

**FLINT HILLS BREADBASKET, INC.**

Manhattan, Kansas

**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITORS' REPORT**

June 30, 2022 and 2021

VARNEY & ASSOCIATES, CPAs, LLC  
Manhattan, Kansas

**FLINT HILLS BREADBASKET, INC.**  
Manhattan, Kansas  
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October 5, 2022

Board of Directors  
Flint Hills Breadbasket, Inc.  
Manhattan, Kansas

## Independent Auditor's Report

### **Opinion**

We have audited the financial statements of Flint Hills Breadbasket, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for 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 GAAS 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.

October 5, 2022  
Flint Hills Breadbasket, Inc.  
Continued

***Auditor's Responsibilities for the Audit of the Financial Statements (Continued)***

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

*Varney & Associates, CPAs, LLC*

Certified Public Accountants  
Manhattan, Kansas

**FLINT HILLS BREADBASKET, INC.**  
 Manhattan, Kansas  
**STATEMENTS OF FINANCIAL POSITION**  
 June 30,

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,425,194	\$ 1,569,103
<b>Property and Equipment</b>		
Building	\$ 329,298	\$ 329,298
Delivery vehicles	157,876	157,876
Furniture and equipment	203,703	199,199
Less: Accumulated depreciation	(533,134)	(505,272)
<b>Total Property and Equipment</b>	<b>\$ 157,743</b>	<b>\$ 181,101</b>
<b>Other Assets</b>		
Certificates of deposit	\$ 92,216	\$ 90,573
Beneficial interest in Manhattan Community Foundation	21,476	23,934
Investment - Janus Fund	110,192	117,960
Investment - Trust Company	243,806	-
<b>Total Other Assets</b>	<b>\$ 467,690</b>	<b>\$ 232,467</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,050,627</b>	<b>\$ 1,982,671</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 4,505	\$ -
Payroll liabilities	1,794	-
<b>Total Current Liabilities</b>	<b>\$ 6,299</b>	<b>\$ -</b>
<b>Net Assets</b>		
With donor restrictions	\$ 50,726	\$ 50,726
Without donor restrictions	1,993,602	1,931,945
<b>Total Net Assets</b>	<b>\$ 2,044,328</b>	<b>\$ 1,982,671</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,050,627</b>	<b>\$ 1,982,671</b>

**FLINT HILLS BREADBASKET, INC.**  
 Manhattan, Kansas  
**STATEMENTS OF ACTIVITIES**  
 For the Years Ended June 30,

	<b>2022</b>			<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>						
Public support	\$ 356,457	\$ -	\$ 356,457	\$ 477,227	\$ -	\$ 477,227
Grants	21,206	-	21,206	96,068	-	96,068
Special events	26,508	-	26,508	21,341	-	21,341
Less: golf tournament expenses	(11,889)	-	(11,889)	(10,599)	-	(10,599)
Net investment return	(10,967)	-	(10,967)	41,287	-	41,287
<b>Total Revenue and Support</b>	<b>\$ 381,315</b>	<b>\$ -</b>	<b>\$ 381,315</b>	<b>\$ 625,324</b>	<b>\$ -</b>	<b>\$ 625,324</b>
<b>EXPENSES</b>						
Program services	\$ 218,812	\$ -	\$ 218,812	\$ 180,089	\$ -	\$ 180,089
Management and general	85,912	-	85,912	72,629	-	72,629
Fundraising	14,934	-	14,934	12,106	-	12,106
<b>Total Expenses</b>	<b>\$ 319,658</b>	<b>\$ -</b>	<b>\$ 319,658</b>	<b>\$ 264,824</b>	<b>\$ -</b>	<b>\$ 264,824</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 61,657</b>	<b>\$ -</b>	<b>\$ 61,657</b>	<b>\$ 360,500</b>	<b>\$ -</b>	<b>\$ 360,500</b>
<b>Net Assets Released from Restrictions</b>						
Satisfaction of usage restrictions	-	-	-	-	-	-
<b>NET ASSETS - BEGINNING</b>	<b>1,931,945</b>	<b>50,726</b>	<b>1,982,671</b>	<b>1,571,445</b>	<b>50,726</b>	<b>1,622,171</b>
<b>NET ASSETS - ENDING</b>	<b>\$ 1,993,602</b>	<b>\$ 50,726</b>	<b>\$ 2,044,328</b>	<b>\$ 1,931,945</b>	<b>\$ 50,726</b>	<b>\$ 1,982,671</b>

The accompanying notes are an integral part of these financial statements.  
 See Independent Auditor's Report.

**FLINT HILLS BREADBASKET, INC.**  
 Manhattan, Kansas  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
 For the Years Ended June 30,

	<u>2022</u>				<u>2021</u>			
	<u>Program Services</u>	<u>Supporting Activities</u>		<u>Total</u>	<u>Program Services</u>	<u>Supporting Activities</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>			<u>Management and General</u>	<u>Fundraising</u>	
Salaries and wages	\$ 126,748	\$ 45,267	\$ 9,053	\$ 181,068	\$ 112,549	\$ 40,196	\$ 8,039	\$ 160,784
Other employee benefits	2,141	765	153	3,059	2,991	1,068	214	4,273
Payroll taxes	11,204	4,002	800	16,006	8,786	3,138	628	12,552
Accounting	-	6,000	-	6,000	-	6,385	-	6,385
Office expenses	25,656	9,163	1,833	36,652	11,445	4,088	818	16,351
Occupancy	20,289	7,246	1,449	28,984	10,335	3,691	738	14,764
Travel	3,546	1,267	253	5,066	2,632	940	188	3,760
Depreciation	19,504	6,966	1,393	27,863	20,731	7,404	1,481	29,616
Insurance	9,724	5,236	-	14,960	10,620	5,719	-	16,339
<b>Total Expenses</b>	<u>\$ 218,812</u>	<u>\$ 85,912</u>	<u>\$ 14,934</u>	<u>\$ 319,658</u>	<u>\$ 180,089</u>	<u>\$ 72,629</u>	<u>\$ 12,106</u>	<u>\$ 264,824</u>

**FLINT HILLS BREADBASKET, INC.**  
 Manhattan, Kansas  
**STATEMENTS OF CASH FLOWS**  
 For the Years Ended June 30,

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 61,658	\$ 360,500
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operations		
Depreciation	\$ 27,863	\$ 29,616
(Gain) loss on investments	(233,580)	(36,546)
(Increase) Decrease in other assets	(1,643)	160
Decrease in accounts payable and accrued expenses	6,298	-
<b>Total Adjustments</b>	<b>\$ (201,062)</b>	<b>\$ (6,770)</b>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ (139,404)</b>	<b>\$ 353,730</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for purchases of property and equipment	\$ (4,505)	\$ -
<b>NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>\$ (143,909)</b>	<b>\$ 353,730</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING</b>	<b>1,569,103</b>	<b>1,215,373</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - ENDING</b>	<b>\$ 1,425,194</b>	<b>\$ 1,569,103</b>

**FLINT HILLS BREADBASKET, INC.**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

**Note 1: Summary of Significant Accounting Policies**

***Organization and Nature of Activities***

Flint Hills Breadbasket, Inc. (the Organization) provides services to minimize hunger and poverty at the local level by distribution of available foods. The Organization also nurtures projects that help alleviate hunger and poverty. The Organization's support comes primarily from individual and corporate donations and the Mayor's Holiday Food and Fund Drive.

***Basis of Presentation***

The Organization's policy is to prepare its financial statements on the cash basis of accounting in accordance with financial reporting provisions as prescribed by the Financial Accounting Standards Board. This basis of accounting is commonly known as U.S. Generally Accepted Accounting Principles (GAAP).

***Cash and Cash Equivalents***

For the purposes of the statement of cash flows, the Organization considers all highly liquid unrestricted investments with an initial maturity of twelve months or less to be cash equivalents.

***Property and Equipment***

The acquisition of assets is accounted for as expenditures in the year of acquisition. Furnishings, equipment and improvements costing in excess of \$2,500 are capitalized in land, building, and equipment. Repairs and maintenance are expensed when incurred.

***Donated Services and Food Items***

The value of contributed services and perishable food items has not been reported in the financial statements. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in achieving their objective of minimizing hunger at the local level; however, these do not meet the criteria for recognition under generally accepted accounting principals. The Organization also receives a large amount of donated perishable food items for distribution that is impractical to value but they are weighed.

The Organization had 165 individual volunteers that worked 5,869 hours in the year ended June 30, 2022 and 142 individual volunteers that worked 4,908 volunteer hours in the year ended June 30, 2021. If these volunteers had been paid the minimum wage of \$7.25/hour the cost could have been over \$42,550 for the year ended June 30, 2022 and \$35,000 for the year ended June 30, 2021. The organization received 766,549 and 929,929 pounds of food in the years ended June 30, 2022 and June 30, 2021, respectively.

***Revenue Recognition***

Effective June 30, 2021, the Organization adopted FASB ASC 606, *Revenue from Contracts with Customers*, using the full retrospective method however the result of this adoption had no impact on the timing of recognition of revenue, operating income, net income, or on the balance sheet or statement of cash flows.

***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from the estimates.

**FLINT HILLS BREADBASKET, INC.**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2022 and 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Functional Expenses***

Directly identifiable expenses are charged to programs and supporting activities. Expenses related to more than one function are charged to programs and supporting activities on the basis of periodic time and expense studies. Management and general expense includes those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

***Advertising Costs***

The Organization uses advertising to promote its programs and fundraisers among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2022 and 2021 were \$1,186 and \$1,250, respectively, and are included in Mayor's Holiday Tree Expense allocated between Program Services and Fundraising.

***Income Taxes***

The Organization is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code classified by the Internal Revenue Service as other than a private foundation.

The Organization's federal Exempt Organization Business Income Tax Returns (Form 990 and/or 990T) for the years ended June 30, 2022 and 2021 are subject to examination by the IRS, generally for three years after they were filed. There are currently no examinations in process.

***Date of Management's Review***

Subsequent events were evaluated through October 5, 2022, which is the date the financial statements were available to be issued.

***Net Assets***

The Organization reports the changes in its financial position according to two classes of net assets as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor restricted resources whose restrictions are met in the same reporting period are reported as without restrictions.

**Note 2: Cash**

The Organization maintains cash balances in local banks. These bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per entity. The uninsured portion of the balances at KS StateBank were \$1,138,062 and \$1,103,758 as of June 30, 2022 and June 30, 2021, respectively.

**FLINT HILLS BREADBASKET, INC.**  
 Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2022 and 2021

**Note 3: Fair Value Measurements**

Investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management 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.

Investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management 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.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. Management uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, management measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value measurements – The fair value of mutual funds is based on quoted prices in active markets for identical assets at a specified date.

Fair values of investments measured on a recurring basis at June 30, 2022 and 2021 are as follows:

Description	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 30, 2022</b>				
GMCF Mutual Funds	\$ 21,476	\$ 21,476	\$ -	\$ -
Janus Mutual Funds	110,192	110,192	-	-
Trust Company Funds	243,806	243,806	-	-
CD's	92,216	92,216	-	-
<b>Total</b>	<u>\$ 467,690</u>	<u>\$ 467,690</u>	<u>\$ -</u>	<u>\$ -</u>
<b>June 30, 2021</b>				
GMCF Mutual Funds	\$ 23,934	\$ 23,934	\$ -	\$ -
Janus Mutual Funds	117,960	117,960	-	-
CD's	90,573	90,573	-	-
<b>Total</b>	<u>\$ 232,467</u>	<u>\$ 232,467</u>	<u>\$ -</u>	<u>\$ -</u>

**FLINT HILLS BREADBASKET, INC.**  
 Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2022 and 2021

**Note 4: With Donor Restricted Net Assets**

The \$50,726 of Donor Restricted Net Assets is from investments. Earnings on \$15,000 of the funds are to feed the poor during the Christmas holiday season and earnings on the remaining \$35,000 are to fund operations.

**Notes 5: Property and Equipment**

Property and equipment at June 30, 2022 and 2021 consists of the following:

	<u>2021</u>	<u>2020</u>
Building	\$ 329,298	\$ 329,298
Delivery vehicles	157,876	157,876
Furniture and equipment	203,703	199,199
Less: Accumulated depreciation	(533,134)	(505,272)
<b>Total</b>	<u>\$ 157,743</u>	<u>\$ 181,101</u>

Depreciation expense was \$27,825 and \$29,616 for the years ended June 30, 2022 and 2021, respectively.

**Note 6: Compensated Absences**

Employees earn one sick day per month worked which accumulates to a maximum of 30 days. There is no payment for unused days upon or prior to termination. Vacation is earned after each year worked: For 1-4 years, 10 days is awarded and for 5 or more years, 15 days is awarded. Employees must use all their vacation days during the following calendar year, or they lose it.

Payment for unused vacation is made upon termination if two weeks notice is given. At June 30, 2022 and 2021, there were no accumulated vacation days.

**Note 7: Retirement Plan**

The Organization maintains a defined contribution plan for the benefit of its eligible employees. The Organization makes a matching contribution up to 4% of each participant's eligible salary. Contribution expenses incurred by the Organization were \$3,059 and \$4,273 for the years ended June 30, 2022 and 2021, respectively.

**Note 8: Liquidity and Availability**

Financial assets available for general expenditures, that is without donor or other restrictions limiting their use, during 2022, are comprised of the following:

	<u>Liquid</u>	<u>Not Available</u>	<u>Liquid and Available</u>
Cash and cash equivalents	\$ 1,425,194	\$ -	\$ 1,425,194
Beneficial Interest in GMCF	21,476	-	21,476
Janus Henderson investment	110,192	-	110,192
Trust Company investment	243,806	-	243,806
Certificates of deposit	92,216	50,726	41,490
	<u>\$ 1,892,884</u>	<u>\$ 50,726</u>	<u>\$ 1,842,158</u>

**FLINT HILLS BREADBASKET, INC.**  
 Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2022 and 2021

**Note 8: Liquidity and Availability (Continued)**

Financial assets available for general expenditures, that is without donor or other restrictions limiting their use, during 2021, are comprised of the following:

	<u>Liquid</u>	<u>Not Available</u>	<u>Liquid and Available</u>
Cash and cash equivalents	\$ 1,569,103	\$ -	\$ 1,569,103
Beneficial Interest in GMCF	23,934	-	23,934
Janus Henderson investment	117,960	-	117,960
Certificates of deposit	90,573	50,726	39,847
	<u>\$ 1,801,570</u>	<u>\$ 50,726</u>	<u>\$ 1,750,844</u>

Cash in excess of daily requirements are maintained in interest-bearing money markets and savings accounts, CDs which will mature in less than 12 months, as well as mutual funds/stocks.

Resources which are not available at June 30, 2022 are attributable to donor restrictions on funds to be used to feed the poor during the Christmas holiday season and fund operations.