



Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

The Food Bank of Northern Nevada, Inc.

The Food Bank of Northern Nevada, Inc.
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(With Comparative Information for June 30, 2018)

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Independent Auditor's Report

To the Board of Directors
The Food Bank of Northern Nevada, Inc.
McCarran, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of The Food Bank of Northern Nevada, Inc. (a nonprofit organization), 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 The Food Bank of Northern Nevada, Inc. 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 of America.

Changes in Accounting Principles

As discussed in Notes 10 and 11 to the financial statements, the Food Bank has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (ASU 2016-14). Accordingly, the June 30, 2018 financial statements have been restated to adopt this standard. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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)*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 March 18, 2020 on our consideration of The Food Bank of Northern Nevada, Inc.'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 Food Bank of Northern Nevada, Inc.'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 Food Bank of Northern Nevada, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The June 30, 2018 financial statements of The Food Bank of Northern Nevada, Inc. were audited by Kohn & Company LLP, who joined Eide Bailly LLP on December 3, 2018. And whose report dated October 16, 2018 expressed an unmodified opinion on those financial statements. 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.

Eide Bailly LLP

Reno, Nevada
March 18, 2020

The Food Bank of Northern Nevada, Inc.

Statement of Financial Position

June 30, 2019

(with Comparative Totals for June 30, 2018)

	<u>2019</u>	<u>2018</u> (Memorandum Only) (Restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 814,211	\$ 514,857
Investments	472,876	641,083
Accounts receivable		
Grants and contracts receivable	508,569	400,120
Agency fees and other receivable	36,811	16,928
Food inventory	2,919,120	1,449,547
Prepaid expenses	-	2,500
Total current assets	<u>4,751,587</u>	<u>3,025,035</u>
Property and Equipment, Net	<u>7,340,357</u>	<u>7,330,053</u>
Other Assets		
Cash and investments held for building maintenance fund	2,040,303	2,074,493
Investments in Donald W. Reynolds Restricted Fund for Programs	<u>870,000</u>	<u>1,140,000</u>
Total other assets	<u>2,910,303</u>	<u>3,214,493</u>
Total assets	<u>\$ 15,002,247</u>	<u>\$ 13,569,581</u>

The Food Bank of Northern Nevada, Inc.

Statement of Financial Position

June 30, 2019

(with Comparative Totals for June 30, 2018)

	2019	2018 (Memorandum Only) (Restated)
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 178,251	\$ 151,044
Accrued expenses	338,641	271,806
Deferred revenue	2,114,143	598,404
	<u>2,631,035</u>	<u>1,021,254</u>
Net Assets		
Without donor restrictions		
Invested in property and equipment	7,340,357	7,330,053
Board designated sustaining fund	472,876	613,356
Undesignated	591,261	292,573
	<u>8,404,494</u>	<u>8,235,982</u>
With donor restrictions		
Restricted for specified purposes	1,056,415	1,097,852
Time-restricted for future periods	870,000	1,140,000
Restricted for endowment	2,040,303	2,074,493
	<u>3,966,718</u>	<u>4,312,345</u>
Total net assets	<u>12,371,212</u>	<u>\$ 12,548,327</u>
Total Liabilities and Net Assets	<u>\$ 15,002,247</u>	<u>\$ 13,569,581</u>

The Food Bank of Northern Nevada, Inc.
Statement of Activities
Year Ended June 30, 2019
(with Comparative Totals for Year Ended June 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total (Memorandum Only)
Public and Governmental Support, Revenue, and Reclassifications				
Public and governmental support				
Donated food	\$ -	\$ 22,493,436	\$ 22,493,436	\$ 22,381,697
USDA commodities	9,842,656	-	9,842,656	5,088,202
Other government grants and contracts	874,887	-	874,887	657,139
Contributions - other assets and supplies	4,755	-	4,755	20,342
General contributions and pledges	4,304,833	219,600	4,524,433	4,219,036
Kids Café				
Child and Adult Care Food Program	856,449	-	856,449	737,197
Summer Food Service Program	146,504	-	146,504	156,672
Other contributions	121,088	-	121,088	131,215
	<u>16,151,172</u>	<u>22,713,036</u>	<u>38,864,208</u>	<u>33,391,500</u>
Revenue				
Special events and fund raising	533,247	-	533,247	479,487
Agency fees	298,342	-	298,342	318,206
Rent and reimbursements	95,100	-	95,100	69,519
	<u>926,689</u>	<u>-</u>	<u>926,689</u>	<u>867,212</u>
Net assets released for satisfaction of donor restrictions	<u>23,175,885</u>	<u>(23,175,885)</u>	<u>-</u>	<u>-</u>
Total public and governmental support, revenue and reclassifications	<u>40,253,746</u>	<u>(462,849)</u>	<u>39,790,897</u>	<u>34,258,712</u>
Expenses				
Program services - food distribution	37,822,249	-	37,822,249	33,419,262
Supporting services				
General and administrative	1,593,596	-	1,593,596	1,633,469
Fund raising	738,110	-	738,110	910,300
Total expenses	<u>40,153,955</u>	<u>-</u>	<u>40,153,955</u>	<u>35,963,031</u>
Other Gains and Losses				
Net investment income	63,891	117,222	181,113	160,455
Gain (loss) on sale of assets	4,830	-	4,830	(15,700)
Net other gains and losses	<u>68,721</u>	<u>117,222</u>	<u>185,943</u>	<u>144,755</u>
Change in Net Assets	168,512	(345,627)	(177,115)	(1,559,564)
Net Assets, Beginning of Year, as restated	<u>8,235,982</u>	<u>4,312,345</u>	<u>12,548,327</u>	<u>14,107,891</u>
Net Assets, End of Year	<u>\$ 8,404,494</u>	<u>\$ 3,966,718</u>	<u>\$ 12,371,212</u>	<u>\$ 12,548,327</u>

The Food Bank of Northern Nevada, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019
(with Comparative Totals for Year Ended June 30, 2018)

	2019				2018
	Program Services	Supporting Services		Total	Total (Memorandum Only)
	Food Distribution	General and Administrative	Fund Raising		
Salaries	\$ 1,999,815	\$ 701,169	\$ 377,553	\$ 3,078,537	\$ 2,936,641
Payroll taxes	194,032	67,075	36,117	297,224	272,743
Employee benefits	286,881	92,413	49,761	429,055	383,870
Total personnel costs	2,480,728	860,658	463,431	3,804,817	3,593,254
Food distribution					
Donated food	22,572,100	-	-	22,572,100	23,270,686
USDA commodities	9,842,656	-	-	9,842,656	5,088,202
Purchased food, including acquisition costs	827,675	-	-	827,675	670,604
Kids Café	969,880	-	-	969,880	897,494
Advertising and promotion	701	5,282	-	5,983	32,865
Bank charges	-	25,852	-	25,852	22,956
Bridges Out of Poverty	52,035	-	-	52,035	102,160
Direct mail	-	-	166,462	166,462	252,810
Dues and subscriptions	1,300	14,156	-	15,456	15,478
Conferences, travel and mileage	42,434	38,904	-	81,338	81,017
Contract labor	2,700	-	-	2,700	23,488
Equipment	57,244	13,669	-	70,913	89,221
Special events	4,811	28,670	-	33,481	34,808
Governance	-	3,190	-	3,190	1,846
Insurance	28,428	40,288	-	68,716	84,788
Miscellaneous	3,396	-	-	3,396	6,951
Office expenses	9,155	11,454	-	20,609	20,302
Outreach programs and volunteer appreciation	50,020	4,341	-	54,361	34,229
Printing and postage	8,923	35,757	72,170	116,850	184,556
Professional services and advocacy	127,167	126,987	23,099	277,253	305,272
Repairs and maintenance	103,394	523	-	103,917	89,550
Sanitation	30,531	-	-	30,531	43,212
Telephone and internet	13,625	50,617	-	64,242	82,280
Utilities	34,619	14,806	-	49,425	48,234
Vehicle expense	348,438	70	-	348,508	369,240
Warehouse supplies	96,585	-	12,948	109,533	91,374
Total expenses before depreciation	37,708,545	1,275,224	738,110	39,721,879	35,536,877
Depreciation	113,704	318,372	-	432,076	426,154
Total expenses	<u>\$ 37,822,249</u>	<u>\$ 1,593,596</u>	<u>\$ 738,110</u>	<u>\$ 40,153,955</u>	<u>\$ 35,963,031</u>

See Notes to the Financial Statements

The Food Bank of Northern Nevada, Inc.
Statement of Cash Flows
Year Ended June 30, 2019
(with Comparative Totals for Year Ended June 30, 2018)

	2019	2018 (Memorandum Only)
Operating Activities		
Change in net assets	\$ (177,115)	\$ (1,559,564)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	432,076	426,154
Contributions of non-cash assets received	(151,997)	-
Net realized and unrealized gain on investments	(87,840)	(85,345)
(Gain) loss on sale of assets	(4,830)	15,700
Changes in		
Grants and contracts receivable	(108,449)	(90,321)
Agency fees and other receivable	(19,883)	(7,107)
Food inventory	(1,469,573)	706,777
Prepaid expenses	2,500	(2,500)
Accounts payable	27,207	(46,137)
Accrued expenses	66,835	72,552
Deferred revenue	1,515,739	153,294
Net Cash from (used for) Operating Activities	24,670	(416,497)
Investing Activities		
Proceeds from sale of assets	4,830	489,300
Proceeds from sale of investments	3,863,087	2,631,407
Purchase of investments	(3,341,235)	(2,463,393)
Purchase of property and equipment	(290,383)	(153,974)
Change in restricted cash	38,385	(12,855)
Net Cash from Investing Activities	274,684	490,485
Net Change in Cash and Cash Equivalents	299,354	73,988
Cash and Cash Equivalents, Beginning of Year	514,857	440,869
Cash and Cash Equivalents, End of Year	\$ 814,211	\$ 514,857
Noncash Investing and Financing Activity		
Original cost of fully depreciated fixed assets disposed	\$ 115,076	\$ 257,250

Note 1 - Principal Business Activity and Significant Accounting Policies

Nature of Activities

The Food Bank of Northern Nevada, Inc. (Food Bank) was incorporated in 1983 as a nonprofit corporation under the laws of the State of Nevada. The Food Bank's mission is *"Feeding the hungry today and solving hunger for tomorrow through community partnership."* The vision of the Food Bank is *"Healthy Food. Every Person. Every Day."*

The Food Bank is the primary regional food distribution and support system serving food-insecure people in 21 counties across northern Nevada and northeastern California. It delivers an array of programs and services which together constitute a multi-level effort to solve hunger, serving approximately 91,000 people each month through direct services and partner agencies. The Food Bank's most fundamental hunger relief work is the distribution of food to feed the hungry. Donated and purchased food is collected, sorted, and delivered to clients via a network of 145 partner agencies spread across a 90,000-square mile service area. In 2017, the Nevada Department of Agriculture named the Food Bank its northern Nevada Regional Distributing Agency to distribute The Emergency Food Assistance Program (TEFAP) commodity foods into every county in the region. In 2019, the Food Bank and its partners distributed approximately 19.5 million pounds of food. This increase was largely due to an increase in available TEFAP commodity foods and other foods from federal trade mitigation relief to farmers.

In addition, the Food Bank's direct-to-client programs reach underserved populations experiencing hunger or food insecurity. Addressing hunger in children and seniors is a top priority. In the Food Bank's service area, children and seniors make up nearly half of all food-insecure people. In Washoe County, Nevada, Kids Café offers free afterschool and summer meals for children at over 40 locations. Back-Pack Kids provides weekend food bags each week during the school year for homeless/chronically hungry students at 20 schools and 28 school food pantries provide convenient access to food for students' families. Monthly food boxes and fresh produce delivered into 54 neighborhoods to help 2,842 low-income seniors. Mobile Harvest distributes two million pounds of fresh produce and perishable foods into 43 under-resourced neighborhoods.

The Food Bank, with Trusted Partner status granted by USDA/Nevada Division of Welfare and Supportive Services, conducts Supplemental Nutrition Assistance Program (SNAP) application assistance and eligibility interviews, which eliminates a significant barrier to participation and facilitates approval for benefits. In fiscal year 2019, this SNAP Outreach initiative helped 3,195 people secure more than \$6.3 million (annualized) in federal nutrition assistance.

In total, the food distributed through the Food Bank's partner agency network and the Food Bank's own direct service programs provided food-insecure families with 18 million meals in 2019.

The Food Bank also conducts programming directed at the root causes of hunger and food insecurity. Its Nutrition Education programs teach adults how to make nutritious food choices (even with limited resources) and the importance of a healthy diet and daily physical activity for family health and wellness. The Food Bank added a new evidence-based course for seniors this year entitled Seniors Eating Well.

The Food Bank is a key partner in the Truckee Meadows Healthy Communities Initiative, in which core organizations from the food, housing, health, job and workforce development and education sectors work collectively to address and improve the social determinants of health in Washoe County, Nevada, which include hunger and food security, lack of affordable housing, inadequate income to meet basic needs, related poor health outcomes, and more. These are issues which must be addressed to ensure that family stability is achieved, which will in turn improve food security and ultimately end hunger family by family.

The Food Bank is widely recognized as a leader in the work to solve hunger. It was named 2013 Food Bank of the Year, selected by Feeding America from among 200 food banks.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Food Bank's audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Accounts Receivable

Accounts receivable consists of amounts due from grantor and contracting agencies, recipient agencies and miscellaneous other sources. Grantor and contract receivables represent amounts receivable for expenditures incurred or services provided prior to year-end. The agency fees and other receivable arises from the Food Bank's policy of allowing all organizations to pay for their portion of purchased food on a monthly billing basis. All receivables are considered fully collectible by management based on historical experience and economic conditions. Therefore, no allowance for doubtful accounts is provided.

Inventory

The Food Bank records both purchased and donated food as inventory. Purchased food is valued at cost which approximates wholesale market value, using the first-in, first-out method of inventory valuation. For the year ended June 30, 2019, donated food and federal commodities are weighed and valued at \$1.68 and \$1.57 per pound, respectively, based on Feeding America's calculation of average wholesale price per pound which is directly related to the mix of products donated to Feeding America during the previous calendar year. This represents a decrease of \$0.05 per pound for donated food (\$1.73 for 2018) and an increase of \$0.05 per pound for federal commodities (\$1.52 for 2018). When food items have expired such items are identified as salvage which may be distributed to authorized pig farmers in an effort to reduce waste.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from estimated future cash flows expected to result from its use and eventual disposal. When considered impaired, and impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2019 and 2018.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment income is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, 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 (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions net assets for a sustaining fund.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Food Bank reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Revenue Recognition and Concentrations

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Food Bank's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, grant revenue, including the value of USDA food commodities, is considered earned as services are provided in accordance with the terms of the agreement or as the governmental food commodities are distributed.

No fees are charged for donated food. The fee charged for nonperishable purchased items is 100% of cost, which is still below wholesale costs on these items due to the Food Bank's purchasing programs. The food and grocery items are then supplied to the needy, ill, elderly and children at no cost to the individual.

Deferred Revenue

Revenue from government food commodity grants is not recognized until the food is distributed. Accordingly, the value of government food commodities included in inventory at June 30 is reflected as deferred revenue.

Contributed Materials and Services

The majority of food contributions are received from the general public and private businesses in Northern Nevada. Contributed food is recorded as support at the time of receipt based upon the average wholesale price per pound as determined by Feeding America in its annual study.

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed assets are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$6,000 and \$33,000 during the years ended June 30, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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. The expenses that are allocated include depreciation and utilities, which are allocated on a

square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, and insurance, which are allocated on the basis of estimates of time and effort. The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

Income Taxes

The Food Bank is a nonprofit corporation operating in Nevada and California and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been classified as an organization that normally receives a substantial part of its support from a governmental unit or from the general public as provided in Internal Revenue Code Section 170(b)(1)(A)(vi). The Food Bank is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Food Bank is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Food Bank is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Food Bank would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Food Bank to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Food Bank to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Food Bank's mission. Investments are made by diversified investment managers whose performance is monitored by the Food Bank and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Food Bank and the Finance Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Food Bank.

The Food Bank of Northern Nevada, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

Subsequent Events

The Food Bank has evaluated subsequent events through March 18, 2020, the date the financial statements were available to be issued.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 814,211	\$ 514,857
Short-term investments	472,876	641,083
Accounts receivable	545,380	417,048
Allocations from Donald W. Reynolds Restricted Fund for Programs	<u>270,000</u>	<u>270,000</u>
	<u>\$ 2,102,467</u>	<u>\$ 1,842,988</u>

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

The Donald W. Reynolds Restricted Fund for Programs is subject to an annual spending rate established by the donor. In addition, the Food Bank has designated funds for a sustaining fund. Although the Food Bank does not intend to spend from its Board-designated sustaining fund (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As a part of a liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds.

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Food Bank's assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds and common stocks with readily determinable fair values based on daily redemption values. The Food Bank invests in certificates of deposit traded in the financial markets. Those certificates of deposit and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2.

The Food Bank of Northern Nevada, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30:

	2019			Total
	Level 1	Level 2	Level 3	
Common stocks	\$ 755,437	\$ -	\$ -	\$ 755,437
Corporate fixed income bonds	38,750	-	-	38,750
Exchange- traded and closed-end funds	495,426	-	-	495,426
Mutual funds	1,443,416	-	-	1,443,416
Certificates of deposit	-	506,135	-	506,135
Government and treasury securities	-	105,667	-	105,667
	<u>\$ 2,733,029</u>	<u>\$ 611,802</u>	<u>\$ -</u>	<u>\$ 3,344,831</u>
	2018			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 1,167,180	\$ -	\$ -	\$ 1,167,180
Corporate fixed income bonds	49,011	-	-	49,011
Exchange- traded and closed-end funds	737,579	-	-	737,579
Mutual funds	885,332	-	-	885,332
Certificates of deposit	-	838,202	-	838,202
Government and treasury securities	-	98,087	-	98,087
	<u>\$ 2,839,102</u>	<u>\$ 838,202</u>	<u>\$ -</u>	<u>\$ 3,775,391</u>

Included in investments above is \$2,871,955 and \$3,134,308, which is reflected in the total of cash and investments, restricted for the building maintenance fund and the Donald W. Reynolds Restricted Fund for Programs in the accompanying statement of financial position for 2019 and 2018, respectively.

Note 4 - Food Inventory

Food inventory, based upon a physical count at June 30, consists of the following:

	2019	2018
Donated food	\$ 743,456	\$ 825,050
USDA commodities	2,111,675	581,274
Purchased food	63,989	43,223
	<u>\$ 2,919,120</u>	<u>\$ 1,449,547</u>

The Food Bank of Northern Nevada, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

Note 5 - Property and Equipment

Property and equipment are stated at cost or fair market value, if donated, as follows, at June 30:

	<u>2019</u>	<u>2018</u>
Non-depreciable assets		
Land	\$ 530,148	\$ 530,148
Real property available for sale	151,997	-
	<u>682,145</u>	<u>530,148</u>
Depreciable assets		
Building	8,546,732	8,546,732
Solar panels	918,287	918,287
Vehicles	1,496,170	1,347,092
Warehouse equipment	317,777	302,463
Office furniture, fixtures and equipment	78,938	78,938
Equipment- Kids Café	94,402	83,486
	<u>11,452,306</u>	<u>11,276,998</u>
Less accumulated depreciation	<u>(4,794,094)</u>	<u>(4,477,093)</u>
Depreciable assets, net	<u>6,658,212</u>	<u>6,799,905</u>
Total property and equipment, net	<u>\$ 7,340,357</u>	<u>\$ 7,330,053</u>

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose		
Nutrition education	\$ 91,162	\$ 82,754
Food distribution programs	965,253	1,015,098
	1,056,415	1,097,852
Subject to the Passage of Time		
Donald W. Reynolds Restricted Fund for Programs		
Enrichment and sustainability	870,000	1,140,000
Endowments		
Held for long-term specified purposes, subject to endowment spending policy appropriation		
Building maintenance fund	2,040,303	2,074,493
	<u>\$ 3,966,718</u>	<u>\$ 4,312,345</u>

Note 7 - Pension Plan

The Food Bank sponsors a defined contribution pension plan under Internal Revenue Code Section 403(b) covering substantially all employees. Contributions to the plan by the Food Bank are at the Board's discretion and totaled \$129,422 and \$93,610 for the years ended June 30, 2019 and 2018, respectively.

Note 8 - Endowment

The Food Bank has established an endowment fund (Endowment) to provide for the future capital maintenance and repairs of the Donald W. Reynolds Food Distribution Center as required by the Donald W. Reynolds Foundation.

The Board of Directors has interpreted the Nevada Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019 and 2018, there were no such stipulations. As a result of this interpretation, the Food Bank retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Food Bank and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Food Bank
- The investment policies of the Food Bank

As of June 30, endowment net asset composition by type of fund is as follows:

	<u>2019</u>	<u>2018</u>
Donor-restricted endowment funds		
Original donor-restricted gift amounts and amounts required to be maintained by donor	\$ 1,065,226	\$ 1,147,167
Restricted accumulated investment gains	<u>975,077</u>	<u>927,326</u>
	<u>\$ 2,040,303</u>	<u>\$ 2,074,493</u>

The Food Bank of Northern Nevada, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Food Bank has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments at June 30, 2019 and 2018.

Investment and Spending Policies

Investment and spending policies for the Endowment were adopted that attempt to provide a predictable stream of funding for facilities maintenance and improvements while seeking to maintain the purchasing power of the endowment assets. The annual available funds shall include amounts designated by the Board of Directors as generated earnings, which include both capital gains and interest and dividends. No earnings or gains may be used for any year in which the endowment fund corpus falls below the fully funded amount of \$1,638,813, reduced by 5% annually, as specified in the Donald W. Reynolds Foundation capital grant.

The endowment assets are invested in marketable equity securities with a minimum "A" rating as determined by a national rating service or government securities. The investment policy prohibits hedging practices or investments in any venture capital fund. To satisfy its long-term rate of return objectives, The Food Bank relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends.) The Food Bank targets a diversified asset allocation plan within prudent risk constraints. The Finance Committee of the Board of Directors reviews this plan at least annually with its investment advisors.

Changes in Endowment net assets for the years ended June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 2,074,493	\$ 2,036,419
Investment income, net of fees	34,730	27,506
Net realized and unrealized gains (losses)	82,492	94,442
Appropriation of assets for expenditure	<u>(151,412)</u>	<u>(83,874)</u>
Endowment net assets, end of year	<u>\$ 2,040,303</u>	<u>\$ 2,074,493</u>

Community Foundation Endowment

During the year ended June 30, 2012, the Food Bank transferred a donation of \$25,000 to the Community Foundation for the Community Nutrition Education Endowment Fund, "Harvesting Hope Through Learning," which was established to benefit The Food Bank of Northern Nevada, Inc. and its nutrition education programs. The Community Foundation is responsible for managing the endowment fund and disbursing the funds in accordance with the endowment fund agreement. The endowment fund is not considered an agency fund at the Community Foundation and, therefore, is not reflected as an asset in these financial statements.

Note 9 - Volunteers

The Food Bank's distribution programs are significantly dependent upon the support provided by volunteers. Such volunteers provided approximately 27,800 (unaudited) and 29,000 (unaudited) hours of direct services during the years ended June 30, 2019 and 2018, respectively, to assist in the packaging and delivery of food and supplies. The value of these volunteer services is estimated to be \$15 per hour, adjusted for employer paid payroll taxes. However, no amount is reflected in the accompanying financial statements because the services do not meet the criteria for recognition as set forth in Note 1. If these services were included, revenue and program expenses would increase by approximately \$417,000 and \$435,000 for 2019 and 2018, respectively.

Note 10 - Change in Accounting Policy

As of July 1, 2018, the Food Bank adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Food Bank's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to improve a financial statement user's ability to assess the Food Bank's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present investment returns on the statement of activities net of external and direct internal investment expenses.

The Food Bank has adopted this standard as management believes the standard improves the usefulness and understandability of the Food Bank's financial reporting.

Note 11 - Restatement Resulting from Change in Accounting Policy

As disclosed in Note 10, the Food Bank adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of July 1, 2018. Following is a summary of the effects of the change in accounting policy in the Food Bank's June 30, 2018 financial statements. The changes relate to the utilization of the placed-in-service approach for recognition of contributions for long-lived assets.

The effect on the Food Bank's statement of financial position as of June 30, 2018 is as follows:

	<u>As Previously Reported</u>	<u>Adoption of ASU 2016-14</u>	<u>As Restated</u>
Net Assets			
Unrestricted	\$ 2,989,490	\$ (2,989,490)	\$ -
Temporarily restricted	9,558,837	(9,558,837)	-
Without donor restrictions	-	8,235,982	8,235,982
With donor restrictions	-	4,312,345	4,312,345

The Food Bank of Northern Nevada, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

The effect on the Food Bank's statement of activities for the year ended June 30, 2018 is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Net Assets, Beginning of Year			
Unrestricted	\$ 3,103,393	\$ (3,103,393)	\$ -
Temporarily restricted	11,004,498	(11,004,498)	-
Without donor restrictions	-	8,583,094	8,583,094
With donor restrictions	-	5,524,797	5,524,797
Net Assets, End of Year			
Unrestricted	\$ 2,989,490	\$ (2,989,490)	\$ -
Temporarily restricted	9,558,837	(9,558,837)	-
Without donor restrictions	-	8,235,982	8,235,982
With donor restrictions	-	4,312,345	4,312,345

Note 12 - Subsequent Events

Subsequent to year-end, the world-wide coronavirus pandemic emerged, effecting global markets, supply chains, and general business operations of every sector. The Food Bank is closely monitoring its operations, liquidity, and capital resources to adapt to changing events while maintaining normal operations and continuing to deliver food to those in need. As of the date of issuance of these financial statements, the full impact to the Food Bank's financial position is not known.



**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***

To the Board of Directors
The Food Bank of Northern Nevada, Inc.
McCarran, Nevada

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 The Food Bank of Northern Nevada, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statement 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 March 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Food Bank of Northern Nevada, Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Food Bank of Northern Nevada, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of The Food Bank of Northern Nevada, Inc.’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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Food Bank of Northern Nevada, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned in the lower-left area of the page.

Reno, Nevada
March 18, 2020



**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Directors
The Food Bank of Northern Nevada, Inc.
McCarran, Nevada

Report on Compliance for Each Major Federal Program

We have audited The Food Bank of Northern Nevada, Inc.’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 The Food Bank of Northern Nevada, Inc.’s major federal programs for the year ended June 30, 2019. The Food Bank of Northern Nevada, Inc.’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 the requirements of 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 The Food Bank of Northern Nevada, Inc.’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Food Bank of Northern Nevada, Inc.’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Food Bank of Northern Nevada, Inc.’s compliance.

Opinion on Each Major Federal Program

In our opinion, The Food Bank of Northern Nevada, Inc., 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 The Food Bank of Northern Nevada, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Food Bank of Northern Nevada, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Food Bank of Northern Nevada, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

The Food Bank of Northern Nevada, Inc.'s responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Food Bank of Northern Nevada, Inc.'s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Eide Bailly LLP

Reno, Nevada
March 18, 2020

The Food Bank of Northern Nevada, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Expenditures	Passed Through to Subrecipients
United States (U.S.) Department of Agriculture				
Passed through the Nevada Department				
of Health and Human Services -				
Division of Welfare and Supportive Services:				
Supplemental Nutrition Assistance				
Program (SNAP) Cluster				
State Administrative Matching Grant				
for the SNAP				
Outreach/Participation	10.561	OUT1805	\$ 111,831	\$ -
Education	10.561	Ed1814	<u>91,452</u>	<u>-</u>
Total SNAP Cluster			<u>203,283</u>	<u>-</u>
Passed through the Nevada Department of Agriculture				
Food Distribution Cluster				
Commodity Supplemental Food Program	10.565	L010	1,566,234	-
Temporary Emergency Food Assistance Program	10.568	D041	282,921	-
Temporary Emergency Food Assistance Program (Food Commodities)	10.569	D041	<u>8,478,518</u>	<u>6,829,858</u>
Total Food Distribution Cluster			<u>10,327,673</u>	<u>6,829,858</u>
Trade Mitigation Food Purchase and Distribution Program	10.178	TRADE19-01	<u>49,831</u>	<u>-</u>
Child and Adult Care Food Program	10.558	C1250	<u>856,449</u>	<u>-</u>
Child Nutrition Cluster				
Summer Food Service Program	10.559	S0160	<u>146,504</u>	<u>-</u>
Total Department of Agriculture			<u>11,583,740</u>	<u>6,829,858</u>
U.S. Federal Department of Homeland Security				
Emergency Food and Shelter Program				
Emergency Food and Shelter National Board Program	97.024	LRO - 589 600-006	<u>49,935</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 11,633,675</u>	<u>\$ 6,829,858</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of The Food Bank of Northern Nevada, Inc. (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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Food Bank of Northern Nevada, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, 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.

Note 3 - Indirect Cost Rate

The Food Bank has elected to use the 10% de minimis indirect cost rate.

Note 4 - Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, the Food Bank had food commodities totaling \$2,111,675 in inventory.

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 not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiency identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Food Distribution Cluster	
Commodity Supplemental Food Program	10.565
Temporary Emergency Food Assistance Program	10.568
Temporary Emergency Food Assistance Program (Food Commodities)	10.569
Child and Adult Care Food Program	10.558
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

**2019-001: United States Department of Agriculture, Passed through the Nevada Department of Agriculture
Food Distribution Cluster - The Emergency Food Assistance Program (TEFAP), CFDA 10.565, Award Number 7NV810AGE**

**Agency Eligibility
Material Weakness in Internal Control over Compliance**

Criteria: The *OMB Compliance Supplement* provides for the utilization of subrecipients for the distribution of TEFAP foods. The Food Bank is required to assess eligibility of such subrecipients prior to distributing TEFAP food to the agencies and must have established procedures for monitoring the subrecipients' compliance with TEFAP regulations.

Condition: The Food Bank of Northern Nevada distributed TEFAP foods to certain agencies that did not have an active subrecipient agreement on file at the time the food distribution was made. Approved subrecipient agreements were subsequently executed. Furthermore, although a policy for monitoring subrecipients was developed, it was not fully implemented during the year.

Cause: The Food Bank did not have adequate internal controls to ensure that subrecipient agreements were complete prior to distributing food and that monitoring procedures were fully implemented.

Effect: Federal commodities could have been distributed to ineligible agencies, and agencies may not have a proper understanding of the terms and conditions surrounding the food distribution program.

Questioned Costs: None.

Context/Sampling: A nonstatistical sample of 17 subrecipients out of 87 subrecipients were selected for eligibility testing. Of the 17 agencies, two received food distributions prior to executing a subrecipient agreement. The value of the food that the 2 agencies received was less than \$2,000 and the USDA provided a waiver for the repayment of the costs. These issues represent a deficiency in documentation and record keeping, but do not indicate that meals were distributed improperly. Accordingly, no questioned costs are reported.

Repeat Finding from Prior Year: Yes, 2018-03

Recommendation: We recommend the Food Bank enhance internal controls to ensure that all eligibility forms are complete and approved for all subrecipients. Furthermore, monitoring procedures should be fully implemented to verify compliance with program requirements.

Views of Responsible Officials: *The Food Bank of Northern Nevada, Inc. agrees with this finding.*

**2019-002: United States Department of Agriculture, Passed through the Nevada Department of Agriculture
Food Distribution Cluster - The Emergency Food Assistance Program (TEFAP), CFDA 10.565, Award Number 7NV810AGE**

**Beneficiary Eligibility
Material Weakness in Internal Control over Compliance**

Criteria: The *OMB Compliance Supplement* requires that recipients of TEFAP commodities are certified based upon income eligibility requirements established by the state agency. The Nevada Department of Agriculture has established income limits based upon national poverty levels and number of household members. Income eligibility certification is documented by signing the *Certification of Eligibility* at the distribution site. The forms also include other information such as address, phone number, and basis for eligibility.

Condition: During the period July 2018-June 2019, it was noted that the *Certification of Eligibility* forms were not completed in their entirety or did not include information beyond the signatures of the recipients. The additional information is not necessarily required on each distribution log, but is required to be maintained on file. However, it is unclear how this was verified at the time of distribution. In addition, the monthly inventory and participation summary reports were not signed as approved.

<i>Cause:</i>	The Food Bank did not have adequate internal controls to ensure that all information included on the <i>Certification of Eligibility</i> was documented or referenced to other appropriate records and that the monthly inventory and participation summary reports were signed as approved.
<i>Effect:</i>	Incorrect or incomplete information may have been included on the distribution report.
<i>Questioned Costs:</i>	None.
<i>Context/Sampling:</i>	A nonstatistical sample of 43 individuals TEFAP food distributions out of 215 were selected for eligibility testing. Signatures were obtained on the <i>Certification of Eligibility</i> forms as evidence of complying with low-income household eligibility on all forms. Accordingly, there are no questioned costs based on allowable distribution of food to the needy. However, other sections of all 43 forms tested were missing information such as address, phone number and/or approval.
<i>Repeat Finding from Prior Year:</i>	No.
<i>Recommendation:</i>	We recommend the Food Bank enhance internal controls over TEFAP Food Distributions to ensure that <i>Certification of Eligibility</i> forms include all requested information, references to information already on file, or explanations of unusual circumstances and that there is documented approval of monthly participation forms.
<i>Views of Responsible Officials:</i>	<i>The Food Bank of Northern Nevada, Inc. agrees with this finding.</i>

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plans

June 30, 2019

Prepared by Management of

The Food Bank of Northern Nevada

Prior Year Audit Findings

The findings from the June 30, 2018 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2018-01 Federal Commodities

Recommendation and action taken – see finding 2018-02 – Corrective action implemented.

FINDINGS – FEDERAL AWARD PROGRAM AUDIT

DEPARTMENT OF AGRICULTURE

2018-02 Food Distribution Cluster – Temporary Emergency Food Assistance Program, (TEFAP) CFDA No. 10.569

Recommendation: Weights entered into system should be compared with shipping documents for reasonableness. Management should review available reports from the state to develop additional reconciliation procedures to assist in identifying input errors in a timely manner.

Action Taken: Food Bank of Northern Nevada leadership team will make sure that all current staff and new hires are instructed to use gross weight and not net weight. Training procedures have already been implemented during fiscal year 2018/19. Corrective action implemented.

2018-03 Food Distribution Cluster – Temporary Emergency Food Assistance Program, (TEFAP) CFDA No. 10.569

Recommendation: The Food Bank should notify its subrecipients of the CFDA number and other information to ensure that the value of the TEFAP food is recognized as a federal award. The Food Bank should also develop written policies and procedures for monitoring subrecipients' program compliance, reporting deficiencies, and evaluating corrective action. Corrective action partially implemented – see finding 2019-001.

Action Taken: Food Bank of Northern Nevada leadership team implement a reporting system whereby all agencies will receive a quarterly report with TEFAP values as well as the grant identification information. Management has initiated this process to be fully implemented during fiscal year 2018/2019.



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Corrective Action Plan

United States Department of Agriculture

The Food Bank of Northern Nevada respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent accounting firm:

EideBailly LLP
5441 Kietzke Ln #150
Reno NV 89511

Audit Period: year ended June 30, 2019

The findings from the June 30, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Department of Agriculture

2019-001 United States Department of Agriculture, Passed through the Nevada Department of Agriculture,
Food Distribution Cluster – The Emergency Food Assistance Program, (TEFAP), CFDA No. 10.565, Award Number 7NV810AGE

Finding Summary: Food Bank of Northern Nevada distributed TEFAP food to certain agencies that did not have an active subrecipient agreement on file at the time the food distribution was made. Approved subrecipient agreements were subsequently executed.

Responsible Individuals: Nicole Lamboley, President & CEO

Recommendation: The Food Bank enhance internal controls to ensure that all subrecipients have an approved agreement on file before receiving TEFAP product. Furthermore, monitoring procedures should be fully implemented to verify compliance with program requirements.

Action Taken: Food Bank of Northern Nevada consulted with Nevada Department of Agriculture on August 20, 2019 regarding the three subrecipients who received TEFAP product without a signed agreement. NDA advised FBNN of policy FNS 410-1 which per section V, the State is required to pursue a claim for the value of any food lost or improperly distributed. NDA indicated that it would send FBNN a claim for the value of this food (\$1,779.24) and advised FBNN that it may request that the claim be



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waived and represented that NDA would be more than willing to advocate for that with the USDA. The main things to highlight in the request would be:

- a. Any negative financial impacts to your operations by paying the claim
- b. And; any corrective actions that have been taken to ensure that this doesn't happen again.

FBNN submitted the claim and requested a waiver which was approved October 2, 2019.

FBNN also requested retroactively that the three subrecipients complete the agreement. Two of the subrecipients complied and the third indicated it did not want to be a TEFAP subrecipient.

FBNN made system enhancements to host ERP. Qualifier codes were created to permit/restrict distribution of program restricted food. Therefore, FBNN will not add the TEFAP qualifier code to host ERP until the subrecipient agreement is fully executed.

FBNN will ensure training to staff that TEFAP product is only to be distributed to approved subrecipients agencies.

Anticipated completion date: July 12, 2019

2019-02 United States Department of Agriculture, Passed through the Nevada Department of Agriculture,
Food Distribution Cluster – The Emergency Food Assistance Program, (TEFAP), CFDA No. 10.565, Award Number 7NV810AGE

Finding Summary: TEFAP *Certification of Eligibility* forms were not completed in their entirety or did not include information beyond the signature of the recipients. The additional information is not necessarily required on each distribution log but is required to maintained on file. It is unclear how this was verified at the time of the distribution. Furthermore, the monthly inventory and participation summary reports were not signed as approved.

Responsible Individuals: Nicole Lamboley, President & CEO

Recommendation: The Food Bank enhance internal controls over TEFAP food distributions to ensure that *Certification of Eligibility* forms include all requested information, references to information already on file, or explanations of unusual circumstances and that there is documented approval of monthly participation forms.

Action Taken: Food Bank of Northern Nevada, in consultation with Nevada Department of Agriculture (NDA), was advised that as long as the recipient is checked against OASIS (the client database system) the FBNN does not need to collect all fields only the signature and eligibility code. The FBNN has established an internal control to document this practice and has approval from NDA. FBNN is enhancing the OASIS system which will automate the collection of the data including an electronic signature from the recipient at the distribution site and eligibility designation. This enhancement is slated for implementation July 2020.

Anticipated completion date: October 2019



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