

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

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

December 31, 2018

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

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

December 31, 2018

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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, 2018, 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, 2018, 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.

***Correction of Error***

As discussed in Note 10 to the financial statements, certain errors resulting in overstatement of amounts previously reported for accrued sick leave and net assets as of December 31, 2017, were discovered by management during the current year. Accordingly, amounts reported for accrued sick leave and net assets without donor restrictions have been restated in the 2017 financial statements now presented and an adjustment has been made to net assets as of January 1, 2017 to correct the error. Our opinion is not modified with respect to that matter.

***Other Matters***

***Effect of Adopting New Accounting Standard***

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-profit - Presentation of Financial Statements of Not-for-profit Entities*, as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

***Report on Summarized Comparative Information***

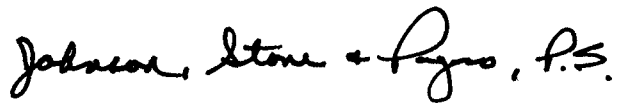
We have previously audited Emergency Food Network of Tacoma and Pierce County's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements as restated, 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, 2018, 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 19, 2019 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.

A handwritten signature in black ink that reads "Johnson, Stone & Pagano, P.S." in a cursive script.

**JOHNSON, STONE & PAGANO, P.S.**

September 19, 2019

## AUDITED FINANCIAL STATEMENTS

# EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

## STATEMENT OF FINANCIAL POSITION

December 31, 2018 with Comparative Totals for 2017 (Restated)

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,088,841	\$ 932,439
Grants receivable, net	92,542	240,999
Pledges receivable, net	73,200	111,492
Prepaid expenses	4,501	
Inventory - donated	694,760	1,183,430
Inventory - purchased	<u>11,396</u>	<u>74,823</u>
<b>Total Current Assets</b>	1,965,240	2,543,183
<b>NON-CURRENT ASSETS</b>		
Cash and cash equivalents, restricted for capital projects and endowment	176,088	535,111
<b>PROPERTY AND EQUIPMENT</b>		
Building and improvements	1,714,963	1,535,776
Land	485,259	485,259
Land improvements	453,521	426,654
Farm equipment	107,877	103,687
Vehicles	431,259	574,331
Warehouse equipment	336,923	291,368
Construction in progress	<u>330</u>	<u>330</u>
	3,529,802	3,417,405
Less accumulated depreciation	<u>1,315,089</u>	<u>1,213,688</u>
<b>Total Property and Equipment</b>	<u>2,214,713</u>	<u>2,203,717</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,356,041</u></u>	<u><u>\$ 5,282,011</u></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, 2018 with Comparative Totals for 2017 (Restated)

	<u>2018</u>	<u>2017</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 26,598	\$ 33,837
Accrued wages and payroll taxes	35,531	36,539
Accrued vacation	<u>30,384</u>	<u>93,164</u>
<b>Total Current Liabilities</b>	92,513	163,540
<b>NET ASSETS</b>		
Without donor restrictions	3,824,700	4,272,000
With donor restrictions	<u>438,828</u>	<u>846,471</u>
<b>Total Net Assets</b>	<u>4,263,528</u>	<u>5,118,471</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,356,041</u>	<u>\$ 5,282,011</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, 2018 with Comparative Totals for 2017 (Restated)

	Without Donor Restrictions	2018 With Donor Restrictions	Total	2017
<b><u>SUPPORT AND REVENUE</u></b>				
<b>MONETARY SUPPORT AND REVENUE</b>				
Government grants	\$ 212,964	\$ 769,877	\$ 982,841	\$ 956,570
Community contributions and special events	1,097,464	51,830	1,149,294	989,786
Private foundations	775,665		775,665	698,481
Capital campaign contributions, net				464,702
Interest income	1,908		1,908	3,347
Other income (loss)	(69,833)		(69,833)	1,513
Net assets released from restrictions	1,229,350	(1,229,350)		
<b>Total Monetary Support and Revenue</b>	<u>3,247,518</u>	<u>(407,643)</u>	<u>2,839,875</u>	<u>3,114,399</u>
<b>IN-KIND SUPPORT AND REVENUE</b>				
Community contributions	18,015,817		18,015,817	19,813,522
Government grants	1,317,196		1,317,196	1,185,200
Rent	28,800		28,800	28,800
<b>Total In-kind Support and Revenue</b>	<u>19,361,813</u>	<u></u>	<u>19,361,813</u>	<u>21,027,522</u>
<b>Total Support and Revenue</b>	22,609,331	(407,643)	22,201,688	24,141,921
<b><u>EXPENSES</u></b>				
<b>PROGRAM SERVICES</b>				
Food banks	21,816,139		21,816,139	22,182,337
Farm	271,448		271,448	251,253
<b>SUPPORTING SERVICES</b>				
Management and general	476,357		476,357	613,288
Fundraising	492,687		492,687	505,474
<b>Total Expenses</b>	<u>23,056,631</u>	<u></u>	<u>23,056,631</u>	<u>23,552,352</u>
<b>CHANGE IN NET ASSETS</b>	(447,300)	(407,643)	(854,943)	589,569
<b>Net Assets at Beginning of Year</b>	<u>4,272,000</u>	<u>846,471</u>	<u>5,118,471</u>	<u>4,528,902</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 3,824,700</u>	<u>\$ 438,828</u>	<u>\$ 4,263,528</u>	<u>\$ 5,118,471</u>

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, 2018 with Comparative Totals for 2017

	Program Services			Supporting Services			Total Expenses	
	Food	Farm	Total	Management	Fundraising	Total	2018	2017
	Banks			and General				
<b>GOVERNMENT GRANTS</b>								
EFAP program	\$ 526,040		\$ 526,040				\$ 526,040	\$ 434,770
EFSP program	46,143		46,143				46,143	123,800
TEFAP program	194,767		194,767				194,767	164,075
<b>Total Government Grants</b>	766,950		766,950				766,950	722,645
Salaries and payroll taxes	424,641	\$ 179,124	603,765	\$ 338,710	\$ 163,965	\$ 502,675	1,106,440	1,259,038
Food and related expenses	406,286		406,286				406,286	195,286
Depreciation	174,640		174,640				174,640	121,021
Facility and equipment expense	117,732	2,403	120,135	21,755		21,755	141,890	95,626
Office expenses	9,480	415	9,895	20,316	2,241	22,557	32,452	39,010
Insurance and other fees	7,642	793	8,435	53,172	1,314	54,486	62,921	62,072
Contracts services	4,202	396	4,598	26,432		26,432	31,030	22,522
Marketing and events	16,094	2,148	18,242	672	119,225	119,897	138,139	113,478
Travel, training and meeting expense	1,850	114	1,964	4,082	200	4,282	6,246	6,112
Farm expenses	60	57,255	57,315	853	59	912	58,227	51,999
Bad debt				10,365		10,365	10,365	
Capital fund expenses					205,683	205,683	205,683	123,925
<b>Total Before In-kind Expenses</b>	<u>1,929,577</u>	<u>242,648</u>	<u>2,172,225</u>	<u>476,357</u>	<u>492,687</u>	<u>969,044</u>	<u>3,141,269</u>	<u>2,812,734</u>
<b>IN-KIND EXPENSES</b>								
Food	18,673,833		18,673,833				18,673,833	19,330,352
Government grants								
TEFAP program	1,212,729		1,212,729				1,212,729	1,380,466
Rent		28,800	28,800				28,800	28,800
<b>Total In-kind Expenses</b>	<u>19,886,562</u>	<u>28,800</u>	<u>19,915,362</u>				<u>19,915,362</u>	<u>20,739,618</u>
<b>TOTAL EXPENSES</b>	<u>\$ 21,816,139</u>	<u>\$ 271,448</u>	<u>\$ 22,087,587</u>	<u>\$ 476,357</u>	<u>\$ 492,687</u>	<u>\$ 969,044</u>	<u>\$ 23,056,631</u>	<u>\$ 23,552,352</u>

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, 2018 with Comparative Totals for 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions and public support	\$ 3,014,804	\$ 3,408,568
Cash paid to suppliers and employees	(2,963,864)	(2,650,139)
Interest received	<u>1,908</u>	<u>3,347</u>
<b>Net Cash Provided by Operating Activities</b>	52,848	761,776
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchased property and equipment	<u>(255,469)</u>	<u>(786,276)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(255,469)</u>	<u>(786,276)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(202,621)	(24,500)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,467,550</u>	<u>1,492,050</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ <u><u>1,264,929</u></u>	\$ <u><u>1,467,550</u></u>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 1,088,841	\$ 932,439
Restricted cash and cash equivalents	<u>176,088</u>	<u>535,111</u>
	\$ <u><u>1,264,929</u></u>	\$ <u><u>1,467,550</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, 2018 with Comparative Totals for 2017

	<u>2018</u>	<u>2017</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ (854,943)	\$ 589,569
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	174,640	121,021
Loss on disposal of assets	69,833	
Bad debt	10,365	
Inventory - donated		
Donated food	(19,397,892)	(20,998,722)
Distribution of donated food	19,886,562	20,710,818
(Increase) decrease in		
Grants receivable	148,457	(73,342)
Pledges receivable	27,927	414,410
Inventory - purchased	63,427	11,302
Prepaid expenses	(4,501)	
Increase (decrease) in		
Accounts payable	(7,239)	(15,429)
Accrued wages and payroll taxes	(1,008)	(4,063)
Accrued sick and vacation	(62,780)	6,212
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 52,848</u>	<u>\$ 761,776</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, 2018 with Comparative Totals for 2017

#### **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, 2018 with Comparative Totals for 2017

#### 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, 2018 and 2017, donated inventory is stated at an industry standard of \$1.67 per pound, respectively. Government surplus commodities are stated at prices established by the United States Department of Agriculture. As of December 31, 2018 and 2017, inventory consists of the following:

	<u>2018</u>	<u>2017</u>
Donated	\$ 439,237	\$ 1,035,048
Government grants - TEFAP	<u>255,523</u>	<u>148,382</u>
	694,760	1,183,430
Purchased	<u>11,396</u>	<u>74,823</u>
Total	\$ <u>706,156</u>	\$ <u>1,258,253</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, 2018 and 2017 was \$174,640 and \$121,021, 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, 2018 with Comparative Totals for 2017

#### **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, 2018 and 2017 were 14,522 and 22,487, respectively.

The value of donated food from community contributions included as in-kind donations for the years ended December 31, 2018 and 2017 are \$18,015,817 and \$19,813,522, respectively, and are correspondingly valued at \$1.67 per pound. Community contributions for the same years then ended represent 81% and 82% of total support and revenue, respectively.

The value of donated food from The Emergency Food Assistance Program ("TEFAP") included as in-kind contributions for the years ended December 31, 2018 and 2017 are \$1,317,196 and \$1,185,200, respectively. The value is established by the TEFAP, a government program that supplements the diets of some low-income Americans by providing them with emergency food and nutrition assistance at no cost. TEFAP donations represent 6% and 5% of total support and revenues, for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 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 \$138,139 and \$112,883 in 2018 and 2017, 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).

##### ***Change in Accounting Principle***

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources and financial performance and expenses on a functional basis. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

## EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Reclassifications*

Certain amounts presented in the preceding year have been reclassified to conform to the financial statement presentation in the current year. The reclassifications had no effect on total net assets or changes in net assets as previously stated.

##### *Subsequent Events*

The management of the Organization evaluated subsequent events and transactions for potential recognition and disclosure through September 19, 2019, the date the financial statements were available to be issued.

#### 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>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,088,841	\$ 932,439
Cash and cash equivalents restricted for capital projects and endowment	176,088	535,111
Grants receivable	92,542	240,999
Pledges receivable, net	<u>73,200</u>	<u>111,492</u>
Total financial assets	1,430,671	1,820,041
Cash restricted for capital projects	(168,588)	(527,611)
Endowment funds held in cash accounts	(7,500)	(7,500)
Pledge receivables, net	<u>(73,200)</u>	<u>(111,492)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ <u>1,181,383</u>	\$ <u>1,173,438</u>

The Organization also has a \$200,000 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.



## EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

#### 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.

#### NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Amounts due in		
Less than one year	\$ 85,125	\$ 96,340
One to five years		<u>17,033</u>
	<u>85,125</u>	<u>113,373</u>
Less allowance for uncollectible pledges	<u>11,925</u>	<u>1,881</u>
Pledges Receivable, net	\$ <u>73,200</u>	\$ <u>111,492</u>

Management has evaluated the pledges and recorded an allowance for uncollectible pledges of \$11,925 and \$1,881, respectively. Discounts on pledges receivable of more than one year are immaterial.

#### NOTE 5 - LINE OF CREDIT

The Organization has an available \$200,000 revolving line of credit with a bank that expires in November 2019, secured by receivables and equipment. Interest is payable monthly at the bank's index, plus 0.5%, with a minimum rate of 4.5%, the rate as of December 31, 2018 is 6.0%. There was no amount outstanding on the line as of December 31, 2018 and 2017.

#### NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2018</u>	<u>2017</u>
Restricted for purpose or time		
Other programs	\$ 51,731	\$ 12,496
Purchase of food	211,009	205,408
Capital Campaign	<u>168,588</u>	<u>621,067</u>
	<u>431,328</u>	<u>838,971</u>
Donor restricted endowment corpus	<u>7,500</u>	<u>7,500</u>
Total	\$ <u>438,828</u>	\$ <u>846,471</u>

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

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 with Comparative Totals for 2017

#### **NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

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.

#### **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 2018 and 2017, the distribution amount was \$700. The balance of the fund as of December 31, 2018 and 2017 was \$14,023 and \$15,418, 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, 2018 and 2017, \$60,630 and \$56,042, respectively, were 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 \$81,524 and \$111,747 at December 31, 2018 and 2017, respectively.

#### **NOTE 10 - PRIOR PERIOD ADJUSTMENT**

During the current year, management determined there was an error in the recording of accrued sick leave. The accompanying financial statements for 2017 have been restated to correct this error. The effect of the restatement was to decrease accrued sick and vacation at the beginning of 2017 and increase net assets without donor restrictions by \$69,889.

#### **NOTE 11 - 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.

## SUPPLEMENTARY INFORMATION

# EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2018

<u>Program Title</u>	<u>Federal CFDA Grantor</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<b>DEPARTMENT OF AGRICULTURE</b>				
Passed through State of Washington				
Food Distribution Cluster				
The Emergency Food Assistance Program (Administrative Costs)	10.568	K2170		\$ 194,768
The Emergency Food Assistance Program (Food Commodities)	10.569	K2170	\$ 1,206,486	<u>1,208,635</u>
<b>Total Department of Agriculture</b>			1,206,486	1,403,403
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Passed through Pierce County				
Community Development Block Grants	14.218	SC-105429		<u>45,000</u>
<b>Total Department of Housing and Urban Development</b>				45,000
<b>DEPARTMENT OF HOMELAND SECURITY</b>				
Passed through United Way of America: EFSP				
Emergency Food and Shelter National Board Program	97.024	LRO891400-001		<u>46,143</u>
<b>Total Department of Homeland Security</b>				<u>46,143</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,206,486</u>	<u>\$ 1,494,546</u>

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

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended December 31, 2018

#### **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, 2018. 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 of expenditures of federal awards 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, 2018

#### **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	\$ 49,415
Eatonville Family Agency	19,742
Edgewood Community Nourish Food Bank	82,237
Nourish Mobile Food Bank	86,375
Food Connection	211,479
Food Connection - Lakewood	20,202
Graham Nourish	54,067
Harvest House/Community Cares	22,056
Key Peninsula Community Services	8,791
Backpack 4 Kids	16,676
Lakes Nourish	83,619
Making a Difference	162,927
NW Tacoma Nourish	63,197
Orting Food Bank	14,520
Prince of Peace Food Closet	7,082
Puyallup Valley	57,298
Salvation Army Lodge	5,249
Salvation Army Puyallup	19,565
Salvation Army Tacoma	1,047
SE Tacoma Nourish	176,417
Spanaway	22,786
St. Andrews	7,959
Tacoma Rescue Mission	13,480
YWCA Shelter	<u>300</u>
<b>TOTAL SUBAWARDS</b>	<b>\$ <u>1,206,486</u></b>

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, 2018, 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 19, 2019.

***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.

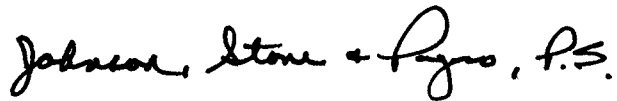


***Compliance and Other Matters***

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.

A handwritten signature in black ink that reads "Johnson, Stone & Pagano, P.S." in a cursive, flowing script.

**JOHNSON, STONE & PAGANO, P.S.**

September 19, 2019



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, 2018. The Organization's major federal programs are 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, 2018.

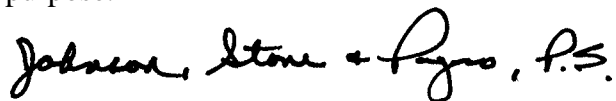
## **Report on Internal Control over Compliance**

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 19, 2019

## EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

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

Year Ended December 31, 2018

#### 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?	None reported
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

10.568 Department of Agriculture Emergency Food Assistance Program (Administrative Costs)	
10.569 Department of Agriculture Emergency Food Assistance Program (Food Commodities)	
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, 2018

### **Section II - Financial Statement Findings**

No matters were noted.

### **Section III - Federal Award Findings and Questioned Costs**

No matters were noted.

### **Section IV - Prior Year Audit Findings**

#### **2017-001 Reconciliation of Accounts**

Many account balances were not reconciled at year-end causing several accounts to be materially misstated. This finding was corrected during 2018.