



Clark County Food Bank

Financial Statements, Single Audit Reports, and Other
Information as of and for the Year Ended June 30, 2019
and Reports of Independent Accountants

CLARK COUNTY FOOD BANK

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REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
Clark County Food Bank:*

Report on the Financial Statements

We have audited the accompanying financial statements of Clark County Food Bank, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, 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; 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 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 Clark County Food Bank as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As discussed in note 4 to the financial statements, in 2019 Clark County Food Bank adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards on page 19, 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. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Summarized Comparative Information

We have previously audited Clark County Food Bank’s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of Clark County Food Bank’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 the effectiveness of Clark County Food Bank’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 Clark County Food Bank’s internal control over financial reporting and compliance.



Handwritten signature of the auditor, appearing to read "C. G. & CO. LLP".

November 22, 2019

CLARK COUNTY FOOD BANK

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(WITH COMPARATIVE AMOUNTS FOR 2018)

| | 2019 | 2018 |
|--|----------------------|------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 2,819,983 | 2,912,247 |
| Contracts receivable | 93,058 | 58,643 |
| Contributions and grants receivable <i>(note 5)</i> | 149,483 | 264,808 |
| Investments <i>(note 6)</i> | 1,608,113 | 850,898 |
| Beneficial interest in assets held by The Community Foundation for Southwest Washington <i>(note 7)</i> | 19,032 | 18,408 |
| Inventories <i>(note 8)</i> | 390,746 | 587,981 |
| Prepaid expenses | 148,701 | 20,247 |
| Property and equipment <i>(note 9)</i> | 5,109,412 | 5,159,376 |
| Total assets | \$ 10,338,528 | 9,872,608 |
| Liabilities: | | |
| Accounts payable and accrued expenses | 23,352 | 41,143 |
| Accrued payroll and related expenses | 61,615 | 61,068 |
| Deferred revenue | 18,500 | 17,500 |
| Total liabilities | 103,467 | 119,711 |
| Net assets: | | |
| Without donor restrictions: | | |
| Available for programs and general operations | 4,879,247 | 4,149,007 |
| Board-designated endowment <i>(note 7)</i> | 19,032 | 14,429 |
| Net investment in capital assets | 5,109,412 | 5,159,376 |
| Total without donor restrictions | 10,007,691 | 9,322,812 |
| With donor restrictions <i>(note 11)</i> | 227,370 | 430,085 |
| Total net assets | 10,235,061 | 9,752,897 |
| Commitments and contingencies <i>(notes 5, 9, 10, 15, 18, and 19)</i> | | |
| Total liabilities and net assets | \$ 10,338,528 | 9,872,608 |

See accompanying notes to financial statements.

CLARK COUNTY FOOD BANK

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

| | 2019 | | Total | 2018 |
|---|----------------------------|-------------------------|------------|------------|
| | Without donor restrictions | With donor restrictions | | |
| Operating revenues, gains, and other support: | | | | |
| Contributions and grants | \$ 1,472,648 | 280,513 | 1,753,161 | 1,878,453 |
| Governmental contracts (<i>note 12</i>) | 468,081 | – | 468,081 | 378,858 |
| Donated food (<i>note 12</i>) | 9,844,371 | – | 9,844,371 | 9,278,074 |
| Special events, net of direct costs of \$91,210 in 2019 and \$83,520 in 2018 | 353,076 | – | 353,076 | 346,346 |
| Net change in beneficial interest in assets held by The Community Foundation for Southwest Washington (<i>note 7</i>) | 624 | – | 624 | 399 |
| Investment return (<i>note 6</i>) | 36,482 | – | 36,482 | 15,524 |
| Other | 59,821 | – | 59,821 | 6,393 |
| Total revenues and gains | 12,235,103 | 280,513 | 12,515,616 | 11,904,047 |
| Net assets released from restrictions for operating purposes (<i>note 13</i>) | 324,257 | (324,257) | – | – |
| Total operating revenues, gains, and other support | 12,559,360 | (43,744) | 12,515,616 | 11,904,047 |
| Expenses (<i>note 14</i>): | | | | |
| Program services | 11,464,721 | – | 11,464,721 | 10,478,548 |
| Management and general | 209,461 | – | 209,461 | 199,587 |
| Fundraising | 359,270 | – | 359,270 | 303,064 |
| Total expenses | 12,033,452 | – | 12,033,452 | 10,981,199 |
| Increase (decrease) in net assets before non-operating activity | 525,908 | (43,744) | 482,164 | 922,848 |
| Non-operating activity: | | | | |
| Net assets released from restrictions for capital purposes (<i>note 13</i>) | 158,971 | (158,971) | – | – |
| Increase (decrease) in net assets | 684,879 | (202,715) | 482,164 | 922,848 |
| Net assets at beginning of year (<i>note 4</i>) | 9,322,812 | 430,085 | 9,752,897 | 8,830,049 |
| Net assets at end of year | \$ 10,007,691 | 227,370 | 10,235,061 | 9,752,897 |

See accompanying notes to financial statements.

CLARK COUNTY FOOD BANK

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

| | 2019 | | | Total | 2018 |
|---|------------------|------------------------|-------------|------------|------------|
| | Program services | Management and general | Fundraising | | |
| Salaries and related expenses | \$ 702,287 | 122,799 | 179,117 | 1,004,203 | 874,897 |
| Contracted labor | 71,201 | 5,250 | – | 76,451 | 81,751 |
| Food distribution | 9,652,588 | – | – | 9,652,588 | 8,936,108 |
| Food purchases and shrinkage | 494,507 | – | 373 | 494,880 | 404,999 |
| Donor outreach | – | 3,250 | 96,258 | 99,508 | 74,789 |
| Professional services | 7,004 | 85,107 | 6,978 | 99,089 | 116,946 |
| Maintenance, repairs, and improvements | 41,838 | 9,985 | 206 | 52,029 | 51,558 |
| Stakeholder development and meetings | 26,251 | 58,629 | 590 | 85,470 | 50,381 |
| Occupancy | 66,051 | 13,411 | 901 | 80,363 | 47,569 |
| Insurance | 21,745 | 11,327 | 470 | 33,542 | 29,016 |
| Information technology | 8,611 | 8,260 | 5,819 | 22,690 | 18,484 |
| Warehouse operations | 47,358 | – | – | 47,358 | 18,279 |
| Printing and postage | 3,267 | 2,077 | 3,475 | 8,819 | 12,415 |
| Farming | 2,985 | – | – | 2,985 | 8,217 |
| Equipment | 10,300 | 1,277 | – | 11,577 | 10,847 |
| Dues and subscriptions | 4,159 | 1,173 | 34 | 5,366 | 2,505 |
| Transportation | 1,030 | 1,786 | 11 | 2,827 | 2,593 |
| Office supplies | 2,437 | 1,323 | 650 | 4,410 | 3,876 |
| Other | 7,544 | 1,934 | 16,967 | 26,445 | 33,654 |
| Total expenses before depreciation and allocation of indirect costs | 11,171,163 | 327,588 | 311,849 | 11,810,600 | 10,778,884 |
| Depreciation and amortization | 195,326 | 5,654 | 21,872 | 222,852 | 202,315 |
| Allocation of indirect costs | 98,232 | (123,781) | 25,549 | – | – |
| Total expenses | \$ 11,464,721 | 209,461 | 359,270 | 12,033,452 | 10,981,199 |

See accompanying notes to financial statements.

CLARK COUNTY FOOD BANK

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

| | 2019 | 2018 |
|--|--------------|-------------|
| Cash flows from operating activities: | | |
| Cash received from contributors, grantors, and others | \$ 2,535,260 | 2,427,987 |
| Cash paid to employees, suppliers, and others | (1,922,337) | (1,521,214) |
| Interest income received | 32,604 | 15,524 |
| Net cash provided by operating activities | 645,527 | 922,297 |
| Cash flows from investing activities: | | |
| Purchase of capital assets | (172,888) | (93,803) |
| Purchase of investments | (1,200,871) | (1,350,150) |
| Proceeds from the sale of investments | 463,262 | 500,826 |
| Reinvestment of interest and dividend income | (15,728) | (1,574) |
| Net cash used in investing activities | (926,225) | (944,701) |
| Cash flows from financing activities: | | |
| Proceeds from contributions restricted for purchases of capital assets | 188,434 | 163,408 |
| Net cash provided by financing activities | 188,434 | 163,408 |
| Net increase (decrease) in cash and cash equivalents | (92,264) | 141,004 |
| Cash and cash equivalents at beginning of year | 2,912,247 | 2,771,243 |
| Cash and cash equivalents at end of year | \$ 2,819,983 | 2,912,247 |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

1. Organization

In 1985, the Clark County Food Bank became the primary, county-wide nonprofit food distribution organization as the successor of the Clark County Food Bank Coalition. Clark County Food Bank is affiliated with Feeding America through its connection with Oregon Food Bank, and provides bulk food to 43 partners at approximately 130 distribution sites. These sites include emergency food pantries, supplemental programs, and meal sites. Those programs, in turn, distribute the food to hungry and food-insecure individuals, families, and children of diverse cultural and ethnic backgrounds who are at or below 185 percent of federal poverty guidelines. The mission of the Clark County Food Bank is to alleviate hunger and its root causes.

Bulk food products are sourced from the USDA – The Emergency Food Assistance Program and Trade Mitigation Program, Washington State – Emergency Food Assistance Program, Northwest Harvest, Oregon Food Bank, and Clark County Food Bank’s Fresh Alliance partnership with area supermarkets. This is supplemented by annual Clark County food drives, including Walk & Knock and Letter Carriers, local donations, and the ten-acre Gardens for the Community Program.

Originally operating from an 8,000-square-foot, leased warehouse facility, staffed and managed through a contract with The Salvation Army, today, the Clark County Food Bank owns and operates a 22,000-square-foot food distribution center and two off-site food pantries to meet the ever-growing needs for its services. It is now well-positioned to continue to make a positive difference in the lives of the hungry and food-insecure in Clark County for the long term and to carry out the full intent of its mission.

2. Program Services

During the year ended June 30, 2019, the organization incurred program service expenses in the following major categories:

Food Collection and Distribution – Clark County Food Bank provided emergency food to hungry individuals and families through distribution of bulk food to 43 partners at approximately 130 distribution sites. During the 2019 fiscal year, the organization distributed about 6.5 million pounds of food products to partner agencies, resulting in over 115,000 individuals receiving food at our partner agency sites.

Community Kitchen – As a food bank, the organization wants to break down the barriers to food and ensure that every person in our community has access to healthy food. Clark County Food Bank responded to a need in the community by building a new food distribution site in Fruit Valley called Community Kitchen. Community Kitchen has been serving food and restoring hope in this neighborhood for countless families who struggle with hunger because they do not have adequate access to healthy food.

Community Outreach – There are two main ways we engage with our community. One is for us to simply go when invited to grocery stores, schools, businesses and community events. Another way is by providing educational and volunteer opportunities to those in our community. Events like S&VEN (Students & Veterans Engaging), Summer Explorers, and Youth Efforts Against Hunger are especially focused on engaging with the youth in our community.

Nutrition Education – To help alleviate the root cause of hunger and going beyond hand-outs, Clark County Food Bank strives to provide skills, resources, knowledge, and the confidence necessary to prepare, shop and plan for healthy, low-cost and easily prepared meals through our educational programs. Cooking Matters classes aim to help clients out of the emergency food system.

Farming – Beginning in 2009, Clark County Food Bank increased its commitment to provide fresh, healthy fruits and vegetables by growing them. With the help of volunteers, a ten-acre plot at Heritage Farm produces and local donated ground produces around 115,000 pounds of fresh vegetables for the food bank each year.

Gleaning – Gleaning events, involving numerous volunteers, growers, farmers' markets and donors, help connect Clark County food pantries with local growers, utilizing food that otherwise may go to waste.

3. Summary of Significant Accounting Policies

The significant accounting policies followed by Clark County Food Bank are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation – Net assets, revenues, gains and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the organization's net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor-imposed stipulations. From time to time, the Board of Directors may designate a portion of these net assets for particular purposes and objectives.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met either by actions of Clark County Food Bank and/or the passage of time. These balances represent the unexpended portion of donor-restricted contributions and investment return to be used for specific programs and activities as directed by the donor.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are also reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure 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 could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

Cash Equivalents – For purposes of the financial statements, the organization considers all liquid investments having initial maturities of three months or less to be cash equivalents. In addition, cash and certificates of deposit held as part of the organization’s investment portfolio, and where management’s intention is to use the cash or certificates of deposits to purchase investments to be held long-term, is classified as investments.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the statement of financial position. Whenever available, quotations from organized securities exchanges are used as the basis for fair value.

Net investment return, which includes both current yield (interest and dividend income) and net change in the fair value of investments, is reported in the statement of activities, net of investment expenses. Interest income is accrued as earned. All security transactions are recorded on a trade date basis.

Clark County Food Bank has some exposure to investment risks, including interest rate, market, and credit risks, for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Capital Assets and Depreciation – Capital assets are carried at cost, and initially at fair value when acquired by gift. Capital assets having a unit cost exceeding \$2,000 or more and an estimated useful life of more than one year are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally 3 to 10 years for furniture and equipment; 7 years for vehicles; five years for leasehold improvements, or the term of the lease, if shorter; and 39 years for buildings and related building and land improvements.

The organization periodically reviews the carrying amount of their capital assets whenever events or circumstances provide evidence that suggests that the carrying amount may not be recoverable. As of June 30, 2019, the organization does not believe there is any indication that the carrying values of their capital assets have been impaired during the year ended June 30, 2019.

Inventories – Inventories, which consist primarily of donated and purchased food, are carried at the lower of cost or market value. Cost is determined based on poundage and the nationally-calculated average, per-pound value (\$1.73 per pound for the year ended June 30, 2019). Food donations received from the United States Department of Agriculture (“USDA”) are based on a per case value, as stated by the USDA.

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the donor’s commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions and grants received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions.

Unconditional promises to give with payments due in future periods, are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows using credit adjusted discount rates which articulate to the collection period of the respective pledge. Such discount rates are not subsequently revised.

Contributions and grants receivable are reported net of an allowance for estimated uncollectible promises.

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, 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.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets restricted to the acquisition of capital assets with such donor stipulations are reported as net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets, in accordance with donors intent.

In-Kind Contributions – A number of unpaid volunteers have made significant contributions of their time to develop and implement Clark County Food Bank’s programs. Under generally accepted accounting principles, significant services received which create or enhance a non-financial asset or require specialized skills that the organization would have purchased if not donated are recognized in the statement of activities.

In-kind contributions of land, buildings, equipment, and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the organization’s activities.

During the year ended June 30, 2019, the organization recorded the following in-kind contributions:

| | |
|------------------------|--------------|
| Donated food | \$ 9,844,371 |
| Professional services | 36,000 |
| | <hr/> |
| | 9,880,371 |
| Special event supplies | 47,565 |
| | <hr/> |
| | \$ 9,927,936 |
| | <hr/> |

Benefits Provided to Donors at Special Events – Clark County Food Bank conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals, entertainment, and other benefits provided at special events is measured at the actual cost to the organization.

Revenue Recognition – All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Service revenues are recognized at the time services are provided and the revenues are earned.

Advertising Expenses – Advertising and promotional costs are charged to expense as they are incurred.

Concentrations of Credit Risk – The organization’s financial instruments consist primarily of cash equivalents, certificates of deposit, and a beneficial interest in assets held by The Community Foundation for Southwest Washington, which may subject the organization to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”).

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 for each depositor, for each insured bank, for each account ownership category. At June 30, 2019, the organization held \$2,280,310 in excess of FDIC coverage limits.

The organization’s beneficial interest in assets held by The Community Foundation for Southwest Washington is dependent upon changes in the fair values of the underlying investments and the ability of The Community Foundation for Southwest Washington to honor its commitment.

Certain receivables may also, from time to time, subject the organization to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the organization’s management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Measure of Operations – The organization includes in its measure of operations all revenue and expenses that are integral to its programs and supporting activities, net assets released from donor restrictions for operating purposes, and operating investment income. The measure of operations excludes net assets released from donor restrictions for capital purposes.

Income Taxes – The organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Clark County Food Bank derives its public charity status as an organization described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code.

Subsequent Events – Subsequent events have been evaluated by management through November 22, 2019, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2018 – The accompanying financial information as of and for the year ended June 30, 2018 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

4. Recently-Adopted Accounting Standards

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and the availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Clark County Food Bank implemented ASU No. 2016-14 during 2019 and has adjusted the presentation of these financial statements accordingly.

Net assets at June 30, 2018, as previously reported, are reclassified as follows:

| | Without donor restrictions | With donor restrictions | Total |
|------------------------|----------------------------|-------------------------|-----------|
| Unrestricted | \$ 9,322,812 | – | 9,322,812 |
| Temporarily restricted | – | 427,285 | 427,285 |
| Permanently restricted | – | 2,800 | 2,800 |
| | \$ 9,322,812 | 430,085 | 9,752,897 |

5. Contributions and Grants Receivable

Grants and contributions receivable at June 30, 2019 are summarized as follows:

| | |
|--|------------|
| <i>Unconditional promises expected to be collected in:</i> | |
| Less than one year | \$ 52,300 |
| One year to five years | 101,000 |
| | 153,300 |
| Less discount ¹ | (3,817) |
| | \$ 149,483 |

¹ Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2.23%.

In addition, at June 30, 2019, Clark County Food Bank had \$538,736 in governmental contracts available for future periods, the recognition of which was conditioned upon the incurrence of allowable costs. This contract revenue has not been included in the accompanying financial statements because the associated conditions had not been satisfied as of June 30, 2019.

6. Investments

Investments consist of the following at June 30, 2019:

| | |
|---|--------------|
| Brokered certificates of deposit (at fair value) | \$ 1,251,893 |
| Bank certificates of deposit | 100,726 |
| Money market funds | 255,494 |
| | <hr/> |
| | \$ 1,608,113 |

Total investment return for the year ended June 30, 2019 is summarized as follows:

| | |
|--|-----------|
| Interest and dividend income ¹ | \$ 32,604 |
| Net increase in the fair value of investments | 3,878 |
| | <hr/> |
| | \$ 36,482 |

¹ Interest income is presented net of external investment expenses.

7. Beneficial Interest in Assets Held by The Community Foundation for Southwest Washington

Clark County Food Bank has established a fund at The Community Foundation for Southwest Washington. The organization accounts for its interest in this fund using the equity method of accounting, which approximates the present value of the estimated expected future cash flow that will inure to the organization. The assets in the fund represent Board-designated endowment.

Changes in the organization's beneficial interest in these funds for the year ended June 30, 2019 are summarized as follows:

| | |
|---|-----------|
| Balance at beginning of year | \$ 18,408 |
| Plus increase in the fair value of the funds | 624 |
| | <hr/> |
| Balance at end of year | \$ 19,032 |

Under the terms of its agreement with The Community Foundation for Southwest Washington, the funds are invested at the discretion of the foundation and are held in a mixture of asset classes designed to maximize return while minimizing risk.

8. Inventories

At June 30, 2019, the organization's inventory consisted of 345,172 pounds of food available for distribution, valued at \$390,746, from the following sources:

| | |
|---|------------|
| Donated by supermarkets and individuals | \$ 216,680 |
| U.S. Department of Agriculture Northwest Harvest | 173,130 |
| Purchased for distribution | 540 |
| | 396 |
| | <hr/> |
| | \$ 390,746 |

9. Property and Equipment

A summary of property and equipment at June 30, 2019 is as follows:

| | |
|---|--------------|
| Land | \$ 653,540 |
| Building and improvements | 4,894,346 |
| Furniture and equipment | 318,905 |
| Vehicles | 432,693 |
| Leasehold improvements | 64,889 |
| | <hr/> |
| | 6,364,373 |
| Less accumulated depreciation and amortization | (1,254,961) |
| | <hr/> |
| | \$ 5,109,412 |

In February of 2011, the organization received grants from the State of Washington and Clark County, Washington for \$1,470,000 and \$466,000, respectively, to purchase land and build a food distribution center. Both grants require a deed of trust on the properties. The terms of the State of Washington and Clark County agreements require that the property must be used as a food bank to serve Clark County for a period of ten years (through 2021) and 30 years (through March of 2041), respectively.

The organization will be liable for the repayment of the grants upon the sale, transfer, refinancing, or change in use of the property. In such event, the organization must repay to the State of Washington a total of \$1,470,000, plus 5% compounded interest, and to Clark County a total of \$466,000, plus a proportionate share of the appreciated value of the property. As of June 30, 2019, the organization has complied with all restrictions referred to above, and also has the intention and ability to continue to comply with those restrictions. Accordingly, no associated liability has been recorded in the accompanying financial statements.

10. Line of Credit

At June 30, 2019, the organization maintained a line of credit in the amount of \$500,000, secured by all inventory, accounts, equipment, and general intangibles. The line bears interest at the prime rate (5.00% at June 30, 2019), plus 1.50%, but not less than 4.75%. The line matures in July of 2020. No balance was outstanding at June 30, 2019.

11. Net Assets with Donor Restrictions

The following summarizes Clark County Food Bank's net assets with donor-imposed restrictions as of June 30, 2019:

| | |
|---|------------|
| <i>Expendable net assets restricted for the following purposes:</i> | |
| Community Kitchen | \$ 56,451 |
| Food purchases and distribution | 42,235 |
| Nutrition education | 11,200 |
| Transportation costs | 8,707 |
| Youth efforts against hunger | 6,478 |
| Other purposes | 4,299 |
| | 129,370 |
| <i>Expendable net assets unrestricted as to purpose, but restricted as to time:</i> | |
| Pledges to benefit the organization's general operations in future periods | 98,000 |
| | 98,000 |
| Total net assets with donor restrictions | \$ 227,370 |

12. Governmental Contracts

During the year ended June 30, 2019, the organization received fees for services provided under contracts with the following:

| | |
|--|------------|
| Washington State Department of Agriculture | \$ 252,970 |
| United States Department of Agriculture, (passed through the Washington State Department of Agriculture) | 167,350 |
| United States Department of Homeland Security | 47,761 |
| | \$ 468,081 |

In addition, during the year ended June 30, 2019, the organization received \$1,260,897 in donated food from the United States Department of Agriculture's Emergency Food Assistance Program, and Trade Mitigation Program, both of which were passed through the Washington State Department of Agriculture. The donation is included among "donated food" in the statement of activities.

13. Net Assets Released from Restrictions

During the year ended June 30, 2019, \$483,228 in donor-imposed net asset restrictions were released by incurring expenses in satisfaction of the restricted purposes or by the occurrence of other events specified by the donors, for the following:

| | |
|-------------------------------------|------------|
| For operating purposes ¹ | \$ 324,257 |
| For capital purposes | 158,971 |
| | \$ 483,228 |

¹ During the year ended June 30, 2019, all donors to Clark County Food Bank's permanent endowment fund agreed to release the permanent restriction originally placed on the fund. As a result, the fund's \$2,800 endowment corpus, as well as \$1,179 of accumulated earnings are included among net assets released from restrictions for operating purposes in the accompanying financial statements.

14. Expenses

The costs of providing the various programs and activities of the organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the organization and, therefore, require allocation on a reasonable basis that is consistently applied. Those expenses include depreciation and amortization, and other facility-related costs, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other expenses, which are allocated based on employee time and effort.

15. Retirement Plan

Effective July 1, 2017, the organization established a Section 401(k) retirement plan. Eligible employees may elect to make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law. All employees who have at least three months of employment and are expected to work at least 1,000 hours a year are eligible to participate in the plan. The organization initially matches each employee's contributions to the plan, up to 3% of the participating employee's compensation. After two years of employment, the organization also matches half of the participating employee's contributions greater than 3%, up to 7%. After four years of employment, the organization additionally matches half of the participating employee's contributions greater than 7%, up to 11%. Employer contributions vest 25% per year for the first four years. Contributions by the organization to the plan totaled \$36,362 for the year ended June 30, 2019.

16. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following at June 30, 2019:

| | |
|---|--------------|
| <i>Total financial assets:</i> | |
| Cash and cash equivalents | \$ 2,819,983 |
| Contracts receivable | 93,058 |
| Contributions and grants receivable | 149,483 |
| Investments | 1,608,113 |
| Beneficial interest in assets held at The Community Foundation for Southwest Washington | 19,032 |
| | <hr/> |
| | 4,689,669 |
| | <hr/> |

Less financial assets not available within the year ending

June 30, 2020:

| | |
|--|--------------|
| Financial assets designated by the Board for quasi-endowment | (19,032) |
| Financial assets collectible in more than one year | (97,183) |
| | <hr/> |
| | (116,215) |
| | <hr/> |
| | \$ 4,573,454 |
| | <hr/> |

As part of its liquidity management, Clark County Food Bank has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The organization also invests cash in excess of daily requirements in certificates of deposit and money market funds. To help manage unanticipated liquidity needs, the organization has a committed line of credit upon which it could draw (see note 10).

In addition, Clark County Food Bank holds quasi-endowment funds totaling \$19,032 (see note 7). Although the organization does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure, if any, as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available, if necessary.

17. Fair Value Measurements

Included in the accompanying financial statements are certain financial instruments carried at fair value. The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale; similarly, the fair value of a liability is the amount at which the liability could be transferred in a current transaction between willing parties. Fair values are based on quoted market prices when available.

When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

All financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined under generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement.

At June 30, 2019, the following financial assets are measured at fair value on a recurring basis:

| | Level 2 | Level 3 | Total |
|--|--------------|---------|-----------|
| Brokered certificates of deposit | \$ 1,251,893 | – | 1,251,893 |
| Beneficial interest in assets held by The Community Foundation for Southwest Washington ¹ | – | 19,032 | 19,032 |
| Total investments, at fair value | \$ 1,251,893 | 19,032 | 1,270,925 |

¹ See note 7 for a summary of the beneficial interest in assets held by The Community Foundation for Southwest Washington and associated activity for the year ended June 30, 2019.

18. Lease Commitments

In May of 2018, the organization entered into a lease for commercial space to be used as a food pantry through April of 2023. Monthly payments were made through October of 2018, at which point the organization paid, in advance, the remaining scheduled minimum payments in their entirety using donor restricted funds. The amount of prepaid rent associated with this lease was \$135,968 at June 30, 2019.

Subsequent to June 30, 2019, the organization signed a two-year lease agreement for additional space for program activities at a total commitment of \$100,800.

19. Contingencies

Certain amounts received or receivable under the organization's contracts with the State of Washington, and the federal government are subject to audit and adjustment. Any expenditures or claims disallowed as a result of such audits would become a liability of the organization's unrestricted fund. In the opinion of management, any adjustments that might result from such audits would not be material to the organization's overall financial statements.

20. Statement of Cash Flow Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

| | |
|---|------------|
| Increase in net assets | \$ 482,164 |
| <hr/> | |
| <i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i> | |
| Depreciation and amortization | 222,852 |
| Proceeds from contributions restricted for purchases of capital assets | (188,434) |
| Net increase in the fair value of investments | (3,878) |
| Net change in beneficial interest in assets held by The Community Foundation for Southwest Washington | (624) |
| <i>Net changes in:</i> | |
| Contracts receivable | (34,415) |
| Contributions and grants receivable | 115,325 |
| Inventories | 197,235 |
| Prepaid expenses | (128,454) |
| Accounts payable and accrued expenses | (17,791) |
| Accrued payroll and related expenses | 547 |
| Deferred revenue | 1,000 |
| <hr/> | |
| Total adjustments | 163,363 |
| <hr/> | |
| Net cash provided by operating activities | \$ 645,527 |
| <hr/> | |

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CLARK COUNTY FOOD BANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

| Federal grantor/pass-through grantor/program or cluster title | Pass-through entity identifying number | Federal CFDA number | Provided to subrecipients | Total federal expenditures |
|---|--|---------------------|---------------------------|----------------------------|
| U.S. Department of Agriculture: | | | | |
| <i>Passed through the Washington State Department of Agriculture:</i> | | | | |
| Food Distribution Cluster: | | | | |
| The Emergency Food Assistance Program (Administrative Costs) | K2164 | 10.568 | \$ - | 161,034 |
| The Emergency Food Assistance Program (Food Commodities) | K2164 | 10.569 | 815,329 | 851,377 |
| Total Emergency Food Assistance Cluster | | | 815,329 | 1,012,411 |
| Trade Mitigation Program (Administrative Costs and Food Commodities) | K2164 | 10.178 | 254,943 | 287,962 |
| Total U.S. Department of Agriculture | | | 1,070,272 | 1,300,373 |
| U.S. Department of Homeland Security: | | | | |
| Emergency Food and Shelter National Board Program | n/a | 97.024 | - | 47,761 |
| Total U.S. Department of Homeland Security | | | - | 47,761 |
| Total expenditures of federal awards | | | \$ 1,070,272 | 1,348,134 |

See accompanying notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Clark County Food Bank under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2, *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Clark County Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Clark County Food Bank.

2. Summary of Significant Accounting Policies

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.

3. Indirect Cost Rate

Clark County Food Bank elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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REPORT OF INDEPENDENT ACCOUNTANTS 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*

*The Board of Directors
Clark County Food Bank:*

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Clark County Food Bank, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, 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 November 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clark County Food Bank'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 Clark County Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of Clark County Food Bank's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding no. 2019-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clark County Food Bank'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*.

Clark County Food Bank's Response to Finding

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

Purpose of this Report

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



November 22, 2019

REPORTS OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

*The Board of Directors
Clark County Food Bank:*

Report on Compliance for Each Major Federal Program

We have audited Clark County Food Bank's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Clark County Food Bank's major federal programs for the year ended June 30, 2019. Clark County Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clark County Food Bank'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; 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* (the "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 Clark County Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Clark County Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Clark County Food Bank 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 Clark County Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clark County Food Bank'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.



November 22, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

Section 1 – Summary of Auditor’s Results

Financial Statements

1. Type of auditor’s report issued on whether the audited financial statements were prepared in accordance with GAAP – **unmodified**
2. Significant deficiency(ies) in internal control identified in the audit of the financial statements – **yes**
3. Material weakness(es) in internal control identified in the audit of the financial statements – **none**
4. Noncompliance that is material to the financial statements noted – **none**

Federal Awards

5. Significant deficiency(ies) in internal control over major federal programs identified in the audit – **none reported**
6. Material weakness(es) in internal control over major federal programs identified in the audit – **none**
7. The type of auditor’s report issued on compliance for major federal programs – **unmodified**
8. Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) – **none**

Identification of Major Federal Programs

- **U.S. Department of Agriculture, Food Distribution Cluster (CFDA Nos. 10.568 and 10.569)**

9. Dollar threshold used to distinguish between Type A and Type B programs – **\$750,000**
10. Is the auditee qualified as a low-risk auditee under 2 CFR 200.520? – **yes**

Section 2 – Financial Statement Findings

11. Findings relating to the financial statements reported in accordance with *Government Auditing Standards* – **finding no. 2019-001**

Section 3 – Federal Award Findings and Questioned Costs

12. Findings and questioned costs relating to federal awards – **none**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

YEAR ENDED JUNE 30, 2019

Finding Number: 2019-001
Finding Type: Financial statements
Control Deficiency Type: Significant deficiency

Criteria: Significant adjustments to inventory reported in the inventory management system should be reviewed and analyzed as to the nature of the adjustment before such adjustments are posted to the general ledger.

Condition: During the audit, we noted a clerical data entry error relating to a shipment of USDA-donated food resulted in an overstated value of the food donation of \$66,386. Although the error was noticed and corrected within the inventory management system in a subsequent month, the accounting department recorded the correction of the inventory valuation as shrinkage/spoilage expense, rather than as a correction to the value of food donation income in the general ledger.

Cause: The organization does not have a system to identify adjustments of inventory for reasons other than shrinkage/spoilage, and the accounting staff does not typically review or analyze the reports from the inventory management system as it records the monthly inventory activities to the general ledger.

Effect: Total donations of USDA food income, and related shrinkage expense, were overstated by \$66,386.

Audit Recommendation: We recommend that the organization implement controls to report corrections of inventory valuations consistently in the inventory management system and the accounting system, including identification of a correction rather than assuming the adjustment is due to shrinkage, analysis of adjustments to inventory when the adjustments exceed budgets or expectations, and reconciliation of shrinkage/spoilage expense to a spoilage report from the inventory management system.

Management's Response: The significant deficiency was due to two errors which management will address below:

The first error was a data entry error. The organization will prevent or minimize future data entry errors with additional training of the warehouse staff who enter in inventory. Management will train staff on the importance of precise data entry, train to double check entries before submitting, and will adjust procedures so that data entry is an undisturbed process. If a data entry error does occur, we will detect it during weekly inventory cycle counts.

The second contributing factor to the deficiency was when the data entry error was detected and corrected in the inventory system, it was not reported to the Office Manager to reconcile the financials. There was no process in place and the warehouse staff did not realize that an adjustment to reported inventory would impact our financial statements. To ensure that inventory adjustments are properly recorded, a process has been built where the warehouse staff sends the finance department a monthly summary of adjustments. Our Office Manager will review, document, and report to the accountant any adjustments needed. This document titled Inventory Review Log will provide evidence that the control was executed as designed on a monthly basis.

These procedures were implemented on December 20, 2019.

CLARK COUNTY FOOD BANK

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2019

There were no audit findings reported in the prior year.

CLARK COUNTY FOOD BANK

GOVERNING BOARD AND MANAGEMENT

JUNE 30, 2019

Board of Directors

Brett Bryant, *Chair*
David Bristol, *Secretary*
Russell Price, *Treasurer*
Tim Calderbank
Carrie Cofer
Steve Hansen
Mindy Harter
Scott Huotari
Cindy Luckman
Joe Pauletto
Scott Salsbery
Elson Strahan
Jim Youde

Management

Alan Hamilton, *President*
Emily Kaleel, *Director of Programs*
Holly Jones, *Development Manager*
Alison Lauderdale, *Education Manager*
Alicia Flintoff, *Office Manager*
Brent Derocher, *Warehouse Manager*

CLARK COUNTY FOOD BANK

INQUIRIES AND OTHER INFORMATION

Administrative offices

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