments	(2,844)	8,790
Inventory - (increase) decrease	(320,847)	257,722
Accounts payable - increase (decrease)	41,300	(4,393)
Interest payable - increase (decrease)	(139)	(193)
Accrued expenses - increase (decrease)	(1,361)	(15,247)
Annuity liability - increase (decrease)	(24,102)	3,951
Donated stock	(13,951)	(5,122)
Net Cash Provided (Used) by Operating Activities	<u>271,855</u>	<u>113,743</u>
<u>INVESTING ACTIVITIES</u>		
Building improvements	(119,136)	-
Equipment purchase	(62,408)	-
Stock sales	222,611	204,412
Stock purchases	<u>(176,947)</u>	<u>(144,061)</u>
Net Cash (Used) by Investing Activities	<u>(135,880)</u>	<u>60,351</u>
<u>FINANCING ACTIVITIES</u>		
Proceeds from SBA Paycheck Protection Program	56,700	-
Note payable - principal payments	<u>(61,036)</u>	<u>(58,601)</u>
Net Cash (Used) by Financing Activities	<u>(4,336)</u>	<u>(58,601)</u>
Cash, Cash Equivalents and Restricted Cash Increase (Decrease) For Year	131,639	115,493
Cash, Cash Equivalents and Restricted Cash Balance - Beginning	<u>149,809</u>	<u>34,316</u>
Cash, Cash Equivalents and Restricted Cash Balance - Ending	<u>\$ 281,448</u>	<u>\$ 149,809</u>
Supplemental Disclosures:		
Interest paid	\$ 17,428	\$ 20,002
Income taxes paid	\$ -	\$ -
Noncash investing and financing transactions		
Donated stock received	\$ 13,951	\$ 5,122

See accompanying notes to financial statements



NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

1 ORGANIZATION

The Billings Food Bank (the Organization) is a non-profit organization established to collect, purchase, warehouse, and distribute food and other essentials both directly and through social agencies which primarily feed the needy. The Organization also operates the Fortin Culinary Center to provide training for entry level jobs in commercial kitchens. The training is directed to unemployed or underemployed individuals in the Billings area. The Fortin kitchen is available for use by people starting or expanding a food business. Nutrition education and classes are also provided. The Food Bank receives most of its support from the general public and fundraising events.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a Basis of Presentation – The financial statements of the Food Bank have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when incurred.

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

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions.
- **Net Assets With Donor Restrictions.** Contributions restricted by donors 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 is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

c Cash and Cash Equivalents – Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash equivalents approximates its fair value at June 30, 2020.

The Food Bank maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Food Bank has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of corresponding amounts within the statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 271,199	\$ 126,743
Cash - Operating investments	1,021	931
Restricted cash - Endowment	<u>9,228</u>	<u>22,135</u>
	<u>\$ 281,448</u>	<u>\$ 149,809</u>

NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- d Donated Food - Food contributions received by the Organization are capitalized as food inventory and recorded as revenue without donor restrictions. Upon distribution, food inventory is recorded as a decrease in net assets without donor restrictions and is charged to expense as food donation. These transactions are recorded, based on the pounds of food received or distributed, using an industry standard value per pound of \$1.85 in 2020 and 2019.
- e Investments – Investments in marketable equity securities with readily determinable fair values are reported at their fair value in the statements of financial position with the annual change in fair value being recorded as unrealized gains (losses) in current revenue and support for the year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

- f Land, Buildings and Equipment – Land, buildings and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis as follows:

Buildings and Other Improvements	7-39 Years
Furniture and Equipment	5-10 Years
Transportation Equipment	5 Years

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Land, buildings and equipment are capitalized if the cost of an asset is equal to or greater than \$1,000 and the useful life is three years or greater.

- g Long-Lived Assets – The Food Bank reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flow is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2020.
- h Deferred Gift Annuities – The Food Bank has received donations of assets in exchange for distributions of a fixed amount for a specific period of time to the donors or other beneficiaries. These gifts stipulate that annuity payments must be made to the donor or their designees until the time of death. The gifts are invested in money market funds, fixed income and equity securities. The Food Bank uses published mortality-rate tables adopted by the United States Internal Revenue Service and an assumed rate of return of approximately 4.5% to 6.0% to determine the present value of the actuarially determined liability.



NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- i Contributed Goods and Services – Contributions of donated non-cash assets are recorded at fair market value on the date of the donation. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of time to the Food Bank. The services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.
- j Income Taxes – The Food Bank is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service Form 990, Returns of Organizations Exempt from Income Tax, for years 2017, 2018, and 2019 are open years for examination by the IRS, generally three years after they were filed.
- k Functional Expenses – The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, office expenses, interest, insurance, and telephone, which are allocated on the basis of estimates of time and effort.
- l Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- m New Accounting Pronouncements – In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in Topic 605 Revenue Recognition, and requires the reporting entity to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted this ASU on July 1, 2019, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis.

In June 2018, the FASB issued ASU 2018-08, *Not-for-profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard was adopted by the Organization effective July 1, 2019. The adoption of this standard did not result in a material change to the financial statements.



**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

m New Accounting Pronouncements (continued) – During 2019, the Organization adopted FASB’s ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash and cash equivalents within the statement of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the statement of cash flows. This ASU has been applied retrospectively to all periods presented.

n Subsequent Events – The Food Bank has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2020 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through June 23, 2021, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

**3 FOOD INVENTORY**

The following summarizes food inventory transactions:

	<u>2020</u>		<u>2019</u>	
	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>
Beginning – July 1, 2019	626,101	\$ 1,158,287	765,411	\$ 1,416,009
Food contributions	18,416,431	34,070,397	18,209,168	33,686,962
Food distributions *	<u>(18,243,000)</u>	<u>(33,749,550)</u>	<u>(18,348,478)</u>	<u>(33,944,684)</u>
Ending – June 30, 2020	<u>799,532</u>	<u>\$ 1,479,134</u>	<u>626,101</u>	<u>\$ 1,158,287</u>

Food inventory is recorded at \$1.85 per pound as of June 30, 2020 and 2019, based on an industry standard value per unit of food.

\*This does not include food distributed that was purchased for cash.

**4 LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following table reflects the Food Bank’s financial assets reduced by amounts not available for general expenditure within one year as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 271,199	\$ 126,743
Investments – operations	45,368	34,890
Investments – endowment	<u>1,097,224</u>	<u>1,149,388</u>
Total	<u>1,413,791</u>	<u>1,311,021</u>
Less amounts not available to be used within one year due to:		
Donor imposed restrictions:		
Funds held for perpetual endowments	<u>(1,097,224)</u>	<u>(1,149,388)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 316,567</u>	<u>\$ 161,633</u>

**5 FAIR VALUE MEASUREMENTS**

The Food Bank has implemented the accounting standard that defines fair value for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

5 FAIR VALUE MEASUREMENTS (continued)

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilized data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about the Food Bank's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2020 and 2019 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	<u>Year ended</u> <u>June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Assets</u>				
Operating investments				
Cash	\$ 1,021	\$ 1,021	\$ -	\$ -
Mutual funds	44,347	44,347	-	-
	<u>\$ 45,368</u>	<u>\$ 45,368</u>	<u>\$ -</u>	<u>\$ -</u>
Endowment investments				
Cash	\$ 9,228	\$ 9,228	\$ -	\$ -
Mutual funds	294,788	294,788	-	-
Building	793,208	-	-	793,208
	<u>\$ 1,097,224</u>	<u>\$ 304,016</u>	<u>\$ -</u>	<u>\$ 793,208</u>
<u>Liabilities</u>				
Annuities payable	\$ 39,479	\$ -	\$ -	\$ 39,479
	<u>\$ 39,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,479</u>

	<u>Year ended</u> <u>June 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Assets</u>				
Operating investments				
Cash	\$ 931	\$ 931	\$ -	\$ -
Mutual funds	33,959	33,959	-	-
	<u>\$ 34,890</u>	<u>\$ 34,890</u>	<u>\$ -</u>	<u>\$ -</u>
Endowment investments				
Cash	\$ 22,135	\$ 22,135	\$ -	\$ -
Mutual funds	334,045	334,045	-	-
Building	793,208	-	-	793,208
	<u>\$ 1,149,388</u>	<u>\$ 356,180</u>	<u>\$ -</u>	<u>\$ 793,208</u>
<u>Liabilities</u>				
Annuities payable	\$ 63,581	\$ -	\$ -	\$ 63,581
	<u>\$ 63,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,581</u>



NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

5 FAIR VALUE MEASUREMENTS (continued)

Fair value measurements using significant unobservable inputs (Level 3) with donor restrictions:

With donor restrictions – Endowment - Building

	<u>2020</u>	<u>2019</u>
Assets:		
Beginning balance	\$ 793,208	\$ 793,208
Ending balance	<u>\$ 793,208</u>	<u>\$ 793,208</u>

With donor restrictions – Annuities payable

Liabilities:		
Beginning balance	\$ 63,581	\$ 59,630
Annuity value change	<u>(24,102)</u>	<u>3,951</u>
Ending balance	<u>\$ 39,479</u>	<u>\$ 63,581</u>

Endowment – Building: Management has determined the value of the building based on its insurable value to be \$793,208. The building was transferred to the endowment in 2016. The net cost of the building is \$263,882. The building is currently being renovated. Upon completion of the renovations, the Billings Food Bank will utilize the building for program activities.

Annuities payable: Valued using published mortality rate tables adopted by the United States Internal Revenue Service and an assumed rate of return of approximately 4.5% to 6.0% to determine the present value of the actuarially determined liability.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future net values. Furthermore, while the Food Bank believes its valuation methods are appropriate and consistent with other market participants, 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.

6 NOTES PAYABLE

Notes Payable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Mortgage payable – Bank		
in the amount of \$630,369 dated March 2016, to be paid in 58 payments of \$6,550, including interest at 4.1%. The balance of the note was paid in full on December 28, 2020.		
	\$ 387,978	\$ 449,014
Less Current maturities	<u>(62,962)</u>	<u>(60,160)</u>
Long-term Debt – less current maturities	<u>\$ 325,016</u>	<u>\$ 388,854</u>

The building is pledged as collateral for the note.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

7 REFUNDABLE ADVANCE - PAYCHECK PROTECTION PROGRAM (PPP) LOAN

In April 2020, the Billings Food Bank received a loan under the Small Business Administration's Paycheck Protection Program (PPP loan) in the amount of \$56,700 due to the Coronavirus pandemic. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. The Organization will be required to repay any remaining balance, plus interest accrued at 1% per annum in monthly payments commencing upon notification of partial forgiveness.

8 ENDOWMENT

The Organization's endowment includes donor restricted funds. The net assets associated with endowment funds are classified and reported based on existence or absence of donor imposed restrictions. The endowment adheres to the Uniform Prudent Management of Institutional Funds Act of 2006. The new law eliminates the historical dollar threshold and establishes prudent spending guidelines that consider both duration and preservation of the fund. As a result of this enactment, subject to the donor's intent as expressed in a gift agreement or similar document, the endowment may now spend the amount of the principal and income of an endowment fund, even from an underwater fund, after considering the factors listed in the Act.

The Organization has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk. The investment objectives for the endowment assets are:

1. To generate a level of current income sufficient to meet withdrawal needs. Any shortfall in current income required to meet spending needs may be made from net capital appreciation.
2. To grow the asset value of the endowment, exclusive of contributions or withdrawals, in the long term exceeding the rate of inflation and earn a rate of return in excess of the endowment's annual distribution rate through a combination of investment income and capital appreciation.
3. To diversify the endowment's assets in order to reduce the risk of wide swings in market value from year to year or the risk of incurring large losses.
4. To achieve investment results over the long term that compare favorably with those of other professional fund managers and of appropriate market indexes.

It is expected that these objectives can be obtained through a well-diversified portfolio structure in a manner consistent with this investment policy.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

8 ENDOWMENT (continued)

Change in endowment net assets for the years ended June 30 are as follows:

	<u>With Donor Restrictions</u>	
	<u>2020</u>	<u>2019</u>
Endowment net assets – beginning of year	\$ 1,158,145	\$ 1,177,118
Investment return – net	8,884	23,951
Contributions	13,951	16,027
Appropriation of endowment assets:		
Board appropriations	(75,000)	(55,000)
Change in value – deferred gifts	24,102	(3,951)
Endowment net assets – end of year	<u>1,130,082</u>	<u>1,158,145</u>
Endowment net assets – end of year		
Amount to be held in perpetuity	759,998	746,047
Gains on investments	370,084	412,098
Balance of endowment investments	<u>\$ 1,130,082</u>	<u>\$ 1,158,145</u>