

**EMERGENCY FOOD NETWORK OF
TACOMA AND PIERCE COUNTY**

Audited Financial Statements and
Supplementary Information and Reports
on Compliance and Internal Control

December 31, 2019

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

Audited Financial Statements and Supplementary Information and
Reports on Compliance and Internal Control

December 31, 2019

INDEPENDENT AUDITOR'S REPORT 1-2

AUDITED FINANCIAL STATEMENTS

Statement of Financial Position 3-4

Statement of Activities and Changes in Net Assets 5

Statement of Functional Expenses 6

Statement of Cash Flows 7-8

Notes to Financial Statements 9-15

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards 16

Notes to Schedule of Expenditures of Federal Awards 17-19

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards* 20-21

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance 22-23

Schedule of Findings and Questioned Costs and Prior Year Audit Findings 24-25

Corrective Action Plan 26



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Independent Auditor's Report

Board of Directors
Emergency Food Network of Tacoma and Pierce County
Lakewood, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Emergency Food Network of Tacoma and Pierce County (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Organization'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 Organization'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 Emergency Food Network of Tacoma and Pierce County as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Emergency Food Network of Tacoma and Pierce County's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements, from which it has been derived.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2019, as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2020 on our consideration of Emergency Food Network of Tacoma and Pierce County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Emergency Food Network of Tacoma and Pierce County's internal control over financial reporting and compliance.



JOHNSON, STONE & PAGANO, P.S.

September 16, 2020

AUDITED FINANCIAL STATEMENTS

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

STATEMENT OF FINANCIAL POSITION

December 31, 2019 with Comparative Totals for 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,284,358	\$ 1,088,841
Grants receivable, net	6,782	92,542
Pledges receivable, net	31,791	73,200
Prepaid expenses	28,345	4,501
Inventory - donated	1,055,851	694,760
Inventory - purchased	<u>117,111</u>	<u>11,396</u>
Total Current Assets	2,524,238	1,965,240
NON-CURRENT ASSETS		
Cash and cash equivalents, restricted for capital projects and endowment	7,500	176,088
PROPERTY AND EQUIPMENT		
Building and improvements	1,714,963	1,714,963
Land	485,259	485,259
Land improvements	465,566	453,521
Farm equipment	134,999	107,877
Vehicles	548,699	431,259
Warehouse equipment	<u>466,526</u>	<u>336,923</u>
	3,816,012	3,529,802
Less accumulated depreciation	<u>1,476,624</u>	<u>1,315,089</u>
Total Property and Equipment	2,339,388	2,214,713
TOTAL ASSETS	<u>\$ 4,871,126</u>	<u>\$ 4,356,041</u>

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

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

STATEMENT OF FINANCIAL POSITION (Continued)

December 31, 2019 with Comparative Totals for 2018

	<u>2019</u>	<u>2018</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 58,849	\$ 26,598
Accrued wages and payroll taxes	14,930	35,531
Accrued vacation	<u>42,754</u>	<u>30,384</u>
Total Current Liabilities	116,533	92,513
NET ASSETS		
Without donor restrictions	3,925,606	3,824,700
With donor restrictions	<u>828,987</u>	<u>438,828</u>
Total Net Assets	<u>4,754,593</u>	<u>4,263,528</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,871,126</u>	<u>\$ 4,356,041</u>

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

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2019 with Comparative Totals for 2018

	Without Donor Restrictions	2019 With Donor Restrictions	Total	2018
<u>SUPPORT AND REVENUE</u>				
MONETARY SUPPORT AND REVENUE				
Government grants	\$ 355,543	\$ 645,832	\$ 1,001,375	\$ 982,841
Community contributions and special events	1,017,233	155,356	1,172,589	1,149,294
Private foundations	842,791		842,791	775,665
Interest income	4,505		4,505	1,908
Other loss				(69,833)
Net assets released from restrictions	866,151	(866,151)		
Total Monetary Support and Revenue	3,086,223	(64,963)	3,021,260	2,839,875
IN-KIND SUPPORT AND REVENUE				
Community contributions	17,159,477		17,159,477	18,015,817
Government grants	2,692,004	455,122	3,147,126	1,317,196
Rent	28,800		28,800	28,800
Total In-kind Support and Revenue	19,880,281	455,122	20,335,403	19,361,813
Total Support and Revenue	22,966,504	390,159	23,356,663	22,201,688
<u>EXPENSES</u>				
PROGRAM SERVICES				
Food banks	21,782,699		21,782,699	21,816,139
Farm	241,854		241,854	271,448
SUPPORTING SERVICES				
Management and general	436,540		436,540	476,357
Fundraising	404,505		404,505	492,687
Total Expenses	22,865,598		22,865,598	23,056,631
CHANGE IN NET ASSETS	100,906	390,159	491,065	(854,943)
Net Assets at Beginning of Year	3,824,700	438,828	4,263,528	5,118,471
NET ASSETS END OF YEAR	\$ 3,925,606	\$ 828,987	\$ 4,754,593	\$ 4,263,528

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

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019 with Comparative Totals for 2018

	Program Services			Supporting Services			Total Expenses	
	Food Banks	Farm	Total	Management and General	Fundraising	Total	2019	2018
GOVERNMENT GRANTS								
EFAP program	\$ 492,449		\$ 492,449				\$ 492,449	\$ 526,040
EFSP program	70,510		70,510				70,510	46,143
TEFAP program	229,403		229,403				229,403	194,767
TMP program	110,299		110,299				110,299	
Total Government Grants	902,661		902,661				902,661	766,950
Salaries, benefits and payroll taxes	372,558	\$ 156,579	529,137	\$ 270,471	\$ 265,926	\$ 536,397	1,065,534	1,106,440
Food and related expenses	345,636		345,636	761		761	346,397	406,286
Depreciation	161,535		161,535				161,535	174,640
Facility and equipment expense	108,370	45	108,415	20,438		20,438	128,853	141,890
Office expenses	12,077		12,077	18,353	8,393	26,746	38,823	32,452
Insurance and other fees	16,888	88	16,976	46,895	2,655	49,550	66,526	62,921
Contracts services	9,955	38	9,993	30,485	3,500	33,985	43,978	31,030
Marketing and events	15,964		15,964	4,562	122,657	127,219	143,183	138,139
Travel, training and meeting expense	1,648	294	1,942	6,992	1,374	8,366	10,308	6,246
Farm expenses		56,010	56,010				56,010	58,227
Bad debt								10,365
Capital fund expenses				37,583		37,583	37,583	205,683
Total Before In-kind Expenses	1,947,292	213,054	2,160,346	436,540	404,505	841,045	3,001,391	3,141,269
IN-KIND EXPENSES								
Food	17,098,888		17,098,888				17,098,888	18,673,833
Government grants	2,736,519		2,736,519				2,736,519	1,212,729
Rent		28,800	28,800				28,800	28,800
Total In-kind Expenses	19,835,407	28,800	19,864,207				19,864,207	19,915,362
TOTAL EXPENSES	\$ 21,782,699	\$ 241,854	\$ 22,024,553	\$ 436,540	\$ 404,505	\$ 841,045	\$ 22,865,598	\$ 23,056,631

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

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

STATEMENT OF CASH FLOWS

Year Ended December 31, 2019 with Comparative Totals for 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and public support	\$ 3,155,440	\$ 3,014,804
Cash paid to suppliers and employees	(2,846,806)	(2,963,864)
Interest received	<u>4,505</u>	<u>1,908</u>
Net Cash Provided by Operating Activities	313,139	52,848
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchased property and equipment	<u>(286,210)</u>	<u>(255,469)</u>
Net Cash Used by Investing Activities	<u>(286,210)</u>	<u>(255,469)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,929	(202,621)
Cash and Cash Equivalents at Beginning of Year	<u>1,264,929</u>	<u>1,467,550</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>1,291,858</u></u>	\$ <u><u>1,264,929</u></u>
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 1,284,358	\$ 1,088,841
Restricted cash and cash equivalents	<u>7,500</u>	<u>176,088</u>
	\$ <u><u>1,291,858</u></u>	\$ <u><u>1,264,929</u></u>

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

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

STATEMENT OF CASH FLOWS (Continued)

Year Ended December 31, 2019 with Comparative Totals for 2018

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 491,065	\$ (854,943)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	161,535	174,640
Loss on disposal of assets		69,833
Bad debt	(11,516)	10,365
Inventory - donated		
Donated food	(20,196,498)	(19,397,892)
Distribution of donated food	19,835,407	19,886,562
(Increase) decrease in		
Grants receivable	85,760	148,457
Pledges receivable	52,925	27,927
Inventory - purchased	(105,715)	63,427
Prepaid expenses	(23,844)	(4,501)
Increase (decrease) in		
Accounts payable	32,251	(7,239)
Accrued wages and payroll taxes	(20,601)	(1,008)
Accrued vacation	12,370	(62,780)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>313,139</u>	\$ <u>52,848</u>

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

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Emergency Food Network of Tacoma and Pierce County (the "Organization") became an independent 501(c)(3) non-profit organization in 1991. The Organization began as a program in 1982 when the leadership of FISH Food Banks, The Rescue Mission, Salvation Army and Associated Ministries recognized a great need in the community to resource emergency food collectively. In 1985, the Organization was transferred as a program to Associated Ministries. Originally designed to meet a temporary need caused by the economic recession of the 1980s, it became apparent in the early 1990s that the need for such a community service had grown. The Organization collects donated food and purchases food using federal grants and private contributions. The Organization distributes food to other food banks and feeding centers in Pierce County.

The Organization has the following programs:

Food Banks - Collection and distribution of food to food banks and feeding centers throughout Pierce County.

Farm - Farming produce for distribution in the food bank program.

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 is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Donor restricted support whose restrictions are met in the same reporting period are reported as support within net assets without donor restrictions.

Cash and Cash Equivalents

The Organization considers cash to be cash on hand, in checking accounts and savings accounts.

Estimates

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 reported amounts of assets and liabilities and disclosures 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 may differ from those estimates.

Grants Receivable

Grants receivable are recognized when the grant or other conditions are satisfied. The Organization considers all receivables to be fully collectible; therefore, no allowance for doubtful accounts has been established.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Pledges receivable are recorded when the underlying promises are received by the Organization and are presented in the statements of financial position net of the allowance for uncollectible pledges. The allowance for uncollectible pledges is estimated based on the Organization's historical losses, the existing economic conditions and the financial stability of its donors.

Inventory

Inventory consists of food donated to the Organization and food purchased by the Organization. Purchased inventory is stated at average cost. For the years ended December 31, 2019 and 2018, donated inventory is stated at an industry standard of \$1.71 and \$1.67 per pound, respectively. Government surplus commodities are stated at prices established by the United States Department of Agriculture. As of December 31, 2019 and 2018, inventory consists of the following:

	<u>2019</u>	<u>2018</u>
Donated	\$ 389,720	\$ 439,237
Government grants	<u>666,131</u>	<u>255,523</u>
	1,055,851	694,760
Purchased	<u>117,111</u>	<u>11,396</u>
Total	\$ <u>1,172,962</u>	\$ <u>706,156</u>

Property and Equipment

Property and equipment are stated at cost at the date of purchase or at fair value at the date of gift, if donated. Expenditures for major additions and improvements over \$1,000 are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided for equipment on the straight-line method over the estimated useful lives of the assets, which range from five to fifteen years. Depreciation for the building and improvements is provided using the straight-line method over its estimated useful life of ten to thirty years. Depreciation expense for the years ended December 31, 2019 and 2018 was \$161,535 and \$174,640, respectively.

Contributions

Contributions received are recorded either as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Donations

In accordance with the provisions of accounting principles generally accepted in the United States of America, the Organization records the value of the donation as a contribution at the time of the donation. Donated services are recognized as contributions in accordance with accounting principles generally accepted in the United States of America if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

Volunteers providing services in the warehouse throughout the year are not recognized as contributions in the financial statements since the recognition criteria under accounting principles generally accepted in the United States of America were not met. Total volunteer hours at December 31, 2019 and 2018 were 11,035 and 14,522, respectively.

The value of donated food from community contributions included as in-kind donations for the years ended December 31, 2019 and 2018 is \$17,159,477 and \$18,015,817, respectively, and are correspondingly valued at \$1.71 per pound for 2019 and \$1.67 for 2018. Community contributions for the same years then ended represent 73% and 81% of total support and revenue, respectively.

The value of donated food from Department of Agriculture ("DOA") included as in-kind contributions for the years ended December 31, 2019 and 2018 is \$3,147,126 and \$1,317,196, respectively. The value is established by the DOA, a government program that supplements the diets of some low-income Americans by providing them with emergency food and nutrition assistance at no cost. DOA donations represent 16% and 6% of total support and revenues, for the years ended December 31, 2019 and 2018, respectively.

The annual value of donated use of farmland in Puyallup, Washington included as contributions and rent expense in the financial statements for the years ended December 31, 2019 and 2018 is \$28,800.

Advertising Costs

Advertising costs consist of event notification, marketing and fundraising costs and are charged to operations when incurred. The Organization incurred advertising costs of \$143,183 and \$138,139 in 2019 and 2018, respectively.

Federal Income Taxes

Emergency Food Network of Tacoma and Pierce County is exempt from federal income taxes under Internal Revenue Code, Section 501(c)(3).

Subsequent Events

The management of the Organization evaluated subsequent events and transactions for potential recognition and disclosure through September 16, 2020, the date the financial statements were available to be issued.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,284,358	\$ 1,088,841
Cash and cash equivalents restricted for capital projects and endowment	7,500	176,088
Grants receivable	6,782	92,542
Pledges receivable, net	<u>31,791</u>	<u>73,200</u>
Total financial assets	1,330,431	1,430,671
Cash restricted for capital projects		(168,588)
Endowment funds held in cash accounts	(7,500)	(7,500)
Pledge receivables, net	<u>(31,791)</u>	<u>(73,200)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ <u>1,291,140</u>	\$ <u>1,181,383</u>

The Organization also has a \$300,000 line of credit available to draw upon for operating cash management purposes.

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in money market funds and savings accounts.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash at several financial institutions and may, at times, maintain balances in excess of amounts insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Amounts due in less than one year	\$ 32,201	\$ 85,125
Less allowance for uncollectible pledges	<u>410</u>	<u>11,925</u>
Pledges Receivable, net	\$ <u>31,791</u>	\$ <u>73,200</u>

Management has evaluated the pledges and recorded an allowance for uncollectible pledges of \$410 and \$11,925, respectively.

NOTE 5 - LINE OF CREDIT

The Organization has an available \$300,000 revolving line of credit with a bank that expires in November 2020, secured by receivables and equipment. Interest is payable monthly at the bank's index, plus 0.5%, with a minimum rate of 4.75%, the rate as of December 31, 2019 is 5.25%. There was no amount outstanding on the line as of December 31, 2019 and 2018.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Restricted for purpose or time		
Other programs	\$ 155,356	\$ 51,731
Purchase of food	666,131	211,009
Capital campaign	<u>821,487</u>	<u>168,588</u>
	431,328	431,328
Donor restricted endowment corpus	<u>7,500</u>	<u>7,500</u>
Total	\$ <u>828,987</u>	\$ <u>438,828</u>

Donor restricted endowment corpus net assets consist of endowment fund assets to be held indefinitely. The income from the endowment can be used to purchase infant food.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 7 - ENDOWMENT FUNDS

Greater Tacoma Community Foundation holds and maintains the Emergency Food Endowment Fund with variance power, and it is, therefore, not reflected on the statement of financial position. The Organization receives earnings from this fund which are distributed to the Organization annually. In 2019 and 2018, the distribution amount was \$700. The balance of the fund as of December 31, 2019 and 2018 was \$15,641 and \$14,023, respectively.

NOTE 8 - EMPLOYEE BENEFITS

The Organization maintains a deferred contribution plan under Section 403(b) of the Internal Revenue Code for all employees. This plan allows employees to make contributions and the Organization may, in its sole discretion, make contributions to the plan. For the years ended December 31, 2019 and 2018, \$57,432 and \$60,630, respectively, was contributed on behalf of the employees.

NOTE 9 - RELATED PARTY TRANSACTIONS

A board member is the employee of an investment company in which the Organization has a cash account in the amount of \$17,869 and \$81,524 at December 31, 2019 and 2018, respectively.

NOTE 10 - FUNCTIONALIZED 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 11 - SUBSEQUENT EVENTS

In April, 2020, Emergency Food Network of Tacoma and Pierce County received loan proceeds in the amount of \$283,612 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), and later modified by the PPP Flexibility Act, provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities during the twenty-four weeks commencing from the date the Organization received loan proceeds or through December 31, 2020, whichever period is shorter (the "covered period"). The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 11 - SUBSEQUENT EVENTS (Continued)

The Organization has ten months from the end of the covered period to apply for loan forgiveness. The unforgiven portion of the PPP loan, if any, is payable over five years at an interest rate of 1%, beginning at the end of the ten months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, the total amount of loan forgiveness is not known as of the date of these financial statements.

SUPPLEMENTARY INFORMATION

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2019

Program Title	Federal CFDA Grantor	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
DEPARTMENT OF AGRICULTURE				
Passed through State of Washington				
Food Distribution Cluster				
The Emergency Food Assistance Program (Administrative Costs)	10.568	K2170 & K2768		\$ 229,403
The Emergency Food Assistance Program (Capital Expenditures)	10.568	K2170		84,809
The Emergency Food Assistance Program (Food Commodities)	10.569	K2170	<u>\$ 1,693,543</u>	<u>1,694,634</u>
Total Food Distribution Cluster			<u>1,693,543</u>	<u>2,008,846</u>
Passed through State of Washington				
Trade Mitigation Program (Administrative Costs)	10.178	K2170		110,299
Trade Mitigation Program (Capital Expenditures)	10.178	K2170		36,911
Trade Mitigation Program (Food Commodities)	10.178	K2170	<u>1,068,052</u>	<u>1,068,052</u>
Total Department of Agriculture			2,761,595	3,224,108
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Pierce County				
Community Development Block Grants	14.218	SC-105429		<u>40,346</u>
Total Department of Housing and Urban Development				40,346
DEPARTMENT OF HOMELAND SECURITY				
Passed through United Way of America: EFSP				
Emergency Food and Shelter National Board Program	97.024	LRO891400-001		<u>70,510</u>
Total Department of Homeland Security				<u>70,510</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,761,595</u>	<u>\$ 3,334,964</u>

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Emergency Food Network of Tacoma and Pierce County under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Emergency Food Network of Tacoma and Pierce County, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of Emergency Food Network of Tacoma and Pierce County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 2) Emergency Food Network of Tacoma and Pierce County has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended December 31, 2019

NOTE 3 - SUBAWARDS

Emergency Food Network of Tacoma and Pierce County passed through federal awards under CFDA #10.569 to the following subrecipients:

Bonney Lake Community Resources	\$ 74,712
Eatonville Family Agency	23,297
Edgewood Community Fish Food Bank	121,270
FISH Mobile Food Bank	123,461
Food Connection	243,889
Food Connection - Lakewood	29,860
Graham	71,972
Harvest House/Community Cares	32,824
Key Peninsula Community Services	17,420
Key Peninsula Food Backpack 4 Kids	25,801
Lakes FISH	132,590
Making a Difference	251,346
Nourish Mobile #2	8,124
NW Tacoma FISH	67,408
Orting Food Bank	28,840
Prince of Peace Food Closet	13,391
Parkland First Baptist	6,925
Puyallup Valley	80,801
Salvation Army Lodge	1,568
Salvation Army Puyallup	20,927
SE Tacoma FISH	278,197
Spanaway	23,875
St. Andrews	11,203
Tacoma Rescue Mission	<u>3,842</u>
TOTAL SUBAWARDS CFDA #10.569	\$ <u>1,693,543</u>

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended December 31, 2019

NOTE 3 - SUBAWARDS (Continued)

Emergency Food Network of Tacoma and Pierce County passed through federal awards under CFDA #10.178 to the following subrecipients:

Bonney Lake Community Resources	\$ 58,905
Eatonville Family Agency	13,847
Edgewood Community Fish Food Bank	68,749
FISH Mobile Food Bank	92,563
Food Connection	116,749
Food Connection - Lakewood	26,635
Graham	51,447
Harvest House/Community Cares	25,173
Key Peninsula Community Services	22,622
Key Peninsula Food Backpack 4 Kids	423
Lakes FISH	89,014
Making a Difference	156,425
NW Tacoma FISH	42,214
Orting Food Bank	16,146
Prince of Peace Food Closet	8,869
Puyallup Valley	53,856
Salvation Army Puyallup	12,658
SE Tacoma FISH	203,168
St. Andrews	<u>8,589</u>
TOTAL SUBAWARDS CFDA #10.178	\$ <u>1,068,052</u>

REPORTS ON COMPLIANCE
AND INTERNAL CONTROL



1501 Regents Blvd., Suite 100
Fircrest, WA 98466-6060

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

Board of Directors
Emergency Food Network of Tacoma and Pierce County
Lakewood, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Emergency Food Network of Tacoma and Pierce County (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 16, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

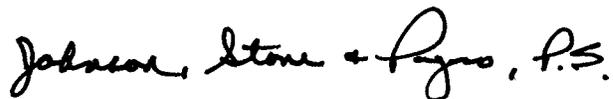
Board of Directors
Emergency Food Network of Tacoma and Pierce County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



JOHNSON, STONE & PAGANO, P.S.

September 16, 2020



1501 Regents Blvd., Suite 100
Fircrest, WA 98466-6060

Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance
Required by the Uniform Guidance

Board of Directors
Emergency Food Network of Tacoma and Pierce County
Lakewood, Washington

Report on Compliance for Each Major Federal Program

We have audited Emergency Food Network of Tacoma and Pierce County's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs and prior year audit findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, which we consider to be a significant deficiency.

Emergency Food Networks' response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Emergency Food Networks' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



JOHNSON, STONE & PAGANO, P.S.

September 16, 2020

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND PRIOR YEAR AUDIT FINDINGS**

Year Ended December 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200 516(a)?	No

Identification of Major Programs

10.178 Department of Agriculture Trade Mitigation Program	
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as a low-risk auditee?	Yes

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND PRIOR YEAR AUDIT FINDINGS (Continued)

Year Ended December 31, 2019

Section II - Financial Statement Findings

No matters were noted.

Section III - Federal Award Findings and Questioned Costs

2019-001 Schedule of Federal Awards

Funding Agency: Department of Agriculture

CFDA Number: 10.178 and 10.568

Criteria

The schedule of federal awards ("SEFA") is required to be prepared in accordance with the Uniform Guidance to reflect expenditures of federal awards.

Condition

The SEFA, as originally prepared, was materially understated.

Context

The SEFA did not accurately reflect the proper amount of federal expenditures and it was understated.

Effect

The SEFA did not properly reflect the amount of federal awards as required by the Uniform Guidance.

Cause

The SEFA was completed using spreadsheets maintained by the Organization to track reimbursements rather than actual expenditures that were expensed in the general ledger.

Auditor's Recommendation

We recommend staff training in the preparation of the SEFA and the implementation of procedures to provide oversight that ensures the completion of an accurate SEFA.

Section IV - Prior Year Audit Findings

No matters were noted.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

CORRECTIVE ACTION PLAN

Year Ended December 31, 2019



...so that no person goes hungry.

CORRECTIVE ACTION PLAN IN RESPONSE TO:

Schedule of Findings and Questioned Costs

Year End December 31, 2019

Section III – Federal Award Findings

2019-001 Schedule of Federal Awards

Finding:

The SEFA did not accurately reflect the proper amount of federal expenditures and it was understated.

Auditor’s recommendation:

We recommend staff training in the preparation of the SEFA and the implementation of procedures to provide oversight that ensures the completion of an accurate SEFA

Actions Taken:

EFN has implemented a procedure to complete the SEFA using actual expenditures from the general ledger. In addition, EFN will provide staff training in the preparation of the SEFA and oversight by the Director of Finance to ensure the accurate completion of the SEFA.

Individual responsible for corrective action plan implementation:

Jody Leon Guerrero – Director of Finance

Date of corrective action plan implementation:

9/01/2020

