

**BILLINGS FOOD BANK**  
Billings, Montana

**FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

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, Inc.  
Billings, Montana

**Opinion**

We have audited the accompanying financial statements of the Billings Food Bank, Inc., a non-profit corporation, which comprise the Statements of Financial Position as of June 30, 2022 and 2021, and the related Statements of Activities and Changes 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Food Bank as of June 30, 2022 and 2021, 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.

**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 Food Bank 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 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.

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 the Food Bank'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 judgement 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 the Food Bank's internal controls. 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 the Food Bank'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.

  
Mangis Accounting, PC

Billings, Montana  
May 8, 2023

BILLINGS FOOD BANK  
Billings, Montana

STATEMENTS OF FINANCIAL POSITION  
June 30

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 321,223	\$ 598,507
Investments	26,293	30,795
Inventories	<u>1,199,932</u>	<u>1,707,121</u>
Total Current Assets	<u>1,547,448</u>	<u>2,336,423</u>
<u>Property and Equipment</u>		
Land	754,357	689,875
Building and improvements	5,010,652	4,788,295
Furniture and fixtures	36,673	36,673
Equipment	<u>441,506</u>	<u>435,071</u>
Total Property and Equipment	6,243,188	5,949,914
Less Accumulated Depreciation	<u>(1,928,449)</u>	<u>(1,760,080)</u>
Net Property and Equipment	<u>4,314,739</u>	<u>4,189,834</u>
<u>Other Assets</u>		
Endowment investments	<u>1,072,383</u>	<u>1,088,015</u>
Total Assets	<u>\$ 6,934,570</u>	<u>\$ 7,614,272</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 13,307	\$ 28,770
Wages payable	6,508	8,589
Accrued expenses	<u>48,212</u>	<u>47,916</u>
Total Current Liabilities	<u>68,027</u>	<u>85,275</u>
<u>Long-term Liabilities</u>		
Annuity Liability	<u>21,025</u>	<u>40,259</u>
Total Long-term Liabilities	<u>21,025</u>	<u>40,259</u>
Total Liabilities	<u>89,052</u>	<u>125,534</u>
<u>Net Assets</u>		
Without donor restrictions	5,741,587	6,367,610
With donor restrictions	<u>1,103,931</u>	<u>1,121,128</u>
Total Net Assets	<u>6,845,518</u>	<u>7,488,738</u>
Total Liabilities and Net Assets	<u>\$ 6,934,570</u>	<u>\$ 7,614,272</u>

See accompanying notes to financial statements

BILLINGS FOOD BANK  
Billings, MT

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

	2022		2021		Total
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions	
<b>Public support</b>					
Cash contributions	\$ 627,596	\$ 25,000	\$ 1,384,388	\$ -	\$ 1,384,388
Non-cash contributions	70,348,394	-	48,271,697	-	48,271,697
In-kind contributions	515	-	-	-	-
Special events	1,740	-	-	-	-
Less: Direct benefit to donor	-	-	-	-	-
Total Public support	70,978,245	25,000	49,656,085	-	49,656,085
Government grants	-	-	256,700	-	256,700
Total contributions	70,978,245	25,000	49,912,785	-	49,912,785
<b>Other income (expense)</b>					
Investment income - net	(3,551)	(40,632)	22,114	66,826	88,940
Change in value - deferred gift annuities	-	(1,565)	-	(780)	(780)
Insurance proceeds	-	-	-	-	-
Total Other income ( expense)	(3,551)	(42,197)	22,114	66,046	88,160
<b>Net assets released from restrictions</b>					
Board appropriations for endowment	-	-	75,000	(75,000)	-
Total Public support and Other income	70,974,694	(17,197)	50,009,899	(8,954)	50,000,945
<b>Expense</b>					
Program	71,375,941	-	48,703,446	-	48,703,446
Support services	153,052	-	158,320	-	158,320
Fundraising	71,724	-	90,029	-	90,029
Total expense	71,600,717	-	48,951,795	-	48,951,795
Change in net assets - increase (decrease)	(626,023)	(17,197)	1,058,104	(8,954)	1,049,150
Net assets - Beginning of year	6,367,610	1,121,128	5,309,506	1,130,082	6,439,588
Net assets - End of year	\$ 5,741,587	\$ 1,103,931	\$ 6,367,610	\$ 1,121,128	\$ 7,488,738

See accompanying notes to financial statements

BILLINGS FOOD BANK  
Billings, MT

STATEMENT OF FUNCTIONAL EXPENSE

	Year Ended June 30, 2022						Total 2022
	Program Services- Food Assistance	Program Services- Culinary Program	Total Program Services	Management	Fund- Raising	Total Supporting Services	
Depreciation	100,180	42,934	143,114	16,837	8,418	25,255	168,369
Food	70,905,578	22	70,905,600	-	-	-	70,905,600
Insurance & benefits	17,807	5,935	23,742	2,729	819	3,548	27,290
Interest	-	-	-	-	-	-	-
Maintenance & repairs	26,835	1,360	28,195	1,511	-	1,511	29,706
Other expense	6,953	-	6,953	-	183	183	7,136
Occupancy	34,449	11,483	45,932	6,484	1,621	8,105	54,037
Officer's salary	22,332	-	22,332	78,164	11,166	89,330	111,662
Office supplies expense	1,223	-	1,223	136	-	136	1,359
Payroll taxes	8,113	9,792	17,905	8,113	1,958	10,071	27,976
Printing & postage	590	-	590	591	4,721	5,312	5,902
Professional fees	-	-	-	33,090	17,710	50,800	50,800
Promotional	6,010	1,202	7,212	-	16,828	16,828	24,040
Salaries	59,863	96,280	156,143	3,996	7,992	11,988	168,131
Supplies	1,772	759	2,531	-	-	-	2,531
Taxes and licenses	7,072	-	7,072	786	-	786	7,858
Telephone	4,304	923	5,227	615	308	923	6,150
Vehicle expense	2,170	-	2,170	-	-	-	2,170
<b>Total Functional Expenses</b>	<b>\$ 71,205,251</b>	<b>\$ 170,690</b>	<b>\$ 71,375,941</b>	<b>\$ 153,052</b>	<b>\$ 71,724</b>	<b>\$ 224,776</b>	<b>\$ 71,600,717</b>

See accompanying notes to financial statements

**BILLINGS FOOD BANK**  
Billings, MT

**STATEMENT OF FUNCTIONAL EXPENSE**

	Year Ended June 30, 2021						Total 2021
	Program Services- Food Assistance	Program Services- Culinary Program	Program Services- Total Program Services	Management	Fund- Raising	Total Supporting Services	
Depreciation	100,169	42,929	143,098	16,835	8,418	25,253	168,351
Food	48,162,145	442	48,162,587	-	-	-	48,162,587
Insurance & benefits	18,938	6,312	25,250	2,902	871	3,773	29,023
Interest	5,058	1,946	7,004	778	-	778	7,782
Maintenance & repairs	53,322	1,951	55,273	2,168	-	2,168	57,441
Other expense	14,963	-	14,963	-	441	441	15,404
Occupancy	35,551	11,850	47,401	6,692	1,673	8,365	55,766
Officer's salary	21,400	-	21,400	83,490	10,700	94,190	115,590
Office supplies expense	2,032	-	2,032	226	-	226	2,258
Payroll taxes	9,092	8,312	17,404	7,014	1,558	8,572	25,976
Printing & postage	1,791	-	1,791	1,791	14,332	16,123	17,914
Professional fees	-	-	-	31,134	19,888	51,022	51,022
Promotional	8,153	1,631	9,784	-	22,826	22,826	32,610
Salaries	80,796	92,694	173,490	4,001	8,002	12,003	185,493
Supplies	7,226	3,097	10,323	-	1,000	1,000	11,323
Taxes and licenses	5,845	-	5,845	649	-	649	6,494
Telephone	4,481	960	5,441	640	320	960	6,401
Vehicle expense	360	-	360	-	-	-	360
<b>Total Functional Expenses</b>	<b>\$ 48,531,322</b>	<b>\$ 172,124</b>	<b>\$ 48,703,446</b>	<b>\$ 158,320</b>	<b>\$ 90,029</b>	<b>\$ 248,349</b>	<b>\$ 48,951,795</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>2022</u>	<u>2021</u>
Increase (Decrease) in net assets	\$ (643,220)	\$ 1,049,150
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	168,369	168,351
Realized/unrealized (gain) loss on operating investments	47,976	(85,012)
Gain on loan forgiveness	-	(56,700)
Inventory - (increase) decrease	507,189	(227,987)
Accounts payable - (decrease)	(15,463)	(22,004)
Wages payable - increase (decrease)	(2,081)	8,589
Interest payable - (decrease)	-	(884)
Accrued expenses - increase (decrease)	296	(1,110)
Annuity liability - increase (decrease)	(19,233)	780
Donated stock	-	(1,979)
Net Cash Provided (Used) by Operating Activities	<u>43,833</u>	<u>831,194</u>
<u>INVESTING ACTIVITIES</u>		
Land purchase	(64,482)	(5,000)
Building improvements	(222,357)	(172,444)
Equipment purchase	(6,435)	(49,237)
Stock sales	104,680	233,078
Stock purchases	<u>(135,107)</u>	<u>(122,458)</u>
Net Cash (Used) by Investing Activities	<u>(323,701)</u>	<u>(116,061)</u>
<u>FINANCING ACTIVITIES</u>		
Note payable - principal payments	<u>-</u>	<u>(387,978)</u>
Net Cash (Used) by Financing Activities	<u>-</u>	<u>(387,978)</u>
Cash, Cash Equivalents and Restricted Cash Increase (Decrease) For Year	(279,868)	327,155
Cash, Cash Equivalents and Restricted Cash Balance - Beginning	<u>608,603</u>	<u>281,448</u>
Cash, Cash Equivalents and Restricted Cash Balance - Ending	<u>\$ 328,735</u>	<u>\$ 608,603</u>
Supplemental Disclosures:		
Interest paid	\$ -	\$ 7,782
Income taxes paid	\$ -	\$ -
Noncash investing and financing transactions	\$ -	\$ -

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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, 2022 and 2021.

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 321,223	\$ 598,507
Cash - Operating investments	838	824
Restricted cash - Endowment	<u>6,674</u>	<u>9,272</u>
	<u>\$ 328,735</u>	<u>\$ 608,603</u>

NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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 2022 and 2021.
- 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, 2022.
- 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, 2022 and 2021

**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 2019, 2020, and 2021 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 **Subsequent Events** – The Food Bank has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2022 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through May 8, 2023, 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>2022</u>		<u>2021</u>	
	<u>Pounds</u>	<u>Pounds</u>	<u>Pounds</u>	<u>Dollars</u>
Beginning balance	922,768	1,707,121	799,532	\$ 1,158,287
Food contributions	38,026,159	70,348,394	26,089,386	34,070,397
Food distributions *	<u>(38,300,315)</u>	<u>(70,855,583)</u>	<u>(25,966,150)</u>	<u>(33,749,550)</u>
Ending balance	<u>648,612</u>	<u>1,199,932</u>	<u>922,768</u>	<u>\$ 1,479,134</u>

Food inventory is recorded at \$1.85 per pound as of June 30, 2022 and 2021, based on an industry standard value per unit of food.

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

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

**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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 321,223	\$ 598,507
Investments – operations	26,293	30,795
Investments – endowment	<u>1,072,383</u>	<u>1,088,015</u>
Total	<u>1,419,899</u>	<u>1,717,317</u>
Less amounts not available to be used within one year due to:		
Donor imposed restrictions,:		
Funds held for perpetual endowments	<u>(1,072,383)</u>	<u>(1,088,015)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 347,516</u>	<u>\$ 629,302</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.

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).

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

**5 FAIR VALUE MEASUREMENTS (continued)**

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, 2022 and 2021 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	<u>Year ended</u> <u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Assets</u>				
Operating investments				
Cash	\$ 838	\$ 838	\$ -	\$ -
Mutual funds	25,455	25,455	-	-
	<u>\$ 26,293</u>	<u>\$ 26,293</u>	<u>\$ -</u>	<u>\$ -</u>
Endowment investments				
Cash	\$ 6,674	\$ 6,674	\$ -	\$ -
Mutual funds	272,501	272,501	-	-
Building	793,208	-	-	793,208
	<u>\$ 1,072,383</u>	<u>\$ 279,175</u>	<u>\$ -</u>	<u>\$ 793,208</u>
<u>Liabilities</u>				
Annuities payable				
	\$ 21,025	\$ -	\$ -	\$ 21,025
	<u>\$ 21,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,025</u>

	<u>Year ended</u> <u>June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Assets</u>				
Operating investments				
Cash	\$ 824	\$ 824	\$ -	\$ -
Mutual funds	29,971	29,971	-	-
	<u>\$ 30,795</u>	<u>\$ 30,795</u>	<u>\$ -</u>	<u>\$ -</u>
Endowment investments				
Cash	\$ 9,272	\$ 9,272	\$ -	\$ -
Mutual funds	285,535	285,535	-	-
Building	793,208	-	-	793,208
	<u>\$ 1,088,015</u>	<u>\$ 294,807</u>	<u>\$ -</u>	<u>\$ 793,208</u>
<u>Liabilities</u>				
Annuities payable				
	\$ 40,259	\$ -	\$ -	\$ 40,259
	<u>\$ 40,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,259</u>

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

**5 FAIR VALUE MEASUREMENTS (continued)**

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

With donor restrictions – Endowment - Building

	<u>2022</u>	<u>2021</u>
<b>Assets:</b>		
Beginning balance	\$ 793,208	\$ 793,208
Ending balance	<u>\$ 793,208</u>	<u>\$ 793,208</u>

With donor restrictions – Annuities payable

<b>Liabilities:</b>		
Beginning balance	\$ 40,259	\$ 39,479
Forgiveness of deferred gift annuity	(20,799)	-
Annuity value change	<u>1,565</u>	<u>780</u>
Ending balance	<u>\$ 21,025</u>	<u>\$ 40,259</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 at that time was \$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 3.0% 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 PAYCHECK PROTECTION PROGRAM (PPP) LOAN AND OTHER LOANS**

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, which were met during the fiscal year ending June 30, 2021. The Organization initially recorded the loan as a refundable advance in 2020, and has recorded the forgiveness in 2021 in accordance with guidance for conditional contributions. Proceeds from the loan were eligible for forgiveness if they were used for certain payroll, rent, and utility expenses.

The Organization also received COVID-related grants from the state of Montana totaling \$200,000 during the fiscal year ending June 30, 2021. The grants were recorded as revenue in the year they were received.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

**7 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.

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

	<u>With Donor Restrictions</u>	
	<u>2022</u>	<u>2021</u>
Endowment net assets – beginning of year	\$ 1,121,128	\$ 1,130,082
Investment return – net	(40,632)	66,826
Contributions	25,000	-
Appropriation of endowment assets:		
Board appropriations	-	(75,000)
Change in value – deferred gifts	<u>(1,565)</u>	<u>(780)</u>
Endowment net assets – end of year	<u>\$ 1,103,931</u>	<u>\$ 1,121,128</u>
Endowment net assets – end of year		
Amount to be held in perpetuity	\$ 784,998	\$ 759,998
Gains on investments	<u>318,933</u>	<u>361,130</u>
Balance of endowment investments	<u>\$ 1,103,931</u>	<u>\$ 1,121,128</u>