

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

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

December 31, 2015 and 2014

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

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

December 31, 2015 and 2014

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Independent Auditor's Report

Board of Directors
Emergency Food Network of Tacoma and Pierce County
Tacoma, 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, 2015, 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, 2015, and the changes in its net assets, functional expenses 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

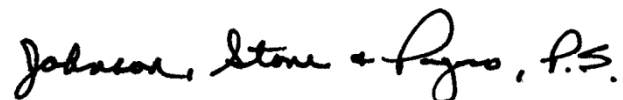
The financial statements of Emergency Food Network of Tacoma and Pierce County as of December 31, 2014, were audited by other auditors whose report dated August 12, 2015, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, 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, as required by Title 2 United States (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 August 8, 2016 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.

August 8, 2016

AUDITED FINANCIAL STATEMENTS

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,122,471	\$ 891,518
Grants receivable	185,828	190,044
Pledges receivable, net	364,265	
Inventory - donated	1,414,328	941,934
Inventory - purchased	55,621	71,391
	<u>3,142,513</u>	<u>2,094,887</u>
Total Current Assets		
PROPERTY AND EQUIPMENT		
Building	1,236,225	1,281,225
Land	76,608	76,608
Farm equipment	91,802	81,954
Vehicles	478,859	268,473
Warehouse equipment	260,326	196,638
Construction in progress	12,726	
	<u>2,156,546</u>	<u>1,904,898</u>
Less accumulated depreciation	<u>976,292</u>	<u>970,988</u>
Total Property and Equipment	<u>1,180,254</u>	<u>933,910</u>
OTHER ASSETS		
Option to buy real property	<u>125,000</u>	<u>25,000</u>
TOTAL ASSETS	<u>\$ 4,447,767</u>	<u>\$ 3,053,797</u>

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

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

STATEMENTS OF FINANCIAL POSITION (Continued)

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 26,665	\$ 67,042
Accrued wages and payroll taxes	15,518	13,018
Accrued sick and vacation	<u>99,688</u>	<u>111,917</u>
Total Current Liabilities	141,871	191,977
NET ASSETS		
Unrestricted	3,678,171	2,649,494
Temporarily restricted	620,225	204,826
Permanently restricted	<u>7,500</u>	<u>7,500</u>
Total Net Assets	<u>4,305,896</u>	<u>2,861,820</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,447,767</u>	<u>\$ 3,053,797</u>

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

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2015 with Comparative Totals for 2014

	2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2014
<u>SUPPORT AND REVENUE</u>					
MONETARY SUPPORT AND REVENUE					
Government grants	\$ 464,403	\$ 337,339		\$ 801,742	\$ 717,596
Community contributions and special events	915,570	42,158		957,728	949,946
Private foundations	327,723	197,680		525,403	434,019
Capital campaign contributions, net		981,613		981,613	
Interest income	2,610			2,610	1,383
Loss on disposal of assets	(1,735)			(1,735)	
Net assets relased from restrictions	<u>1,143,391</u>	<u>(1,143,391)</u>			
Total Monetary Support and Revenue	<u>2,851,962</u>	<u>415,399</u>		<u>3,267,361</u>	<u>2,102,944</u>
IN-KIND SUPPORT AND REVENUE					
Community contributions	22,687,472			22,687,472	20,550,694
Government grants	1,132,833			1,132,833	1,162,200
Rent	<u>28,800</u>			<u>28,800</u>	<u>28,800</u>
Total In-kind Support and Revenue	<u>23,849,105</u>			<u>23,849,105</u>	<u>21,741,694</u>
Total Support and Revenue	26,701,067	415,399		27,116,466	23,844,638
<u>EXPENSES</u>					
PROGRAM SERVICES					
Food banks	24,799,005			24,799,005	22,998,872
Farm	163,925			163,925	200,472
SUPPORTING SERVICES					
Management and general	260,401			260,401	289,651
Fundraising	<u>449,059</u>			<u>449,059</u>	<u>412,155</u>
Total Expenses	<u>25,672,390</u>			<u>25,672,390</u>	<u>23,901,150</u>
CHANGE IN NET ASSETS	1,028,677	415,399		1,444,076	(56,512)
Net Assets at Beginning of Year	<u>2,649,494</u>	<u>204,826</u>	<u>\$ 7,500</u>	<u>2,861,820</u>	<u>2,918,332</u>
NET ASSETS END OF YEAR	<u>\$ 3,678,171</u>	<u>\$ 620,225</u>	<u>\$ 7,500</u>	<u>\$ 4,305,896</u>	<u>\$ 2,861,820</u>

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

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015 with Comparative Totals for 2014

	Program Services			Supporting Services			2015	2014
	Food Banks	Farm	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
GROVERNMENT GRANTS								
EFAP program	\$ 379,169		\$ 379,169				\$ 379,169	\$ 340,874
EFSP program	74,872		74,872				74,872	67,784
TEFAP program	32,346		32,346				32,346	33,000
Total Government Grants	486,387		486,387				486,387	441,658
Salaries and payroll taxes	470,703	\$ 96,665	567,368	\$ 222,171	\$ 313,592	\$ 535,763	1,103,131	1,058,455
Food	258,934		258,934				258,934	409,111
Events	142		142	105	78,087	78,192	78,334	89,941
Depreciation	92,063		92,063				92,063	83,816
Vehicle expenses	34,209	2,391	36,600				36,600	52,266
Supplies	22,759	12,477	35,236	3,638	572	4,210	39,446	33,631
Utilities	10,039	9,736	19,775	6,830	8,537	15,367	35,142	30,440
Uncollectible grants	270		270				270	27,107
Professional services	7,191	2,813	10,004	5,708	7,031	12,739	22,743	26,759
Insurance	5,749	2,300	8,049	4,833	5,749	10,582	18,631	16,441
Technology	2,770	767	3,537	4,352	5,180	9,532	13,069	14,994
Contracts		5,696	5,696				5,696	11,840
Communications	3,926	558	4,484	2,199	1,357	3,556	8,040	11,073
Printing	4,785		4,785	1,844	3,311	5,155	9,940	10,978
Miscellaneous	13,796	653	14,449	2,027	15,675	17,702	32,151	7,887
Meetings	1,415	227	1,642	1,742	3,223	4,965	6,607	6,107
Postage	105	28	133	3,732	2,069	5,801	5,934	5,341
Training and education	440	564	1,004	164	3,163	3,327	4,331	4,905
Repairs and maintenance	18,479		18,479		25	25	18,504	4,869
Licenses and dues	1,162	250	1,412	1,056	1,488	2,544	3,956	3,706
Total Before In-kind Expenses	<u>1,435,324</u>	<u>135,125</u>	<u>1,570,449</u>	<u>260,401</u>	<u>449,059</u>	<u>709,460</u>	<u>2,279,909</u>	<u>2,351,325</u>
IN-KIND EXPENSES								
Food	22,325,341		22,325,341				22,325,341	20,379,203
Government grants								
TEFAP program	1,038,340		1,038,340				1,038,340	1,141,822
Rent		28,800	28,800				28,800	28,800
Total In-kind Expenses	<u>23,363,681</u>	<u>28,800</u>	<u>23,392,481</u>				<u>23,392,481</u>	<u>21,549,825</u>
TOTAL EXPENSES	<u>\$ 24,799,005</u>	<u>\$ 163,925</u>	<u>\$ 24,962,930</u>	<u>\$ 260,401</u>	<u>\$ 449,059</u>	<u>\$ 709,460</u>	<u>\$ 25,672,390</u>	<u>\$ 23,901,150</u>

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

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and public support	\$ 2,904,702	\$ 2,239,794
Cash paid to suppliers and employees	(2,236,217)	(2,177,232)
Interest received	<u>2,610</u>	<u>1,383</u>
Net Cash Provided by Operating Activities	671,095	63,945
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in certificates of deposit		13,753
Purchased property and equipment	(340,742)	(119,096)
Cash received for sale of property and equipment	600	
Deposit on option to buy real property	<u>(100,000)</u>	<u>(25,000)</u>
Net Cash Used by Investing Activities	(440,142)	(130,343)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>230,953</u>	<u>(66,398)</u>
Cash and Cash Equivalents at Beginning of Year	<u>891,518</u>	<u>957,916</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,122,471</u>	<u>\$ 891,518</u>

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

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 1,444,076	\$ (56,512)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	92,063	83,816
Loss on disposal of assets	1,735	
Inventory - donated		
Donated food	(23,820,305)	(21,712,894)
Distribution of donated food	23,347,911	21,520,954
(Increase) decrease in		
Grants receivable	4,216	138,233
Pledges receivable	(364,265)	
Inventory - purchased	15,770	71
Increase (decrease) in		
Accounts payable	(40,377)	61,981
Accrued wages and payroll taxes	2,500	(1,298)
Accrued sick and vacation	<u>(12,229)</u>	<u>29,594</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>671,095</u>	\$ <u>63,945</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, 2015 and 2014

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 Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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 carried at cost. The Organization considers all receivables to be fully collectible; therefore, no allowance for doubtful accounts has been established.

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.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 and 2014, donated inventory is stated at an industry standard of \$1.73 and \$1.66 per pound, respectively. Government surplus commodities are stated at prices established by the United States Department of Agriculture. As of December 31, 2015 and 2014, inventory consists of the following:

	<u>2015</u>	<u>2014</u>
Donated	\$ 1,140,589	\$ 762,688
Government grants - TEFAP	<u>273,739</u>	<u>179,246</u>
	1,414,328	941,934
Purchased	<u>55,621</u>	<u>71,391</u>
Total	\$ <u>1,469,949</u>	\$ <u>1,013,325</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, 2015 and 2014 was \$92,063 and \$83,816, respectively.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 and 2014, were 21,995 and 21,303, respectively.

The value of donated food from community contributions included as in-kind donations for the years ended December 31, 2015 and 2014, are \$22,687,472 and \$20,550,694, respectively, and are correspondingly valued at \$1.73 and \$1.66 per pound, respectively. Community contributions for the same years then ended represent 84 and 86 percent 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, 2015 and 2014 are \$1,132,833 and \$1,162,200, 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 4 and 5 percent of total support and revenues, respectively, for the years ended December 31, 2015 and 2014.

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, 2015 and 2014 is \$28,800.

Advertising Costs

Advertising costs consist of events, marketing and fundraising costs and are charged to operations when incurred. The Organization incurred advertising costs of \$78,334 and \$86,404 in 2015 and 2014, 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). The tax years prior to 2012 are closed to examination by tax authorities.

Subsequent Events

The management of the Organization evaluated subsequent events and transactions for potential recognition and disclosure through August 8, 2016, the date the financial statements were available to be issued.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 2 - 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 3 - PLEDGES RECEIVABLE

Pledges receivable consist of the following as of December 31, 2015:

Amounts due in	
Less than one year	\$ 307,446
One to five years	<u>69,667</u>
	377,113
Less	
Unamortized discount	1,698
Allowance for uncollectible pledges	<u>11,150</u>
Pledges Receivable, net	\$ <u>364,265</u>

The pledges receivable due in more than one year are reflected at the present value of estimated cash flows using a discount rate of 1.15% at December 31, 2015. Management has evaluated the pledges and recorded an allowance for uncollectible pledges of \$11,150.

NOTE 4 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2015</u>	<u>2014</u>
Other programs	\$ 29,984	\$ 10,769
Purchase of food	49,847	194,057
Capital Campaign	<u>540,394</u>	<u> </u>
Total	\$ <u>620,225</u>	\$ <u>204,826</u>

Permanently restricted 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, 2015 and 2014

NOTE 5 - ENDOWMENT FUNDS

Greater Tacoma Community Foundation holds and maintains the Emergency Food Endowment Fund with variance power and 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 2015 and 2014, the distribution amount was \$700. The balance of the fund as of December 31, 2015 and 2014 was \$13,871 and \$15,993, respectively.

NOTE 6 - 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, 2015 and 2014, \$47,023 and \$46,138, respectively, was contributed on behalf of the employees.

NOTE 7 - OPTION TO BUY REAL PROPERTY

In October 2014, the Organization paid \$25,000 for an option to purchase land near its office and warehouse to develop into a new parking lot. In August 2015 the Organization made an additional option payment of \$100,000 toward the purchase of the land and completed the purchase of the property in February 2016 at a total price of \$400,000.

SUPPLEMENTARY INFORMATION

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended December 31, 2015

	<u>Federal CFDA Number</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE		
Passed through State of Washington The Emergency Food Assistance Program (Administrative Costs)	10.568	\$ 140,034
Passed through State of Washington The Emergency Food Assistance Program (Food Commodities)	10.569	<u>1,038,340</u>
Total Department of Agriculture		<u>1,178,374</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Community Development Block Grants Passed through Pierce County	14.218	<u>50,000</u>
Total Department of Housing and Urban Development		<u>50,000</u>
DEPARTMENT OF HOMELAND SECURITY		
Passed through United Way of America: EFSP Emergency Food and Shelter National Board Program	97.024	<u>74,872</u>
Total Department of Homeland Security		<u>74,872</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u>1,303,246</u>

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Emergency Food Network of Tacoma and Pierce County and is presented on the accrual basis of accounting. 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"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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 costs 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.

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
Tacoma, 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, 2015, 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 August 8, 2016.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a material weakness.

Compliance and Other Matters

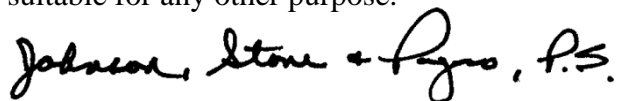
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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*.

Emergency Food Network of Tacoma and Pierce County's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

August 8, 2016



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
Tacoma, Washington

Report on Compliance for Each Major Federal Program

We have audited Emergency Food Network of Tacoma and Pierce County's (a nonprofit organization) (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, 2015. 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.

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 its major federal programs. 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 its major federal programs for the year ended December 31, 2015.

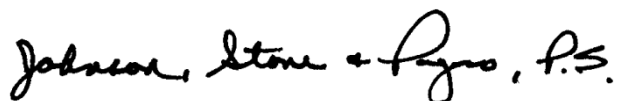
Report on Internal Control over Compliance

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 its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs 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.

August 8, 2016

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND PRIOR YEAR AUDIT FINDINGS

Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	Yes
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?	No

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

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

Year Ended December 31, 2015

Section II - Financial Statement Findings

2015-001 Reconciliation of Pledges Receivable

Criteria

Detailed pledges receivable are recorded and tracked through a donor tracking software program that is not integrated with the general ledger and the two systems are not reconciled on a regular basis.

Condition

At year end the total pledges receivable in the donor software did not reconcile to the pledges receivable in the general ledger.

Context

There was a difference of \$98,160 between the pledge receivable balance in the general ledger and the balance in donor software which required an adjusting entry at year-end to properly report contribution revenue and pledges receivable.

Effect

Pledges receivable were materially understated.

Cause

There was not a procedure in place to reconcile the transactions of contributors being tracked with the donor software to the transactions recorded in the accounting software.

Auditor's Recommendations

We recommend that procedures be implemented to reconcile the pledge documents reflected in the donor software to the transactions recorded in the accounting software on a monthly basis.

Section III - Federal Award Findings and Questioned Costs

No matters were noted.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

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

Year Ended December 31, 2015

Section IV - Prior Year Audit Findings

2014-001 Inventory Reconciliations and Oversight

Inventory should be reconciled and recorded on a timely and accurate basis, and the Organization should have a standard oversight policy over inventory transactions and reporting. This finding was corrected in 2015.

2014-002 Inventory Reconciliations and Oversight

Internal controls did not ensure evidence of review over the monthly SDA reports and supporting invoices prior to submission to federal agencies. This finding was corrected in 2015.



CORRECTIVE ACTION PLAN IN RESPONSE TO:

Schedule of Findings and Questioned Costs
Year Ended December 31, 2015

Section II - Audit Findings in Relation to Financial Statements

2015-001 Reconciliation of Pledges Receivable

Finding

Detailed pledges receivable are recorded and tracked through a donor tracking software program that was not integrated with the general ledger and the two systems were not reconciled on a regular basis. At year end the total pledges receivable in the donor software did not reconcile to the pledges receivable in the general ledger.

Auditor's Recommendations

We recommend that procedures be implemented to reconcile the pledge documents reflected in the donor software to the transactions recorded in the accounting software on a monthly basis.

Actions Taken

Procedures have been implemented to ensure the donor software and general ledger account for contributions are reconciled on a monthly basis.

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WASHINGTON

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...SO THAT
NO PERSON
GOES
HUNGRY