

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

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

December 31, 2020

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

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

December 31, 2020

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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, 2020, 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, 2020, 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

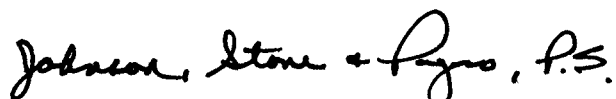
We have previously audited Emergency Food Network of Tacoma and Pierce County's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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, 2020, 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 15, 2021 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 15, 2021

AUDITED FINANCIAL STATEMENTS

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

STATEMENT OF FINANCIAL POSITION

December 31, 2020 with Comparative Totals for 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,736,877	\$ 1,284,358
Grants receivable, net	336,204	6,782
Pledges receivable, net	27,897	31,791
Prepaid expenses	37,680	28,345
Inventory - donated	1,278,926	1,055,851
Inventory - purchased	<u>1,223,613</u>	<u>117,111</u>
Total Current Assets	6,641,197	2,524,238
NON-CURRENT ASSETS		
Cash and cash equivalents, restricted for capital projects and endowment	7,500	7,500
PROPERTY AND EQUIPMENT		
Building and improvements	1,714,963	1,714,963
Land	485,259	485,259
Land improvements	465,566	465,566
Farm equipment	174,194	134,999
Vehicles	764,977	548,699
Warehouse equipment	<u>504,922</u>	<u>466,526</u>
	4,109,881	3,816,012
Less accumulated depreciation	<u>1,656,511</u>	<u>1,476,624</u>
Total Property and Equipment	<u>2,453,370</u>	<u>2,339,388</u>
TOTAL ASSETS	<u>\$ 9,102,067</u>	<u>\$ 4,871,126</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, 2020 with Comparative Totals for 2019

	<u>2020</u>	<u>2019</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 118,957	\$ 58,849
Accrued wages and payroll taxes	17,294	14,930
Accrued vacation	39,689	42,754
Note payable	<u>283,612</u>	
Total Current Liabilities	459,552	116,533
NET ASSETS		
Without donor restrictions	7,702,092	3,925,606
With donor restrictions	<u>940,423</u>	<u>828,987</u>
Total Net Assets	<u>8,642,515</u>	<u>4,754,593</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,102,067</u>	<u>\$ 4,871,126</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, 2020 with Comparative Totals for 2019

	Without Donor Restrictions	2020 With Donor Restrictions	Total	2019
<u>SUPPORT AND REVENUE</u>				
MONETARY SUPPORT AND REVENUE				
Government grants	\$ 6,107,567		\$ 6,107,567	\$ 1,001,375
Community contributions and special events	1,634,336	\$ 145,490	1,779,826	1,172,589
Private foundations	2,154,554		2,154,554	842,791
Interest income	5,175		5,175	4,505
Other income	974		974	
Net assets released from restrictions	75,929	(75,929)		
Total Monetary Support and Revenue	<u>9,978,535</u>	<u>69,561</u>	<u>10,048,096</u>	<u>3,021,260</u>
IN-KIND SUPPORT AND REVENUE				
Community contributions	25,613,161		25,613,161	17,159,477
Government grants	4,497,881	41,875	4,539,756	3,147,126
Rent	28,800		28,800	28,800
Total In-kind Support and Revenue	<u>30,139,842</u>	<u>41,875</u>	<u>30,181,717</u>	<u>20,335,403</u>
Total Support and Revenue	40,118,377	111,436	40,229,813	23,356,663
<u>EXPENSES</u>				
PROGRAM SERVICES				
Food banks	35,640,100		35,640,100	21,782,699
Farm	227,618		227,618	241,854
SUPPORTING SERVICES				
Management and general	230,453		230,453	436,540
Fundraising	243,720		243,720	404,505
Total Expenses	<u>36,341,891</u>	<u></u>	<u>36,341,891</u>	<u>22,865,598</u>
CHANGE IN NET ASSETS	3,776,486	111,436	3,887,922	491,065
Net Assets at Beginning of Year	<u>3,925,606</u>	<u>828,987</u>	<u>4,754,593</u>	<u>4,263,528</u>
NET ASSETS END OF YEAR	<u>\$ 7,702,092</u>	<u>\$ 940,423</u>	<u>\$ 8,642,515</u>	<u>\$ 4,754,593</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, 2020 with Comparative Totals for 2019

	Program Services			Supporting Services			Total Expenses	
	Food Banks	Farm	Total	Management and General	Fundraising	Total	2020	2019
GOVERNMENT GRANTS								
EFAP program	\$ 1,341,612		\$ 1,341,612				\$ 1,341,612	\$ 492,449
EFSP program	104,192		104,192				104,192	70,510
TEFAP program	521,040		521,040				521,040	229,403
TMP program	165,148		165,148				165,148	110,299
Total Government Grants	2,131,992		2,131,992				2,131,992	902,661
Salaries, benefits and payroll taxes	652,630	\$ 134,911	787,541	\$ 128,814	\$ 241,272	\$ 370,086	1,157,627	1,065,534
Food and related expenses	1,756,738		1,756,738	29,929		29,929	1,786,667	346,397
Depreciation	184,010		184,010				184,010	161,535
Facility and equipment expense	126,513		126,513	7,317		7,317	133,830	128,853
Office expenses	50,796	326	51,122		367	367	51,489	38,823
Insurance and other fees	87,488	32	87,520	2,311	191	2,502	90,022	66,526
Contracts services	34,096		34,096	36,298	337	36,635	70,731	43,978
Marketing and events	47,342		47,342	120	1,254	1,374	48,716	143,183
Travel, training and meeting expense	2,272	182	2,454		299	299	2,753	10,308
Farm expenses		62,217	62,217				62,217	56,010
Bad debt				18,328		18,328	18,328	
Capital fund expenses				7,336		7,336	7,336	
Emergency Response - COVID 19	1,761,245	1,150	1,762,395				1,762,395	37,583
Total Before In-kind Expenses	6,835,122	198,818	7,033,940	230,453	243,720	474,173	7,508,113	3,001,391
IN-KIND EXPENSES								
Food	24,307,098		24,307,098				24,307,098	17,098,888
Government grants	4,497,880		4,497,880				4,497,880	2,736,519
Rent		28,800	28,800				28,800	28,800
Total In-kind Expenses	28,804,978	28,800	28,833,778				28,833,778	19,864,207
TOTAL EXPENSES	<u>\$ 35,640,100</u>	<u>\$ 227,618</u>	<u>\$ 35,867,718</u>	<u>\$ 230,453</u>	<u>\$ 243,720</u>	<u>\$ 474,173</u>	<u>\$ 36,341,891</u>	<u>\$ 22,865,598</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, 2020 with Comparative Totals for 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and public support	\$ 9,700,003	\$ 3,155,440
Cash paid to suppliers and employees	(7,239,253)	(2,846,806)
Interest received	5,175	4,505
Net Cash Provided by Operating Activities	2,465,925	313,139
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchased property and equipment	(299,218)	(286,210)
Cash received from sale of property and equipment	2,200	
Net Cash Used by Investing Activities	(297,018)	(286,210)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	283,612	
Net Cash Provided by Financing Activities	283,612	
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,452,519	26,929
Cash and Cash Equivalents at Beginning of Year	1,291,858	1,264,929
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,744,377	\$ 1,291,858
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 3,736,877	\$ 1,284,358
Restricted cash and cash equivalents	7,500	7,500
	\$ 3,744,377	\$ 1,291,858

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, 2020 with Comparative Totals for 2019

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 3,887,922	\$ 491,065
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	184,010	161,535
Gain on disposal of assets	(974)	
Bad debt	17,390	(11,516)
Inventory - donated		
Donated food	(29,028,053)	(20,196,498)
Distribution of donated food	28,804,978	19,835,407
(Increase) decrease in		
Grants receivable	(329,422)	85,760
Pledges receivable	(13,496)	52,925
Inventory - purchased	(1,106,502)	(105,715)
Prepaid expenses	(9,335)	(23,844)
Increase (decrease) in		
Accounts payable	60,108	32,251
Accrued wages and payroll taxes	2,364	(20,601)
Accrued vacation	(3,065)	12,370
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>2,465,925</u>	\$ <u>313,139</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, 2020 with Comparative Totals for 2019

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, 2020 with Comparative Totals for 2019

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, 2020 and 2019, donated inventory is stated at an industry standard of \$1.75 and \$1.71 per pound, respectively. Government surplus commodities are stated at prices established by the United States Department of Agriculture. As of December 31, 2020 and 2019, inventory consists of the following:

	<u>2020</u>	<u>2019</u>
Donated	\$ 570,920	\$ 389,720
Government grants	<u>708,006</u>	<u>666,131</u>
	1,278,926	1,055,851
 Purchased	 <u>1,223,613</u>	 <u>117,111</u>
 Total	 <u>\$ 2,502,539</u>	 <u>\$ 1,172,962</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, 2020 and 2019 was \$184,010 and \$161,535, 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, 2020 with Comparative Totals for 2019

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, 2020 and 2019 were 8,216 and 11,035, respectively.

The value of donated food from community contributions included as in-kind donations for the years ended December 31, 2020 and 2019 is \$25,613,161 and \$17,159,477, respectively, and are correspondingly valued at \$1.75 per pound for 2020 and \$1.71 for 2019. Community contributions for the same years then ended represent 64% and 73% 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, 2020 and 2019 is \$4,539,756 and \$3,147,126, 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 13% and 16% of total support and revenues for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 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 \$48,716 and \$143,183 in 2020 and 2019, 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).

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle

During the year ended December 31, 2020, the Organization adopted the requirements of Financial Accounting Standards Board's Accounting Standards Update No. 2014-09 - *Revenue from Contracts with Customers*, Topic 606 ("ASU 2014-09"). In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of ASU 2014-09 has had no material effect on the change in net assets balances, by classification, as previously reported.

Subsequent Events

The management of the Organization evaluated subsequent events and transactions for potential recognition and disclosure through September 15, 2021, 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,736,877	\$ 1,284,358
Cash and cash equivalents restricted for capital projects and endowment	7,500	7,500
Grants receivable	336,204	6,782
Pledges receivable, net	<u>27,897</u>	<u>31,791</u>
Total financial assets	4,108,478	1,330,431
Endowment funds held in cash accounts	(7,500)	(7,500)
Pledge receivables, net	<u>(27,897)</u>	<u>(31,791)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ <u>4,073,081</u>	\$ <u>1,291,140</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.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

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>2020</u>	<u>2019</u>
Amounts due in less than one year	\$ 45,697	\$ 32,201
Less allowance for uncollectible pledges	<u>17,800</u>	<u>410</u>
Pledges Receivable, net	\$ <u>27,897</u>	\$ <u>31,791</u>

Management has evaluated the pledges and recorded an allowance for uncollectible pledges of \$17,800 and \$410, respectively.

NOTE 5 - LINE OF CREDIT

The Organization has an available \$300,000 revolving line of credit with a bank that expires in November 2022, secured by receivables and equipment. Interest is payable monthly at the bank's index, plus 1.25%, with a minimum rate of 3.5%, the rate as of December 31, 2020 is 4.5%. There was no amount outstanding on the line as of December 31, 2020 and 2019.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Restricted for purpose or time		
Other programs	\$ 224,917	\$ 155,356
Purchase of food	<u>708,006</u>	<u>666,131</u>
	932,923	821,487
Donor restricted endowment corpus	<u>7,500</u>	<u>7,500</u>
Total	\$ <u>940,423</u>	\$ <u>828,987</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, 2020 with Comparative Totals for 2019

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, the distribution amount was \$700 and there was no distribution in 2020. The balance of the fund as of December 31, 2020 and 2019 was \$16,649 and \$15,641, 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, 2020 and 2019, \$63,009 and \$57,432, 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 \$1,794,387 and \$17,869 at December 31, 2020 and 2019, 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 - OPERATING LEASE AGREEMENT

The Organization entered into an operating lease for equipment under a noncancelable lease that expires in 2024. Monthly lease payments of \$267 are included in the office expense category on the 2020 and 2019 statements of functional expenses.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

NOTE 11 - OPERATING LEASE AGREEMENT (Continued)

Minimum annual payments under lease agreements for future years ending December 31 are as follows:

2022	\$ 3,204
2023	3,204
2024	<u>2,937</u>
Total Minimum Lease Payments	\$ <u>9,345</u>

Total rental expense for the years ending December 31, 2020 and 2019 was \$3,204 and \$534, respectively.

NOTE 12 - 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 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"). In March, 2021, the PPP loan was forgiven in full.

SUPPLEMENTARY INFORMATION

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2020

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		\$ 521,040
Capital expenditures	10.568	K2170		215,467
Food commodities	10.569	K2170	\$ 2,207,793	2,207,793
Total Food Distribution Cluster			<u>2,207,793</u>	<u>2,944,300</u>
Passed through State of Washington				
Trade Mitigation Program				
Administrative costs	10.178	K2170		165,148
Food commodities	10.178	K2170	2,744,853	2,744,853
Total Trade Mitigation Program			<u>2,744,853</u>	<u>2,910,001</u>
Total Department of Agriculture			4,952,646	5,854,301
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Pierce County				
Community Development Block Grants	14.218	SC-105429		10,173
Total Department of Housing and Urban Development				<u>10,173</u>
DEPARTMENT OF TREASURY				
Passed through State of Washington				
Emergency Food Assistance Program				
COVID 19 - EFAP CARES Stabilization	21.019	K2725	197,795	480,896
COVID 19 - EFAP CARES Targeted Capacity	21.019	K2725	202,517	223,146
COVID 19 - EFAP CARES Targeted Capacity-Capital Expenditures	21.019	K2725		29,524
Passed through Pierce County				
COVID 19 - Pierce County ADR CARES Grant	21.019	SC-107710	1,337,085	2,750,000
Passed through City of Tacoma				
COVID 19 - City of Tacoma CARES Grant	21.019	Unknown	385,562	827,082
Total Department of Treasury			<u>2,122,959</u>	<u>4,310,648</u>
DEPARTMENT OF HOMELAND SECURITY				
Passed through United Way of America: EFSP				
Emergency Food and Shelter National				
Board Program	97.024	LRO891400-001		104,192
Total Department of Homeland Security				<u>104,192</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,075,605</u>	<u>\$ 10,279,314</u>

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2020

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, 2020. 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, 2020

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	\$ 104,403
Eatonville Family Agency	27,846
Edgewood Nourish	140,633
EFN Emergency Relief Variety Box	601
Food Connection	248,013
Food Connection - Lakewood	23,616
Graham	75,114
Harvest House/Community Cares	33,284
Key Peninsula Community Services	36,682
Key Peninsula Food Backpack 4 Kids	38,482
Lakes FISH	164,707
Making a Difference Foundation Mobile #1	28,932
Making a Difference	547,447
Nourish Mobile #2	188,792
NW Tacoma FISH	65,043
Orting Food Bank	28,615
Prince of Peace Food Closet	6,978
Puyallup Valley	118,696
Salvation Army Puyallup	20,076
SE Tacoma FISH	292,148
Spanaway	5,269
St. Andrews	10,204
Tacoma Rescue Mission	<u>2,212</u>

TOTAL SUBAWARDS CFDA #10.569	\$ <u>2,207,793</u>
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EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended December 31, 2020

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	\$ 140,223
Eatonville Family Agency	36,386
Edgewood Nourish	188,260
EFN Emergency Relief Variety Box	942
Food Connection	329,416
Food Connection - Lakewood	30,899
Graham	103,838
Harvest House/Community Cares	41,882
Key Peninsula Community Services	43,055
Key Peninsula Food Backpack 4 Kids	33,649
Lakes FISH	180,627
Making a Difference Foundation Mobile #1	32,151
Making a Difference	648,675
Nourish Mobile Food Bank	237,864
Nourish Pierce County	3,918
NW Tacoma FISH	90,396
Orting Food Bank	37,654
Prince of Peace Food Closet	8,480
Puyallup Valley	153,999
Salvation Army Puyallup	26,601
SE Tacoma FISH	355,313
Spanaway	6,956
St. Andrews	<u>13,669</u>

TOTAL SUBAWARDS CFDA #10.178	\$ <u>2,744,853</u>
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EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended December 31, 2020

NOTE 3 - SUBAWARDS (Continued)

Emergency Food Network of Tacoma and Pierce County passed through federal awards under CFDA #21.019 to the following subrecipients:

All Saints Community Services	\$ 4,770
BASH Food Bank	20,590
Bischoff Key Peninsula Food Bank	16,794
Bonney Lake Community Food Bank	53,567
Bounty Food Bank	14,754
Buckley Kiwanis Food Bank	2,222
Calvary Baptist Church	6,407
Eatonville Family Agency	23,157
Edgewood Nourish Food Bank	33,493
Families Unlimited (UP) Food Bank	17,956
Fife/Milton Food Bank	5,553
Food Connection	189,652
Food Connection - Lakewood	18,524
Food Connection (C)	21,876
Gateway Care Food Pantry	431
Gig Harbor Peninsula FISH	10,605
Graham Nourish Food Bank	23,281
Harvest House Food Bank	29,201
Key Peninsula Community Services	26,384
Lake City Community Church	15,801
Lakes Area Nourish Food Bank	33,067
Life Center Rainier Food Bank	6,510
Making a Difference Foundation	549,308
My Sisters Pantry Food Bank	9,973
Network Tacoma Food Bank	5,899
New Jerusalem Food Pantry	10,400
Northwest Community Church	1,358
Nourish Pierce County	478,511
NW Nourish Food Bank	23,340
Orting Food Bank	21,493
Parkway Community Services Food Pantry	56,176
PCAF	1,296
Peninsula BP4Kids	52,776
Prince of Peace Food Bank	1,405
Puyallup Food Bank	76,979
Salvation Army (Puyallup) Food Bank	2,221
Salvation Army Puyallup	8,234
Salvation Army Tacoma	35,273
Samoan Family Services	5,867

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended December 31, 2020

NOTE 3 - SUBAWARDS (Continued)

SE Tacoma Nourish Food Bank	\$ 65,659
SeaMar Community Health Centers	1,180
Spanaway Food Bank	8,091
St. Andrew Emmanuel Food Pantry	6,655
Sumner Community Food Bank	13,943
Tacoma Adventists Community Services	63,307
Tacoma Community House	11,970
The Blessings Food Pantry	14,389
Tillicum/American Lake Gardens Cmty Ctr	3,921
Trinity Community Food Pantry	8,066
WLSA Food Pantry	<u>10,674</u>

TOTAL SUBAWARDS CFDA #21.019	\$ <u>2,122,959</u>
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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, 2020, 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 15, 2021.

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.

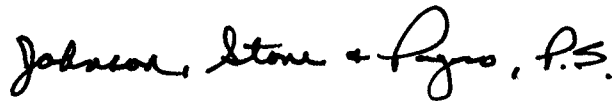
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not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



JOHNSON, STONE & PAGANO, P.S.

September 15, 2021



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, 2020. 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 its 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 its major federal programs for the year ended December 31, 2020.

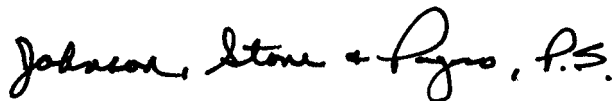
Report on Internal Control over Compliance

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 program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 15, 2021

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND PRIOR YEAR AUDIT FINDINGS

Year Ended December 31, 2020

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

21.019 COVID-19 Department of Treasury	
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, 2020

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

2019-001 Schedule of Federal Awards

The SEFA, as originally prepared, was materially misstated. This finding was corrected during 2020.