

**BEMIDJI COMMUNITY FOOD SHELF, INC.  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2022 AND 2021**

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bemidji Community Food Shelf, Inc.

### **Opinion**

We have audited the accompanying financial statements of Bemidji Community Food Shelf, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses 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 Bemidji Community Food Shelf, Inc. as of December 31, 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 audit 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 Bemidji Community Food Shelf, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Bemidji Community Food Shelf'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 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 Bemidji Community Food Shelf, Inc.'s internal control. Accordingly, no 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bemidji Community Food Shelf, Inc.'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.

## **Other Matters**

### *Adoption of Accounting Standards*

As discussed in Note 1 to the financial statements, management has adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* and 2016-02: *Leases*. Our opinion is not modified with regards to this matter.

*KBA Peterson Associates, Inc.*

KBA Peterson Associates, Inc.  
Bemidji, MN  
October 31, 2023

BEMIDJI COMMUNITY FOOD SHELF, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 862,263	\$ 713,738
Restricted Cash, Debt Service Reserve Account	1,301	1,301
Grants Receivable	7,500	7,500
Other Receivables	-	1,630
Inventory	217,025	180,240
Prepaid Expenses	1,591	860
Total Current Assets	1,089,680	905,269
<u>Fixed Assets</u>		
Equipment	269,013	269,013
Building and Improvements	521,981	513,278
Land	29,440	29,440
Less: Accumulated Depreciation	(305,700)	(269,348)
Net Fixed Assets	514,734	542,383
<u>Other Assets</u>		
Right of Use Asset, Net	5,326	-
Total Other Assets	5,326	-
<b>TOTAL ASSETS</b>	<b>\$ 1,609,740</b>	<b>\$ 1,447,652</b>
<b>LIABILITIES AND NET ASSETS</b>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 5,902	\$ 4,277
Accrued Payroll Expenses	4,729	3,051
Current Portion Lease Liability	1,304	-
Current Portion Long-Term Debt	6,103	5,890
Total Current Liabilities	18,038	13,218
<u>Long-Term Liabilities</u>		
Notes Payable, Net of Current Portion	266,272	272,392
Lease Liability, Net of Current Portion	4,022	-
Total Long-Term Liabilities	270,294	272,392
Total Liabilities	288,332	285,610
<u>Net Assets</u>		
With Donor Restrictions	10,000	10,000
Without Donor Restrictions	1,311,408	1,152,042
Total Net Assets	1,321,408	1,162,042
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,609,740</b>	<b>\$ 1,447,652</b>

The accompanying notes are an integral part of these financial statements.

BEMIDJI COMMUNITY FOOD SHELF, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
<u>Revenues and Support</u>		
Contributions	\$ 491,959	\$ 494,547
Non-Cash Contributions	596,556	975,550
Other Income	19,505	22,324
Interest Income	2,752	652
Total Revenues and Support	1,110,772	1,493,073
<u>Expenses and Losses</u>		
Program Services	889,398	1,238,372
General and Administrative	50,182	51,844
Fundraising	11,826	9,635
Total Expenses	951,406	1,299,851
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	159,366	193,222
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	-	10,000
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	-	10,000
CHANGE IN NET ASSETS	159,366	203,222
NET ASSETS, BEGINNING OF YEAR	1,162,042	958,820
NET ASSETS, END OF YEAR	\$ 1,321,408	\$ 1,162,042

The accompanying notes are an integral part of these financial statements.

BEMIDJI COMMUNITY FOOD SHELF, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Cash Flows From Operating Activities</u>		
Change in Net Assets	\$ 159,366	\$ 203,222
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	36,352	38,863
(Increase) Decrease in Current Assets:		
Other Receivables	1,630	(1,630)
Inventory	(36,785)	(9,052)
Prepaid Expenses	(731)	50
Right of Use Asset, Net	(5,326)	-
Increase (Decrease) in Current Liabilities:		
Accounts Payable	1,626	(1,594)
Accrued Payroll Expenses	1,678	267
Operating Lease Liability	5,326	-
Net Cash From Operating Activities	<u>163,136</u>	<u>230,126</u>
 <u>Cash Flows From Investing Activities</u>		
Purchase of Fixed Assets	<u>(8,703)</u>	<u>(13,739)</u>
Net Cash From Investing Activities	<u>(8,703)</u>	<u>(13,739)</u>
 <u>Cash Flows From Financing Activities</u>		
Payments of Notes Payable	<u>(5,908)</u>	<u>(5,670)</u>
Net Cash From Financing Activities	<u>(5,908)</u>	<u>(5,670)</u>
 CHANGE IN CASH AND CASH EQUIVALENTS	148,525	210,717
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>713,738</u>	<u>503,021</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 862,263</u>	<u>\$ 713,738</u>
  SUPPLEMENTAL CASH FLOW INFORMATION		
 Cash Paid for Interest	<u>\$ 9,668</u>	<u>\$ 9,907</u>

The accompanying notes are an integral part of these financial statements.

BEMIDJI COMMUNITY FOOD SHELF, INC.  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Program Services	General and Admin	Total	Program Services	General and Admin	Total
Wages	\$ 72,686	\$ 14,537	\$ 96,915	\$ 85,518	\$ 14,468	\$ 108,507
Payroll Taxes	6,017	1,203	8,022	7,033	1,158	8,903
Employee Benefits	1,716	343	2,287	2,156	355	2,729
Administration	-	8,198	8,198	-	9,228	9,228
Farm Program Expenses	10,264	-	10,264	5,894	-	5,894
Food Expenses	684,324	-	684,324	1,056,852	-	1,056,852
Office Expenses	9,372	2,639	12,011	11,711	1,977	13,703
Insurance	11,953	252	12,373	10,983	274	11,426
Automobile Expense	1,305	-	1,305	2,183	-	2,183
Repairs and Maintenance	44,348	-	44,348	8,815	-	8,815
Occupancy	23,467	-	23,467	20,840	-	20,840
Development	936	-	936	2,003	-	2,003
Interest Expense	4,834	4,834	9,668	4,953	4,953	9,906
Depreciation Expense	18,176	18,176	36,352	19,431	19,431	38,862
Total Expenses	\$ 889,398	\$ 50,182	\$ 951,406	\$ 1,238,372	\$ 51,844	\$ 1,299,851
			\$ 11,826		\$ 9,635	

The accompanying notes are an integral part of these financial statements.



BEMIDJI COMMUNITY FOOD SHELF, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Bemidji Community Food Shelf, Inc. is a nonprofit corporation established for the purpose of providing a faith-based, caring place that listens to those who are experiencing food insecurity and works to be inclusive and provide fresh, nourishing foods for those living in Beltrami County and the Bemidji School District. The organization maintains a location in Bemidji, Minnesota. The organization's main funding source is contributions from the general public.

Income Tax Status

Bemidji Community Food Shelf, Inc. qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and therefore, has no provision for income taxes. It is not a private foundation.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The organization follows the reporting requirements of accounting principles generally accepted in the United States of America, which require that resources be classified for reporting purposes based on the existence or absences of donor-imposed restrictions. Descriptions of the two net asset categories follow:

Net Assets Without Donor Restrictions- Net assets available for general use and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Use of Estimates in the Preparation of Financial Statements

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

Evaluation of Subsequent Events

The organization has evaluated subsequent events through October 31, 2023, the date which the statements were available to issue.

Cash and Cash Equivalents

For the purposes of the statements of financial position and cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

BEMIDJI COMMUNITY FOOD SHELF, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Fixed assets are recorded at cost. Donated items are recorded at estimated fair value. Such donations are recorded as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Useful lives range from 25 to 39 years for buildings and improvements and 5 to 10 years for equipment.

Revenue Recognition

Contributions and grants are recorded as revenue upon receipt of cash or unconditional promise to give in which there is no right of return of assets contributed and no indication of any donor-imposed barriers or performance obligations as a condition of the contribution based upon the donor agreement. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributed Services and Materials

Donated services are recorded when there is an objective basis to measure the value of such services and the services involve specialized skills that would be purchased if not provided by donation. The organization received donated services from individuals who volunteered as board members and provided program services. The donated services do not meet the criteria for recognition and therefore have not been recorded as revenues and expenses. The organization received donated product, which is valued at the national average wholesale per pound price, as determined by Feeding America. Donations were valued at \$1.92 per pound for a total of \$596,556 for the year ending December 31, 2022 and \$1.79 per pound for a total of \$975,550 for the year ending December 31, 2021. The donated product is utilized in the organization's program.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural category. Expenses directly attributable to a specific functional expense category are reported as expenses of those categories. Expenses attributed to more than one functional expense category are allocated on the basis of estimates of space, time and effort.

BEMIDJI COMMUNITY FOOD SHELF, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Adopted

In 2022, the organization adopted Accounting Standards Update (ASU) 2016-02, *Leases*, which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosure of key information about leasing arrangements. The organization elected not to restate the comparative period (2021). It also elected not to reassess at adoption expired or existing contracts to determine whether or not they contain a lease, the lease classification of any existing leases, or the initial direct costs for existing leases. The adoption did not result in a significant effect on the amounts reported in the statement of activities for the year ended December 31, 2022.

The organization also adopted ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles in the United States by increasing the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed financial assets.

Leases

Leases are included in right of use assets and lease liabilities on the statements of financial position. Operating lease expense is recognized on a straight-line basis over the lease term. The organization does not report lease assets and liabilities for leases with a term of twelve months or less, instead reporting lease expense on a straight-line basis over the lease term.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date are as follows:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 862,263	\$ 713,738
Receivables	<u>7,500</u>	<u>9,130</u>
Total	<u>\$ 869,763</u>	<u>\$ 722,868</u>

The organization structures its financial assets to be available as general expenditures, liabilities, and other obligations come due.

NOTE 3 – RESTRICTED CASH

The organization is required to maintain debt service reserve accounts per the United States Department of Agriculture loan agreements. The total amount required to be maintained in separate accounts was \$1,301 as of December 31, 2022 and 2021.

BEMIDJI COMMUNITY FOOD SHELF, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2022 AND 2021

NOTE 4 – CREDIT RISK

At various times bank deposits exceed federally insured limits. The bank has provided an ongoing guarantee for balances maintained in excess of federally insured limits. The organization has not experienced any losses as a result.

NOTE 5 – GRANTS RECEIVABLE

Grants receivable as of December 31, 2022 and 2021 consist of amounts from nonprofit grantors. Management believes all amounts are collectible, therefore, no allowance for doubtful accounts is considered necessary. All amounts are collectible within one year.

NOTE 6 – INVENTORY

Inventory consists of donated and purchased food and is valued at the national average wholesale per pound price, as determined by Feeding America. Inventory was valued at \$1.92 per pound for a total of \$217,025 as of December 31, 2022 and \$1.79 per pound for a total of \$180,240 as of December 31, 2021.

NOTE 7 – RETIREMENT PLAN

The organization maintains a Savings Incentive Match Plans for Employees (SIMPLE) retirement plan. Eligible employees have completed thirty days of service. The organization matches up to 3% of employee contributions. The organization contributed \$2,287 and \$2,729 and to the plan for the years ending December 31, 2022 and 2021, respectively.

NOTE 8 – OPERATING LEASES

The organization determines if an arrangement is or contains a lease at inception. The organization is party to an operating lease for office equipment. The lease asset and liability were calculated utilizing a risk free rate of 1.37%, which the organization has made an accounting policy to elect to use in lieu of the incremental borrowing rate. The remaining lease term as of December 31, 2022 was 4 years.

The monthly lease amount is \$114. The organization incurred lease expenses and paid cash for lease liabilities in the amount of \$1,369 for the year ending December 31, 2022. Maturities of operating lease liabilities are as follows:

2023	\$ 1,369
2024	1,369
2025	1,369
2026	<u>1,369</u>
Total Lease Payments	5,476
Less Present Value Discount	<u>( 150)</u>
Total	<u>\$ 5,326</u>

BEMIDJI COMMUNITY FOOD SHELF, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2022 AND 2021

NOTE 9 – NOTES PAYABLE

Long-term debt consists of the following:

Note payable to United States Department of Agriculture, secured by real estate, payable in monthly installments of \$1,164, including interest at 3.5%, with a loan origination date of August 27, 2012, maturing in 2052. The principal balance was \$256,912 and \$261,795 as of December 31, 2022 and 2021, respectively.

Note payable to United States Department of Agriculture, secured by equipment, payable in monthly installments of \$134, including interest at 3.75%, with a loan origination date of January 8, 2015, maturing in 2035. The principal balance was \$15,463 and \$16,487 as of December 31, 2022 and 2021, respectively.

Future maturities of long-term debt are as follows as of December 31,

2023	\$ 6,103
2024	6,322
2025	6,549
2026	6,785
2027	6,981
Thereafter	<u>239,635</u>
Total	<u>\$ 272,375</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for replacement of building siding in the amount of \$10,000 as of December 31, 2022 and 2021.



CERTIFIED PUBLIC ACCOUNTANTS

## GOVERNANCE LETTER

To the Board of Directors  
Bemidji Community Food Shelf, Inc.

We have audited the financial statements of Bemidji Community Food Shelf, Inc. for the year ended December 31, 2022, and issued our report thereon dated October 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 23, 2023. Professional standards also require we communicate to you the following information related to our audit.

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Bemidji Community Food Shelf, Inc. are described in Note 1 to the financial statements. During the year the organization adopted Financial Accounting Standards Board Accounting Standards Update 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* and 2016-02: *Leases*. We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility of future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements as of December 31, 2022 were:

- Management's estimate of depreciation is based upon estimated useful lives for the respective depreciable property. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allocation of expenses by function is based on the organization's activities. We evaluated the key factors and assumptions used to develop the estimate of expenses by function in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those considered trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule includes the material and immaterial misstatements corrected by management.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 31, 2023.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of the auditor's opinion that may be expressed on those financial statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all of the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Other Matters*

This information is intended solely for the use of the Board of Directors and management of Bemidji Community Food Shelf, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*K&A Peterson Associates, Inc.*

Bemidji, MN 56601  
October 31, 2023

BCFS  
ADJUSTMENTS  
12/31/22

		DR	CR
1	Savings(6337)	3.22	
	Uncategorized Asset	9,636.16	
	Donations Account	10,100.82	
	Food Shelf Payroll		7,845.77
	1000 FNB Checking		11,894.43
	Adjust Cash Accounts		
2	5302 Food Purchases	596,255.52	
	4550 Food Donation		596,255.52
	Adjust Food Donations		
3	Prepaid Expenses	731.08	
	5525 Insurance-General Liab Ins Exp		68.59
	Workman's Comp		662.49
	Adjust Prepaid Expenses		
4	5850 USDA Loan #2	876.21	
	5860 USDA Loan Int #2	542.83	
	Building and Grounds	10,614.50	
	Office	294.11	
	Farm	3,385.58	
	Auto	6.46	
	Food	1,215.20	
	2200 USDA Loan		39.52
	2300 USDA Loan Int		16,895.37
	Adjust Loan Balances		
5	1900 Farm Equipment	8,703.05	
	Farm Allocated Grant Funds		8,703.05
	Reclassify Fixed Assets		
6	7001 Depreciation Expense	36,351.77	
	1802 A/D Bldg and Improvement		13,928.43
	1702 A/D Warehouse Equip		15,019.44
	1902 A/D Farm Equipment		5,923.90
	1511 A/D Land Improvement		1,480.00
	Record Depreciation		
7	12100 Inventory Asset	36,785.35	
	5302 Food Purchases		36,785.35
	Adjust Inventory Account		
8	Right of Use Asset	5,326.48	
	Lease Liability		5,326.48
	Record Lease		
9	Office Expense	945.25	
	Custodial	139.26	
	Transportation	180.00	
	Food Expense	4,133.98	
	Garbage	475.00	
	Development	311.97	
	2000 Accounts Payable		6,185.46
	Record Payables		





CERTIFIED PUBLIC ACCOUNTANTS

## MANAGEMENT LETTER

To the Board of Directors and Executive Director  
Bemidji Community Food Shelf, Inc.

In planning and performing our audit of the financial statements of Bemidji Community Food Shelf, Inc. as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Bemidji Community Food Shelf, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in Bemidji Community Food Shelf, Inc.'s internal control to be material weaknesses:

### Preparation of Financial Statements

Many small organizations rely on their auditor to prepare the annual financial statements including footnotes. The organization's auditors prepare the financial statements and related notes. While we recognize many small organizations rely on their auditor to generate the annual financial statements including footnotes, we remind both management and governance that it is their responsibility to maintain oversight of this function. We recommend ensuring a system of effective internal controls is in place to prevent, and detect and correct misstatements in financial reporting.

### Segregation of Duties

Segregation of conflicting duties within accounting functions is a basic internal control which helps prevent or detect material errors and irregularities and provides for their correction on a timely basis. Because the organization has a limited number of staff, segregation of all conflicting duties is not possible. Board oversight helps mitigate the internal control deficiency but does not eliminate it.

This communication is intended solely for the information and use of the Board of Directors and management of Bemidji Community Food Shelf, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*KBA Peterson Associates, Inc.*

Bemidji, MN 56601  
October 31, 2023