

FLINT HILLS BREADBASKET, INC.

Manhattan, Kansas

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

June 30, 2023 and 2022

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

FLINT HILLS BREADBASKET, INC.
Manhattan, Kansas
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October 9, 2023

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, 2023 and 2022, 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, 2023 and 2022, 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 9, 2023
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, 2023

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 267,501	\$ 1,387,409
Certificates of deposit	37,785	130,001
Total Current Assets	\$ 305,286	\$ 1,517,410
Property and Equipment		
Building	\$ 329,298	\$ 329,298
Delivery vehicles	163,373	157,876
Furniture and equipment	208,019	203,703
Less: Accumulated depreciation	(560,682)	(533,134)
Total Property and Equipment	\$ 140,008	\$ 157,743
Other Assets		
Beneficial interest in Manhattan Community Foundation	\$ 22,928	\$ 21,476
Investment - Janus Fund	123,034	110,192
Investment - Trust Company	1,612,599	243,806
Total Other Assets	\$ 1,758,561	\$ 375,474
TOTAL ASSETS	\$ 2,203,855	\$ 2,050,627
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ -	\$ 4,505
Payroll liabilities	1,135	1,794
Total Current Liabilities	\$ 1,135	\$ 6,299
Net Assets		
With donor restrictions	\$ 50,000	\$ 50,726
Without donor restrictions	2,152,720	1,993,602
Total Net Assets	\$ 2,202,720	\$ 2,044,328
TOTAL LIABILITIES AND NET ASSETS	\$ 2,203,855	\$ 2,050,627

FLINT HILLS BREADBASKET, INC.
Manhattan, Kansas
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Public support	\$ 449,270	\$ -	\$ 449,270	\$ 356,457	\$ -	\$ 356,457
In-kind contributions	1,170,307	-	1,170,307	-	-	-
Grants	67,828	-	67,828	21,206	-	21,206
Special events	15,189	-	15,189	26,508	-	26,508
Less: golf tournament expenses	(2,977)	-	(2,977)	(11,889)	-	(11,889)
Net investment return	60,447	-	60,447	(10,967)	-	(10,967)
Miscellaneous	2,836	-	2,836	-	-	-
Total Revenue and Support	\$ 1,762,900	\$ -	\$ 1,762,900	\$ 381,315	\$ -	\$ 381,315
EXPENSES						
Program services	\$ 1,490,160	\$ -	\$ 1,490,160	\$ 218,812	\$ -	\$ 218,812
Management and general	97,277	-	97,277	85,912	-	85,912
Fundraising	17,071	-	17,071	14,934	-	14,934
Total Expenses	\$ 1,604,508	\$ -	\$ 1,604,508	\$ 319,658	\$ -	\$ 319,658
CHANGE IN NET ASSETS	\$ 158,392	\$ -	\$ 158,392	\$ 61,657	\$ -	\$ 61,657
Net Assets Released from Restrictions						
Satisfaction of usage restrictions	726	(726)	-	-	-	-
NET ASSETS - BEGINNING	1,993,602	50,726	2,044,328	1,931,945	50,726	1,982,671
NET ASSETS - ENDING	\$ 2,152,720	\$ 50,000	\$ 2,202,720	\$ 1,993,602	\$ 50,726	\$ 2,044,328

FLINT HILLS BREADBASKET, INC.
 Manhattan, Kansas
STATEMENTS OF FUNCTIONAL EXPENSES
 For the Years Ended June 30, 2023 and 2022

	2023				2022			
	Program Services	Supporting Activities		Total	Program Services	Supporting Activities		Total
		Management and General	Fundraising			Management and General	Fundraising	
Salaries and wages	\$ 132,239	\$ 47,228	\$ 9,446	\$ 188,913	\$ 126,748	\$ 45,267	\$ 9,053	\$ 181,068
Other employee benefits	2,146	766	153	3,065	2,141	765	153	3,059
Payroll taxes	7,991	2,854	570	11,415	11,204	4,002	800	16,006
Accounting	-	6,500	-	6,500	-	6,000	-	6,000
Advertising	5,970	2,132	426	8,528	-	-	-	-
Office expenses	33,667	12,024	2,405	48,096	25,656	9,163	1,833	36,652
Occupancy	27,107	9,681	1,936	38,724	20,289	7,246	1,449	28,984
Travel	5,416	1,934	387	7,737	3,546	1,267	253	5,066
Depreciation	19,284	6,887	1,377	27,548	19,504	6,966	1,393	27,863
Insurance	10,053	5,413	-	15,466	9,724	5,236	-	14,960
Food procurement	1,241,086	-	-	1,241,086	-	-	-	-
Miscellaneous	5,201	1,858	371	7,430	-	-	-	-
Total Expenses	\$ 1,490,160	\$ 97,277	\$ 17,071	\$ 1,604,508	\$ 218,812	\$ 85,912	\$ 14,934	\$ 319,658

FLINT HILLS BREADBASKET, INC.
 Manhattan, Kansas
STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 158,391	\$ 61,658
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operations		
Depreciation	\$ 27,548	\$ 27,863
(Gain) loss on investments	(1,383,087)	(233,580)
(Increase) Decrease in other assets	92,216	(1,643)
Decrease in accounts payable and accrued expenses	(5,163)	6,298
Total Adjustments	\$ (1,268,486)	\$ (201,062)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (1,110,095)	\$ (139,404)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of property and equipment	\$ (9,813)	\$ (4,505)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	\$ (1,119,908)	\$ (143,909)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING	1,387,409	1,531,318
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - ENDING	\$ 267,501	\$ 1,387,409

FLINT HILLS BREADBASKET, INC.
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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 accrual 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 Organization receives a large amount of donated perishable food items for distribution, which was valued at \$1.57/pound for the year ended June 30, 2023. The organization received 741,917 and 766,549 pounds of food in the years ended June 30, 2023 and June 30, 2022, respectively. These food items were valued at \$1,164,810 for the year ended June 30, 2023, and this amount is reflected on the financial statements for the year ended June 30, 2023. The Organization was not able to ascertain a value for the food donations as of June 30, 2022, and this amount is not reflected on the financials.

The value of contributed services 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 had 152 individual volunteers that worked 5,435 hours in the year ended June 30, 2023 and 165 individual volunteers that worked 5,869 volunteer hours in the year ended June 30, 2022. If these volunteers had been paid the minimum wage of \$7.25/hour the cost could have been over \$39,404 for the year ended June 30, 2023 and \$42,550 for the year ended June 30, 2022.

Revenue Recognition

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, 2023 and 2022

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, 2023 and 2022 were \$8,528 and \$1,186, respectively, and are included in Communications & Marketing Expense, Advertising Expense, & Promotional Materials Expense, allocated between Program Services, Management and General, 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, 2023 and 2022 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 9, 2023, 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 \$8,336 and \$1,138,062 as of June 30, 2023 and June 30, 2022, respectively.

FLINT HILLS BREADBASKET, INC.
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2023 and 2022

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, 2023 and 2022 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)
June 30, 2023				
GMCF Mutual Funds	\$ 22,928	\$ 22,928	\$ -	\$ -
Janus Mutual Funds	123,034	123,034	-	-
Trust Company Funds	1,612,599	1,612,599	-	-
CD's	37,785	37,785	-	-
Total	\$ 1,796,346	\$ 1,796,346	\$ -	\$ -
June 30, 2022				
GMCF Mutual Funds	\$ 21,476	\$ 21,476	\$ -	\$ -
Janus Mutual Funds	110,192	110,192	-	-
Trust Company Funds	243,806	243,806	-	-
CD's	130,001	130,001	-	-
Total	\$ 505,475	\$ 505,475	\$ -	\$ -

FLINT HILLS BREADBASKET, INC.
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2023 and 2022

Note 4: Donor Restricted Net Assets

There is a \$50,000 endowment from a donor that is to be held in perpetuity. Any earnings on the initial balance may be used to fund operations. The total of the endowment and any unspent earnings are \$50,000 and \$50,726 as of June 30, 2023 and June 30, 2022, respectively.

Note 5: 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, 2023 and 2022, there were no accumulated vacation days.

Note 6: 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 \$3,065 and \$3,059 for the years ended June 30, 2023 and 2022, respectively.

Note 7: Liquidity and Availability

Financial assets available for general expenditures, that is without donor or other restrictions limiting their use, during 2023, are comprised of the following:

	<u>Liquid</u>	<u>Not Available</u>	<u>Liquid and Available</u>
Cash and cash equivalents	\$ 267,501	\$ -	\$ 267,501
Beneficial Interest in GMCF	22,928	-	22,928
Janus Henderson investment	123,034	-	123,034
Trust Company investment	1,612,599	50,000	1,562,599
Certificates of deposit	37,785	-	37,785
	<u>\$ 2,026,062</u>	<u>\$ 50,000</u>	<u>\$ 1,976,062</u>

FLINT HILLS BREADBASKET, INC.
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2023 and 2022

Note 7: Liquidity and Availability (Continued)

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	\$ 1,387,409	\$ -	\$ 1,387,409
Beneficial Interest in GMCF	21,476	-	21,476
Janus Henderson investment	110,192	-	110,192
Trust Company investment	243,806	50,000	293,806
Certificates of deposit	130,001	-	130,001
	<u>\$ 1,892,884</u>	<u>\$ 50,000</u>	<u>\$ 1,942,884</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, 2023 are attributable to donor restrictions on funds to be used to feed the poor during the Christmas holiday season and fund operations.