

BILLINGS FOOD BANK
Billings, Montana

FINANCIAL STATEMENTS
June 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 2, 2022

BILLINGS FOOD BANK
Billings, Montana

STATEMENTS OF FINANCIAL POSITION
June 30

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 598,507	\$ 271,199
Investments	30,795	45,368
Inventories	<u>1,707,121</u>	<u>1,479,134</u>
Total Current Assets	<u>2,336,423</u>	<u>1,795,701</u>
 <u>Property and Equipment</u>		
Land	689,875	684,875
Building and improvements	4,788,295	4,615,851
Furniture and fixtures	36,673	36,673
Equipment	<u>435,071</u>	<u>385,834</u>
Total Property and Equipment	5,949,914	5,723,233
Less Accumulated Depreciation	<u>(1,760,080)</u>	<u>(1,591,729)</u>
Net Property and Equipment	<u>4,189,834</u>	<u>4,131,504</u>
 <u>Other Assets</u>		
Endowment investments	<u>1,088,015</u>	<u>1,097,224</u>
Total Assets	<u>\$ 7,614,272</u>	<u>\$ 7,024,429</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 28,770	\$ 50,774
Wages payable	8,589	-
Interest payable	-	884
Accrued expenses	47,916	49,026
Refundable advance	-	56,700
Current maturities of long-term debt	<u>-</u>	<u>62,962</u>
Total Current Liabilities	<u>85,275</u>	<u>220,346</u>
 <u>Long-term Liabilities</u>		
Annuity Liability	40,259	39,479
Long-term debt - Less current maturities	<u>-</u>	<u>325,016</u>
Total Long-term Liabilities	<u>40,259</u>	<u>364,495</u>
Total Liabilities	<u>125,534</u>	<u>584,841</u>
 <u>Net Assets</u>		
Without donor restrictions	6,367,610	5,309,506
With donor restrictions	<u>1,121,128</u>	<u>1,130,082</u>
Total Net Assets	<u>7,488,738</u>	<u>6,439,588</u>
Total Liabilities and Net Assets	<u>\$ 7,614,272</u>	<u>\$ 7,024,429</u>

See accompanying notes to financial statements

BILLINGS FOOD BANK
Billings, MT

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

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Public support						
Cash contributions	\$ 1,384,388	-	\$ 1,384,388	\$ 750,530	-	\$ 750,530
Non-cash contributions	48,271,697	-	48,271,697	34,106,636	13,951	34,120,587
Culinary Center	-	-	-	20,073	-	20,073
Special events	-	-	-	104,895	-	104,895
Less: Direct benefit to donor	-	-	-	(15,963)	-	(15,963)
Total Public support	49,656,085	-	49,656,085	34,966,171	13,951	34,980,122
Government grants	256,700	-	256,700	-	-	-
Total contributions	49,912,785	-	49,912,785	34,966,171	13,951	34,980,122
Other income (expense)						
Investment income - net	22,114	66,826	88,940	11,371	8,884	20,255
Change in value - deferred gift annuities	-	(780)	(780)	-	24,102	24,102
Insurance proceeds	-	-	-	-	-	-
Total Other income (expense)	22,114	66,046	88,160	11,371	32,986	44,357
Net assets released from restrictions	75,000	(75,000)	-	75,000	(75,000)	-
Board appropriations for endowment	-	-	-	-	-	-
Total Public support and Other income	50,009,899	(8,954)	50,000,945	35,052,542	(28,063)	35,024,479
Expense						
Program	48,703,446	-	48,703,446	34,315,443	-	34,315,443
Support services	158,320	-	158,320	164,516	-	164,516
Fundraising	90,029	-	90,029	97,556	-	97,556
Total expense	48,951,795	-	48,951,795	34,577,515	-	34,577,515
Change in net assets - increase (decrease)	1,058,104	(8,954)	1,049,150	475,027	(28,063)	446,964
Net assets - Beginning of year	5,309,506	1,130,082	6,439,588	4,834,479	1,158,145	5,992,624
Net assets - End of year	\$ 6,367,610	\$ 1,121,128	\$ 7,488,738	\$ 5,309,506	\$ 1,130,082	\$ 6,439,588

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	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
Lawsuit - payout	-	-	-	-	-	-	-
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
Total Functional Expenses	\$ 48,531,322	\$ 172,124	\$ 48,703,446	\$ 158,320	\$ 90,029	\$ 248,349	\$ 48,951,795

See accompanying notes to financial statements

BILLINGS FOOD BANK
Billings, MT

STATEMENT OF FUNCTIONAL EXPENSE

	Year Ended June 30, 2020						Total 2020
	Program Services- Food Assistance	Program Services- Culinary Program	Total Program Services	Support Services	Fund- Raising	Total Supporting Services	
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	9,608	1,922	11,530	-	26,904	26,904	38,434
Salaries	76,686	94,724	171,410	3,455	6,910	10,365	181,775
Lawsuit - payout	-	-	-	14,505	-	14,505	14,505
Supplies	3,891	1,668	5,559	-	11,760	11,760	17,319
Taxes and licenses	5,185	-	5,185	576	-	576	5,761
Telephone	3,574	766	4,340	511	255	766	5,106
Vehicle expense	702	-	702	-	-	-	702
Total Functional Expenses	\$ 34,139,981	\$ 175,462	\$ 34,315,443	\$ 164,516	\$ 97,556	\$ 262,072	\$ 34,577,515

See accompanying notes to financial statements

BILLINGS FOOD BANK
Billings, Montana

STATEMENTS OF CASH FLOWS
Years Ended June 30

<u>OPERATING ACTIVITIES</u>	<u>2021</u>	<u>2020</u>
Increase (Decrease) in net assets	\$ 1,049,150	\$ 446,964
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	168,351	146,835
Realized/unrealized (gain) loss on operating investments	(85,012)	(2,844)
Gain on loan forgiveness	(56,700)	-
Inventory - (increase) decrease	(227,987)	(320,847)
Accounts payable - increase (decrease)	(22,004)	41,300
Wages payable - increase (decrease)	8,589	-
Interest payable - increase (decrease)	(884)	(139)
Accrued expenses - increase (decrease)	(1,110)	(1,361)
Annuity liability - increase (decrease)	780	(24,102)
Donated stock	(1,979)	(13,951)
Net Cash Provided (Used) by Operating Activities	<u>831,194</u>	<u>271,855</u>
<u>INVESTING ACTIVITIES</u>		
Land purchase	(5,000)	-
Building improvements	(172,444)	(119,136)
Equipment purchase	(49,237)	(62,408)
Stock sales	233,078	222,611
Stock purchases	<u>(122,458)</u>	<u>(176,947)</u>
Net Cash (Used) by Investing Activities	<u>(116,061)</u>	<u>(135,880)</u>
<u>FINANCING ACTIVITIES</u>		
Proceeds from SBA Paycheck Protection Program	-	56,700
Note payable - principal payments	<u>(387,978)</u>	<u>(61,036)</u>
Net Cash (Used) by Financing Activities	<u>(387,978)</u>	<u>(4,336)</u>
Cash, Cash Equivalents and Restricted Cash Increase (Decrease) For Year	327,155	131,639
Cash, Cash Equivalents and Restricted Cash Balance - Beginning	<u>281,448</u>	<u>149,809</u>
Cash, Cash Equivalents and Restricted Cash Balance - Ending	<u>\$ 608,603</u>	<u>\$ 281,448</u>
Supplemental Disclosures:		
Interest paid	\$ 7,782	\$ 17,428
Income taxes paid	\$ -	\$ -
Noncash investing and financing transactions		
Donated stock received	\$ -	\$ 13,951

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 598,507	\$ 271,199
Cash - Operating investments	824	1,021
Restricted cash - Endowment	<u>9,272</u>	<u>9,228</u>
	<u>\$ 608,603</u>	<u>\$ 281,448</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 2021 and 2020.
- 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, 2021.
- 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, 2021 and 2020

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 2018, 2019, and 2020 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, 2021 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through June 2, 2022, 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>2021</u>		<u>2020</u>	
	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>
Beginning balance	799,532	\$ 1,479,134	626,101	\$ 1,158,287
Food contributions	26,089,386	48,265,365	18,416,431	34,070,397
Food distributions *	<u>(25,966,150)</u>	<u>(48,037,378)</u>	<u>(18,243,000)</u>	<u>(33,749,550)</u>
Ending balance	<u>922,768</u>	<u>\$ 1,707,121</u>	<u>799,532</u>	<u>\$ 1,479,134</u>

Food inventory is recorded at \$1.85 per pound as of June 30, 2021 and 2020, 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, 2021 and 2020

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 598,507	\$ 271,199
Investments – operations	30,795	45,368
Investments – endowment	<u>1,088,015</u>	<u>1,097,224</u>
Total	<u>1,717,317</u>	<u>1,413,791</u>
Less amounts not available to be used within one year due to:		
Donor imposed restrictions,:		
Funds held for perpetual endowments	<u>(1,088,015)</u>	<u>(1,097,224)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 629,302</u>	<u>\$ 316,567</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, 2021 and 2020

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, 2021 and 2020 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	<u>Year ended 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>
	<u>Year ended 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>

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

5 FAIR VALUE MEASUREMENTS (continued)

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

With donor restrictions – Endowment - Building

	<u>2021</u>	<u>2020</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	\$ 39,479	\$ 63,581
Annuity value change	<u>780</u>	<u>(24,102)</u>
Ending balance	<u>\$ 40,259</u>	<u>\$ 39,479</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 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>2021</u>	<u>2020</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
Less Current maturities	<u>-</u>	<u>(62,962)</u>
Long-term Debt – less current maturities	<u>\$ -</u>	<u>\$ 325,016</u>

The building is pledged as collateral for the note.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

7 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.

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, 2021 and 2020

8 ENDOWMENT (continued)

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

	<u>With Donor Restrictions</u>	
	<u>2021</u>	<u>2020</u>
Endowment net assets – beginning of year	\$ 1,130,082	\$ 1,158,145
Investment return – net	66,826	8,884
Contributions	-	13,951
Appropriation of endowment assets:		
Board appropriations	(75,000)	(75,000)
Change in value – deferred gifts	<u>(780)</u>	<u>24,102</u>
Endowment net assets – end of year	<u>1,121,128</u>	<u>1,130,082</u>
Endowment net assets – end of year		
Amount to be held in perpetuity	759,998	759,998
Gains on investments	<u>361,130</u>	<u>370,084</u>
Balance of endowment investments	<u>\$ 1,121,128</u>	<u>\$ 1,130,082</u>