

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

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

December 31, 2022

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

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Reports on Compliance and Internal Control

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INDEPENDENT AUDITOR'S REPORT 1-3

AUDITED FINANCIAL STATEMENTS

Statement of Financial Position	4-5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows.....	8-9
Notes to Financial Statements.....	10-19

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards.....	20
Notes to Schedule of Expenditures of Federal Awards	21-22

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23-24
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	25-27
Schedule of Findings and Questioned Costs	28-29
Corrective Action Plan	30



1501 Regents Blvd., Suite 100

Fircrest, WA 98466-6060

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, 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 ("U.S. GAAP").

Emphasis of Matter

As discussed in Note 10 to the financial statements, the Organization has adopted the provisions of the Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases*, as of January 1, 2022 using the modified retrospective approach. Our opinion is not modified with respect to the matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements were issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Matters

Report on Summarized Comparative Information

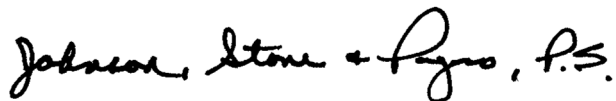
We have previously audited Emergency Food Network of Tacoma and Pierce County's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2022. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements, from which it has been derived.

Supplementary 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, 2022, as required by Title 2 U.S. *Code of Federal Regulations* 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 U.S. GAAS. In our opinion, 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 1, 2023 on our consideration of the Organization'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 solely 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 the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.



JOHNSON, STONE & PAGANO, P.S.

September 1, 2023

AUDITED FINANCIAL STATEMENTS

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

STATEMENT OF FINANCIAL POSITION

December 31, 2022 with Comparative Totals for 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,836,422	\$ 3,795,796
Grants receivable	336,395	942,550
Pledges receivable, net of allowance for uncollectible pledges	339,181	13,750
Prepaid expenses	47,966	45,994
Inventory - donated	1,162,500	1,088,971
Inventory - purchased	<u>494,654</u>	<u>758,859</u>
Total Current Assets	7,217,118	6,645,920
NON-CURRENT ASSETS		
Cash and cash equivalents, restricted for capital project and endowment	1,504,728	7,500
Pledges receivable, restricted for capital project, net of present value discount	<u>182,613</u>	<u> </u>
Total Non-current Assets	1,687,341	7,500
PROPERTY AND EQUIPMENT		
Operating right-of-use asset, net	5,553	
Construction in progress	241,279	
Building and improvements	2,332,794	2,332,794
Land	485,259	485,259
Land improvements	465,566	465,566
Farm equipment	176,749	174,194
Vehicles	910,492	910,492
Warehouse equipment	<u>623,166</u>	<u>602,471</u>
	4,994,026	4,970,776
Less accumulated depreciation	<u>2,125,292</u>	<u>1,877,022</u>
Total Property and Equipment	<u>3,115,566</u>	<u>3,093,754</u>
TOTAL ASSETS	<u>\$ 12,020,025</u>	<u>\$ 9,747,174</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, 2022 with Comparative Totals for 2021

	<u>2022</u>	<u>2021</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 130,729	\$ 74,451
Accrued wages and payroll taxes	28,232	22,618
Accrued vacation	60,604	40,253
Accrued expenses	12,624	5,979
Operating lease liability due within one year	<u>2,956</u>	<u></u>
Total Current Liabilities	235,145	143,301
LONG-TERM LIABILITIES		
Operating lease liability, less portion due within one year	<u>2,597</u>	<u></u>
Total Liabilities	237,742	143,301
NET ASSETS		
Without donor restrictions	9,144,057	8,705,463
With donor restrictions	<u>2,638,226</u>	<u>898,410</u>
Total Net Assets	<u>11,782,283</u>	<u>9,603,873</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,020,025</u>	<u>\$ 9,747,174</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, 2022 with Comparative Totals for 2021

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
<u>SUPPORT AND REVENUE</u>				
MONETARY SUPPORT AND REVENUE				
Government grants	\$ 3,492,354		\$ 3,492,354	\$ 4,225,915
Community contributions and special events	1,385,721	\$ 239,046	1,624,767	1,559,575
Private foundations	1,087,555		1,087,555	1,329,492
Capital campaign contributions		2,236,999	2,236,999	
Interest income	4,056		4,056	2,800
Other income	900		900	350
Loan forgiveness Paycheck Protection Program				283,612
Net assets released from restrictions	515,048	(515,048)		
Total Monetary Support and Revenue	<u>6,485,634</u>	<u>1,960,997</u>	<u>8,446,631</u>	<u>7,401,744</u>
IN-KIND SUPPORT AND REVENUE				
Community contributions	17,318,957		17,318,957	17,979,538
Government grants	3,193,107		3,193,107	5,033,496
Rent	28,800		28,800	28,800
Government grants released from restrictions	221,181	(221,181)		
Total In-kind Support and Revenue	<u>20,762,045</u>	<u>(221,181)</u>	<u>20,540,864</u>	<u>23,041,834</u>
Total Support and Revenue	27,247,679	1,739,816	28,987,495	30,443,578
<u>EXPENSES</u>				
PROGRAM SERVICES				
Food banks	25,598,765		25,598,765	28,462,874
Farm	308,082		308,082	270,430
SUPPORTING SERVICES				
Management and general	381,026		381,026	347,037
Fundraising	521,212		521,212	401,879
Total Expenses	<u>26,809,085</u>		<u>26,809,085</u>	<u>29,482,220</u>
CHANGE IN NET ASSETS	438,594	1,739,816	2,178,410	961,358
Net Assets at Beginning of Year	<u>8,705,463</u>	<u>898,410</u>	<u>9,603,873</u>	<u>8,642,515</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,144,057</u>	<u>\$ 2,638,226</u>	<u>\$ 11,782,283</u>	<u>\$ 9,603,873</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, 2022 with Comparative Totals for 2021

	Program Services			Supporting Services			Total Expenses	
	Food Banks	Farm	Total	Management and General	Fundraising	Total	2022	2021
GOVERNMENT GRANTS								
EFAP program	\$ 945,635		\$ 945,635				\$ 945,635	\$ 614,395
EFSP program	75,000		75,000				75,000	170,238
TEFAP program	498,623		498,623				498,623	572,393
TMP program								8,772
Total Government Grants	1,519,258		1,519,258				1,519,258	1,365,798
Salaries, benefits and payroll taxes	885,466	\$ 217,198	1,102,664	\$ 223,713	\$ 355,353	\$ 579,066	1,681,730	1,516,282
Food and related expenses	1,487,321		1,487,321				1,487,321	1,109,083
Depreciation	248,269		248,269				248,269	224,010
Facility and equipment expense	163,359	4,519	167,878		3,400	3,400	171,278	139,422
Office expenses	21,653	270	21,923	26,462	98	26,560	48,483	51,614
Insurance and other fees	36,439	943	37,382	72,327	7,398	79,725	117,107	116,025
Contracts services	15,906	625	16,531	49,559	15,148	64,707	81,238	103,317
Marketing and events	21,498	48	21,546		139,239	139,239	160,785	66,705
Travel, training and meeting expense	2,633	100	2,733	7,636	576	8,212	10,945	5,144
Farm expenses		55,579	55,579				55,579	35,812
Bad debt (recovery)	3		3	(223)		(223)	(220)	220
Capital fund expenses				1,552		1,552	1,552	
Emergency response - COVID-19	499,220		499,220				499,220	1,078,750
Total Before In-kind Expenses	4,901,025	279,282	5,180,307	381,026	521,212	902,238	6,082,545	5,812,182
IN-KIND EXPENSES								
Food	17,283,452		17,283,452				17,283,452	18,665,113
Government grants	3,414,288		3,414,288				3,414,288	4,976,125
Rent		28,800	28,800				28,800	28,800
Total In-kind Expenses	20,697,740	28,800	20,726,540				20,726,540	23,670,038
TOTAL EXPENSES	<u>\$ 25,598,765</u>	<u>\$ 308,082</u>	<u>\$ 25,906,847</u>	<u>\$ 381,026</u>	<u>\$ 521,212</u>	<u>\$ 902,238</u>	<u>\$ 26,809,085</u>	<u>\$ 29,482,220</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, 2022 with Comparative Totals for 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and public support	\$ 8,540,906	\$ 6,540,713
Cash paid to suppliers and employees	(5,794,951)	(5,620,550)
Interest received	<u>4,056</u>	<u>2,800</u>
Net Cash Provided by Operating Activities	2,750,011	922,963
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchased property and equipment	(212,157)	(864,394)
Cash received from sale of property and equipment	<u>350</u>	<u>350</u>
Net Cash Used by Investing Activities	<u>(212,157)</u>	<u>(864,044)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,537,854	58,919
Cash and Cash Equivalents at Beginning of Year	<u>3,803,296</u>	<u>3,744,377</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,341,150</u>	<u>\$ 3,803,296</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 4,836,422	\$ 3,795,796
Restricted cash and cash equivalents	<u>1,504,728</u>	<u>7,500</u>
	<u>\$ 6,341,150</u>	<u>\$ 3,803,296</u>
NONCASH INVESTING ACTIVITIES		
Purchase of improvements and equipment in accounts payable	<u>\$ 52,371</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)

Years Ended December 31, 2022 with Comparative Totals for 2021

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 2,178,410	\$ 961,358
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Amortization of operating right-of-use asset	2,791	
Depreciation	248,269	224,010
Gain on sale of property and equipment		(350)
Bad debt recovery	(220)	(17,580)
Discount of Capital campaign pledges to present value	12,993	
Inventory - donated		
Donated food	(19,061,002)	(23,419,915)
Distribution of donated food	18,987,473	23,609,870
Loan forgiveness Paycheck Protection Program		(283,612)
(Increase) decrease in		
Grants receivable	606,155	(606,346)
Pledges receivable	(520,817)	31,727
Prepaid expenses	(1,972)	(8,314)
Inventory - purchased, net of distributions	264,205	464,754
Increase (decrease) in		
Accounts payable	3,907	(44,506)
Accrued wages and payroll taxes	5,614	5,324
Accrued vacation	20,351	564
Accrued expenses	6,645	5,979
Operating lease liability	(2,791)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,750,011</u>	<u>\$ 922,963</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, 2022 with Comparative Totals for 2021

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.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 with Comparative Totals for 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Amounts pledged over a period greater than one year are presented in the statements of financial position net of a discount to their present value. The discount is calculated based on length of the pledge and the applicable US Department of the Treasury interest rates as of December 31, 2022.

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, 2022 and 2021, donated inventory is stated at an industry standard of \$1.82 per pound, respectively. Government surplus commodities are stated at prices established by the United States Department of Agriculture. As of December 31, 2022 and 2021, inventory consists of the following:

	<u>2022</u>	<u>2021</u>
Donated	\$ 618,305	\$ 323,594
Government grants	<u>544,195</u>	<u>765,377</u>
	1,162,500	1,088,971
Purchased	<u>494,654</u>	<u>758,859</u>
Total	\$ <u>1,657,154</u>	\$ <u>1,847,830</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 \$2,500 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 5 to 20 years. Depreciation for the building and improvements is provided using the straight-line method over its estimated useful life of 10 to 39 years. Depreciation expense for the years ended December 31, 2022 and 2021 was \$248,269 and \$224,010, respectively.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 with Comparative Totals for 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022 and 2021 were 11,555 and 8,667, respectively.

The value of donated food from community contributions included as in-kind donations for the years ended December 31, 2022 and 2021 is \$17,318,957 and \$17,979,538, respectively, and are correspondingly valued at \$1.82 per pound for 2022 and 2021. Community contributions for the same years then ended represent 60% and 59% of total support and revenue, respectively.

The value of donated food from the Department of Agriculture ("DOA") included as in-kind contributions for the years ended December 31, 2022 and 2021 is \$3,193,107 and \$5,033,496, 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 11% and 17% of total support and revenues for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 is \$28,000.

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 \$160,785 and \$66,705 in 2022 and 2021, respectively.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 with Comparative Totals for 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022, and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for their existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Subsequent Events

The management of the Organization evaluated subsequent events and transactions for potential recognition and disclosure through September 1, 2023, the date the financial statements were available to be issued.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 with Comparative Totals for 2021

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,836,422	\$ 3,795,796
Cash and cash equivalents restricted for capital projects and endowment	1,504,728	7,500
Grants receivable	336,395	942,550
Pledges receivable, net of allowance for uncollectible pledges and present value discount	<u>521,794</u>	<u>13,750</u>
Total financial assets	7,199,339	4,759,596
Cash and cash equivalents restricted for capital projects and endowment	(1,504,728)	(7,500)
Pledge receivables, net	(521,794)	(13,750)
Net assets restricted for other programs	<u>(67,509)</u>	<u>(111,783)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ <u>5,105,308</u>	\$ <u>4,626,563</u>

The Organization also has a \$400,000 line of credit available to draw upon for operating cash management purposes (see Note 5).

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

NOTE 3 - CONCENTRATION OF CREDIT RISK

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

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 with Comparative Totals for 2021

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Amounts due in less than one year	\$ 339,181	\$ 13,970
Amounts due in one to three years	195,606	
Less present value discount for long-term pledges	(12,993)	
Less allowance for uncollectible pledges	<u> </u>	<u>(220)</u>
Pledges Receivable, net	\$ <u>521,794</u>	\$ <u>13,750</u>

During the year ended December 31, 2022, pledges receivable, net, increased substantially due to the Organization's ongoing Capital Campaign (the "Campaign"). The purpose of the Campaign is to raise funds for a new inventory warehouse. A portion of outstanding Campaign pledges are due in one to three years. These multi-year pledges are discounted to present value using interest rates published by the US Department of the Treasury. See Note 6 for further disclosure of the Campaign.

Management has evaluated the collectability of pledges outstanding, noting the increased balance for the year ended December 31, 2022. No collection issues are foreseen for Campaign pledges. As such, management did not record an allowance for uncollectible pledges for the year ended December 31, 2022. For the year ended December 31, 2021 the allowance was \$220.

NOTE 5 - LINE OF CREDIT

The Organization has an available \$400,000 revolving line of credit with a bank that expires in November 2024, 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, 2022 was 8.25%. There was no amount outstanding on the line as of December 31, 2022 or 2021.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 with Comparative Totals for 2021

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Restricted for purpose or time		
Other programs	\$ 92,363	\$ 125,533
Purchase of food	544,195	765,377
Capital campaign	<u>1,994,168</u>	<u>890,910</u>
	2,630,726	
Donor restricted endowment corpus	<u>7,500</u>	<u>7,500</u>
Total	\$ <u>2,638,226</u>	\$ <u>898,410</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.

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. For the years ended December 31, 2022 and 2021, there was a distribution of \$700. The balance of the fund as of December 31, 2022 and 2021 was \$14,758 and \$18,322, 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, 2022 and 2021 \$79,435 and \$67,184, respectively, was contributed on behalf of the employees.

NOTE 9 - RELATED PARTY TRANSACTIONS

A board member, as of December 31, 2021, is the employee of an investment company in which the Organization has a cash account in the amount of \$97,924 and \$73,733 at December 31, 2022 and 2021, respectively. As of December 31, 2022, this individual is no longer a member of the board.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 with Comparative Totals for 2021

NOTE 10 - ADOPTION OF ACCOUNTING STANDARDS CODIFICATION TOPIC 842

Effective January 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The organization elected to apply the guidance as of January 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC Topic 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statement of activities as a single lease cost, and finance lease costs are recognized in two components, interest expense and amortization expense; the Organization exclusively has operating leases.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022, the beginning of the adoption period, an operating lease liability of \$8,344, and an operating right-of-use asset of \$8,344. The adoption of the new standard did not materially impact the Organization's statements of operations or statements of cash Flows. See Note 11 for further disclosure of the Organization's lease contracts.

NOTE 11 - LEASES

The Organization leases a copier machine under a long-term, non-cancelable operating lease agreement. The lease expires in November 2024, at which point the Organization will have the option to purchase the equipment for fair market value. The lease agreement requires the Organization to pay applicable taxes and insurance. Regarding maintenance and repairs, the Organization has a service agreement for the duration of the lease that covers routine repairs and maintenance.

The weighted-average discount rate is based on the discount implicit in the lease. If the implicit rate is not readily determinable from the lease, the Organization estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Organization's applicable borrowing rates and the contractual lease term.

Furthermore, the Organization has additional operating leases of farmland and real equipment (see Note 1, In-kind Donations for further disclosure of the former). Combined, these leases account for less than 1% of the Organization's annual expenses and are excluded from the disclosures below.

Total lease costs for the year ended December 31, 2022 were as follows:

Operating lease cost	\$ 3,198
Variable lease cost	<u>1,420</u>
Total lease cost	\$ <u>4,618</u>

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 with Comparative Totals for 2021

NOTE 11 - LEASES (Continued)

Total lease expense under noncancelable leases was \$3,204 for the year ended December 31, 2021.

The following table summarizes the supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ <u>4,618</u>

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

Weighted-average remaining lease term	
Operating leases	22 months
Weighted average discount rate	
Operating leases	5.75%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of December 2022.

	<u>Operating</u>
2023	\$ 3,198
2024	<u>2,666</u>
Total Lease Payments	5,864
Less amounts representing interest	<u>(311)</u>
Present Value of Lease Liabilities	5,553
Less current portion of operating lease liabilities	<u>(2,956)</u>
Long-term Portion of Operating Lease Liability	\$ <u>2,597</u>

The following disclosures are in accordance with FASB ASC 840 for December 31, 2021.

The Organization entered into an operating lease for the equipment under a noncancelable lease that expires in 2024. Monthly lease payments of \$267 are included in the office expense.

Base rental expense for the year ended December 31, 2021 was \$3,204.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 with Comparative Totals for 2021

NOTE 12 - 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 13 - COMMITMENTS

After December 31, 2022, the Organization signed various contracts to build a new warehouse with a cost of \$8 million.

SUPPLEMENTARY INFORMATION

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2022

Program Title	Federal ALN 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	K2768		\$ 498,623
Capital expenditures	10.568	K2768		4,901
Food commodities	10.569	K2768		3,522,199
Food Distribution Cluster - Commodity Supplemental Food Program				
Administrative costs	10.565	K2768		32,200
Food commodities	10.565	K2768		29,480
Total Department of Agriculture				<u>4,087,403</u>
DEPARTMENT OF TREASURY				
Passed through State of Washington				
Emergency Food Assistance Program				
EFAP COVID-19 State Fiscal Recovery Fund	21.027	K3484	\$ 177,115	358,928
EFAP COVID-19 State Fiscal Recovery Fund	21.027	K3484		9,648
EFAP COVID-19 State Fiscal Recovery Fund - Resiliency	21.027	K4030		294,730
EFAP COVID-19 State Fiscal Recovery Fund - Resiliency, capital expenditures	21.027	K4030		13,811
Farm to Food Pantry Initiative 2	21.027	Unknown		41,468
Passed through Pierce County				
COVID-19 Pierce County ADR Grant State Fiscal Recovery Fund	21.027	SC-108488	232,091	480,000
Passed through City of Tacoma				
COVID-19 City of Tacoma ARPA Grant	21.027	CW2227568	195,911	583,489
COVID-19 City of Tacoma ARPA Grant (Capital Expenditures)	21.027	CW2227568		100,000
Passed through Northwest Harvest				
EFAP COVID-19 State Fiscal Recovery Fund - We Feed Washington	21.027	K3999		40,599
Total Department of Treasury			<u>605,117</u>	<u>1,922,673</u>
DEPARTMENT OF HOMELAND SECURITY				
Passed through United Way of America: EFSP				
Emergency Food and Shelter National Board Program	97.024	LRO891400-001		75,000
Total Department of Homeland Security				<u>75,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 605,117</u>	<u>\$ 6,085,076</u>

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2022

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, 2022. 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 use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - SUBAWARDS

Emergency Food Network of Tacoma and Pierce County passed through federal awards under Assistance Listing Number ("ALN") #21.027 to the following subrecipients:

All Saints Community Services	\$ 507
BASH Food Bank	4,548
Bischoff Key Peninsula Food Bank	3,747
Bonney Lake Community Food Bank	23,061
Bounty Food Bank	13,659
Bread of Life Food Bank	2,178
Eatonville Family Agency Food Bank	2,422
Edgewood Community Nourish Food Bank	22,869
Fife/Milton/Edgewood Food Bank	2,232
Food Connection - St. Leo Parish	96,552
Gateway Church CARE Food Pantry	1,417
Gig Harbor Peninsula FISH	2,311
Graham Nourish Food Bank	8,720
Harvest House/Community Cares	2,924

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended December 31, 2022

NOTE 3 - SUBAWARDS (Continued)

Hope Point Church	\$ 10,150
Jackson Nourish	1,018
Key Peninsula Community Services	5,750
Lakes Area Nourish Food Bank	34,345
Making a Difference Foundation	51,584
My Sisters Pantry Food Bank	4,389
Network Tacoma Food Bank	4,820
New Jerusalem Food Pantry	4,620
Nourish Food Banks of Pierce County	60,018
Nourish Food Bank - Mobile 1	26,958
Nourish Food Bank - Mobile 2	9,363
NW Tacoma Nourish Food Bank	11,428
Orting Food Bank	2,601
Parkway Community Services Food Pantry	15,065
Peninsula Community Foundation BP4Kids	5,612
Prince of Peace Food Closet	691
Puyallup Food Bank	5,649
Salvation Army Puyallup	557
Salvation Army Tacoma	12,646
Samoan Family Services	11,008
SE Tacoma Nourish Food Bank	62,413
Spanaway Food Bank	1,325
St. Andrew Emmanuel Food Pantry	737
Sumner Community Food Bank	7,354
Tacoma Adventists Community Services	40,121
The Blessings Food Pantry	20,899
Trinity Community Food Pantry	2,031
University Place Food Bank	3,347
WLSA Food Pantry	<u>1,471</u>

TOTAL SUBAWARDS ALN 21.027 **\$ 605,117**

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, 2022, 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 1, 2023.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 entity'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.

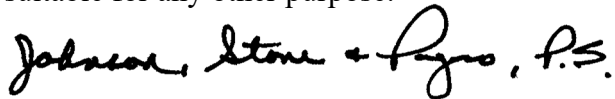
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 financial statements. 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 entity'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 1, 2023



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

Opinion on 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 identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. 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.

In our opinion, the Organization complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"); 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* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* require the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

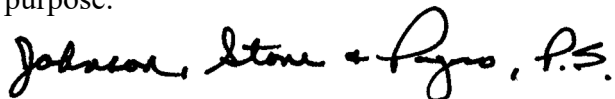
Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a significant deficiency.

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 a 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. We considered the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* require the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance; accordingly, we express no opinion on the response.

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



JOHNSON, STONE & PAGANO, P.S.

September 1, 2023

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	Yes

Identification of Major Programs

21.027 Coronavirus State and Local Fiscal Recovery Funds
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

Section II - Financial Statement Findings

No matters were noted.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended December 31, 2022

Section III - Federal Award Findings and Questioned Costs

2022-001 Suspension and Debarment

Funding Agency: Department of Treasury

ALN: 21.027

Criteria

The Organization is required to confirm annually that its subrecipients are not suspended or debarred and have an active system award management ("SAM") number, in accordance with Uniform Guidance.

Condition

The Organization did not confirm that its subrecipients are not suspended or debarred, nor whether they have an active SAM number.

Context

The Organization did not confirm that its subrecipients are not suspended or debarred, nor whether they have an active SAM number, during the year then ended December 31, 2022.

Effect

Federal expenditures for ALN 21.027 were passed by the Organization to subrecipients, wherein there was a moderate possibility the subrecipients' unfavorable suspension or debarment status, or lack of an active SAM number, was undetected.

Cause

The Organization confirms that its subrecipients are not suspended or debarred, and whether they have an active SAM number, on a bi-annual basis, however, confirmation was not obtained during the year then ended December 31, 2022.

Auditor's Recommendation

We recommend staff training to review suspension and debarment, and SAM number status of subrecipients. We also recommend the implementation of annual confirmation of subrecipients' suspension and debarment and SAM number status.

Section IV - Prior Year Audit Findings

2021-001 Schedule of Federal Awards

The SEFA as originally prepared, was materially misstated. This finding was corrected during 2022.

EMERGENCY FOOD NETWORK OF TACOMA AND PIERCE COUNTY

CORRECTIVE ACTION PLAN

Year Ended December 31, 2022



...so that no person goes hungry.

CORRECTIVE ACTION PLAN IN RESPONSE TO:

Schedule of Findings and Questioned Costs

Year End December 31, 2022

Section III – Federal Award Findings

2022-001 Schedule of Federal Awards

Finding:

The Organization did not confirm that its subrecipients are not suspended or debarred, nor whether they have an active SAM number.

Auditor's recommendation:

We recommend staff training to review suspension and debarment, and SAM number status of subrecipients. We also recommend the implementation of annual confirmation of subrecipients' suspension and debarment and SAM number status.

Actions Taken:

EFN shall provide staff training to immediately review, verify, and document suspension and debarment, and SAM number status of subrecipients and schedule annual reviews, verification to document that the verification was conducted. Oversight of this process shall be monitored by the Director of Finance to ensure compliance of grant subrecipients.

Individual responsible for corrective action plan implementation:

Cynthia L. Chavez – Interim Director of Finance

Date of corrective action plan implementation:

08/25/2023

