



Financial Statements

June 30, 2020

(With Comparative Totals for June 30, 2019)

The Food Bank of Northern Nevada, Inc.

Independent Auditor’s Report.....	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities.....	5
Statement of Functional Expenses.....	6
Statement of Cash Flows	7
Notes to Financial Statements	8
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance	26
Schedule of Expenditures of Federal Awards	29
Notes to Schedule of Expenditures of Federal Awards	30
Schedule of Findings and Questioned Costs	31



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, 2020, 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 January 7, 2021 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

We have previously audited The Food Bank of Northern Nevada, Inc.'s June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Reno, Nevada
January 7, 2021

The Food Bank of Northern Nevada, Inc.

Statement of Financial Position

June 30, 2020

(with Comparative Totals for June 30, 2019)

	2020	2019 (Memorandum Only)
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,319,209	\$ 814,211
Investments	4,168,695	472,876
Accounts receivable		
Grants and contracts receivable	1,983,982	508,569
Agency fees and other receivable	135,845	36,811
Food inventory	1,882,670	2,919,120
Prepaid expenses	7,450	-
Total current assets	<u>9,497,851</u>	<u>4,751,587</u>
Property and Equipment, Net	<u>7,217,180</u>	<u>7,340,357</u>
Other Assets		
Cash and investments held for building maintenance fund	1,986,019	2,040,303
Investments in Donald W. Reynolds Restricted Fund for Programs	600,000	870,000
Total other assets	<u>2,586,019</u>	<u>2,910,303</u>
Total assets	<u>\$ 19,301,050</u>	<u>\$ 15,002,247</u>

The Food Bank of Northern Nevada, Inc.

Statement of Financial Position

June 30, 2020

(with Comparative Totals for June 30, 2019)

	2020	2019 (Memorandum Only)
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 835,333	\$ 178,251
Accrued expenses	325,075	338,641
Payroll Protection Plan (PPP) Loan	383,538	-
Deferred revenue	1,310,887	2,114,143
Total current liabilities / total liabilities	2,854,833	2,631,035
Net Assets		
Without donor restrictions		
Invested in property and equipment	7,217,180	7,340,357
Board designated endowment	91,400	-
Board designated sustaining fund	4,077,295	472,876
Undesignated	1,153,908	591,261
	12,539,783	8,404,494
With donor restrictions		
Restricted for specified purposes	1,183,285	1,056,415
Time-restricted for future periods	737,130	870,000
Restricted for endowment	1,986,019	2,040,303
	3,906,434	3,966,718
Total net assets	16,446,217	\$ 12,371,212
Total Liabilities and Net Assets	\$ 19,301,050	\$ 15,002,247

The Food Bank of Northern Nevada, Inc.
Statement of Activities
Year Ended June 30, 2020
(with Comparative Totals for Year Ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total (Memorandum Only)
Public and Governmental Support, Revenue, and Reclassifications				
Public and governmental support				
Donated food	\$ -	\$ 20,077,944	\$ 20,077,944	\$ 22,493,436
USDA commodities	15,354,800	-	15,354,800	9,842,656
Other government grants and contracts	1,038,040	-	1,038,040	874,887
Contributions - other assets and supplies	19,847	-	19,847	4,755
General contributions and pledges	8,242,600	1,581,490	9,824,090	4,524,433
Kids Café				
Child and Adult Care Food Program	668,187	-	668,187	856,449
Summer Food Service Program	1,398,854	-	1,398,854	146,504
Other contributions	126,628	-	126,628	121,088
	<u>26,848,956</u>	<u>21,659,434</u>	<u>48,508,390</u>	<u>38,864,208</u>
Revenue				
Special events and fund raising	362,005	-	362,005	533,247
Agency fees	271,348	-	271,348	298,342
Rent and reimbursements	86,884	-	86,884	95,100
	<u>720,237</u>	<u>-</u>	<u>720,237</u>	<u>926,689</u>
Net assets released for satisfaction of donor restrictions	<u>21,702,234</u>	<u>(21,702,234)</u>	<u>-</u>	<u>-</u>
Total public and governmental support, revenue and reclassifications	<u>49,271,427</u>	<u>(42,800)</u>	<u>49,228,627</u>	<u>39,790,897</u>
Expenses				
Program services - food distribution	43,043,845	-	43,043,845	37,822,249
Supporting services				
General and administrative	1,433,559	-	1,433,559	1,593,596
Fund raising	708,619	-	708,619	738,110
Total expenses	<u>45,186,023</u>	<u>-</u>	<u>45,186,023</u>	<u>40,153,955</u>
Other Gains and Losses				
Net investment income	43,165	(17,484)	25,681	181,113
Gain (loss) on sale of assets	6,720	-	6,720	4,830
Net other gains and losses	<u>49,885</u>	<u>(17,484)</u>	<u>32,401</u>	<u>185,943</u>
Change in Net Assets	4,135,289	(60,284)	4,075,005	(177,115)
Net Assets, Beginning of Year	<u>8,404,494</u>	<u>3,966,718</u>	<u>12,371,212</u>	<u>12,548,327</u>
Net Assets, End of Year	<u>\$ 12,539,783</u>	<u>\$ 3,906,434</u>	<u>\$ 16,446,217</u>	<u>\$ 12,371,212</u>

The Food Bank of Northern Nevada, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020
(with Comparative Totals for Year Ended June 30, 2019)

	2020			2019	
	Program Services	Supporting Services		Total	Total (Memorandum Only)
	Food Distribution	General and Administrative	Fund Raising		
Salaries	\$ 2,190,021	\$ 511,236	\$ 275,281	\$ 2,976,538	\$ 3,078,538
Payroll taxes	206,685	48,819	26,287	281,791	297,224
Employee benefits	280,714	82,582	44,468	407,764	429,055
Total personnel costs	2,677,420	642,637	346,036	3,666,093	3,804,817
Food distribution					
Donated food	20,391,624	-	-	20,391,624	22,572,100
USDA commodities	15,354,800	-	-	15,354,800	9,842,656
Purchased food, including acquisition costs	1,765,871	-	-	1,765,871	827,675
Kids Café	1,739,146	-	-	1,739,146	969,880
Advertising and promotion	-	3,000	500	3,500	5,983
Bank charges	-	69,779	-	69,779	25,852
Bridges Out of Poverty	-	-	-	-	52,035
Direct mail	-	-	282,382	282,382	166,462
Dues and subscriptions	1,069	9,980	-	11,049	15,456
Conferences, travel and mileage	27,942	25,478	-	53,420	81,338
Contract labor	3,600	-	1,500	5,100	2,700
Equipment	41,772	14,436	-	56,208	70,913
Special events	5,654	32,838	232	38,724	33,481
Governance	-	473	-	473	3,190
Insurance	45,547	34,102	-	79,649	68,716
Miscellaneous	3,860	850	-	4,710	3,396
Office expenses	9,473	8,690	117	18,280	20,609
Outreach programs and volunteer appreciation	44,185	3,630	9,268	57,083	54,361
Printing and postage	70,118	32,760	4,942	107,820	116,850
Professional services and advocacy	125,643	164,924	19,987	310,554	277,253
Repairs and maintenance	87,377	-	486	87,863	103,917
Sanitation	26,350	-	4,550	30,900	30,531
Telephone and internet	16,894	56,993	-	73,887	64,242
Utilities	35,695	11,869	-	47,564	49,425
Vehicle expense	350,892	-	24	350,916	348,508
Warehouse supplies	60,390	-	38,595	98,985	109,533
Total expenses before depreciation	42,885,322	1,112,439	708,619	44,706,380	39,721,879
Depreciation	158,523	321,120	-	479,643	432,076
Total expenses	<u>\$ 43,043,845</u>	<u>\$ 1,433,559</u>	<u>\$ 708,619</u>	<u>\$ 45,186,023</u>	<u>\$ 40,153,955</u>

See Notes to the Financial Statements

The Food Bank of Northern Nevada, Inc.
Statement of Cash Flows
Year Ended June 30, 2020
(with Comparative Totals for Year Ended June 30, 2019)

	2020	2019 (Memorandum Only)
Operating Activities		
Change in net assets	\$ 4,075,005	\$ (177,115)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	479,643	432,076
Contributions of non-cash assets received	-	(151,997)
Net realized and unrealized gain on investments	72,845	(87,840)
(Gain) loss on sale of assets	(6,720)	(4,830)
Changes in		
Grants and contracts receivable	(1,475,413)	(108,449)
Agency fees and other receivable	(99,034)	(19,883)
Food inventory	1,036,450	(1,469,573)
Prepaid expenses	(7,450)	2,500
Accounts payable	657,082	27,207
Accrued expenses	(13,566)	66,835
Deferred revenue	(803,256)	1,515,739
Net Cash from Operating Activities	3,915,586	24,670
Investing Activities		
Proceeds from sale of assets	6,720	4,830
Proceeds from sale of investments	3,710,738	3,863,087
Purchase of investments	(7,161,296)	(3,341,235)
Purchase of property and equipment	(356,466)	(290,383)
Change in restricted cash	6,178	38,385
Net Cash from (used for) Investing Activities	(3,794,126)	274,684
Financing Activities		
Proceeds received from PPP loan	383,538	-
Net Cash from Financing Activities	383,538	-
Net Change in Cash and Cash Equivalents	504,998	299,354
Cash and Cash Equivalents, Beginning of Year	814,211	514,857
Cash and Cash Equivalents, End of Year	\$ 1,319,209	\$ 814,211
Noncash Investing and Financing Activity		
Original cost of fully depreciated fixed assets disposed	\$ 82,237	\$ 115,076

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 106,000 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 147 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 service area. In 2020, the Food Bank and its partners distributed approximately 23.5 million pounds of food representing a 12 percent increase over the prior fiscal year. 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 8 schools and 32 school food pantries provide convenient access to food for students' families. Monthly food boxes and fresh produce are delivered into 51 neighborhoods to help 2,777 low-income seniors. Mobile Harvest distributes 3.6 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 2020, this SNAP Outreach initiative helped 3,195 people secure more than \$6.3 million (annualized) in federal nutrition assistance.

All-together, 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 20.9 million meals in fiscal year 2020.

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. In fiscal year 2021, the Food Bank added a new mobile harvest distribution model called Produce on Wheels. This offers seniors direct service of fresh produce to the places where they reside.

The Food Bank is widely recognized as a leader in the work to solve hunger. It has achieved a 4-star exceptional rating from Charity Navigator for exceeding industry standards and outperforming most charities in its cause. It was named 2013 Food Bank of the Year, selected by Feeding America from among 200 food banks.

COVID-19 Impact: During fiscal year 2020, the Food Bank served an average of 106,000 people per month through direct service and the 147 partner agencies. The Food Bank saw increases in people needing assistance due to COVID with an average of 112,000 people served monthly during the last quarter of FY20, with a peak of nearly 128,000 people during the month of April. This steady increase in food insecurity is due to the economic stressors associated with COVID-19. In addition to the 35% overall increase, through our child nutrition program the Food Bank served 534,000 meals to kids between March 2020 and June 2020. It's pre COVID-19 annual number was 292,000 meals served. In just 3 months, the Food Bank increased meals served to children by 55%.

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, 2019, from which the summarized information was derived.

Adoption of FASB Accounting Standards Updates

As of July 1, 2019, the Food Bank adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. The Food Bank has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

As of July 1, 2019, FASB has issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This standard assists the Food Bank in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Food Bank has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

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, 2020, donated food and federal commodities are weighed and valued at \$1.62 and \$1.52 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 \$0.06 per pound for donated food (\$1.68 for 2019) and a decrease of \$0.05 per pound for federal commodities (\$1.57 for 2019). When food items have expired, such items are identified as salvage which may be distributed as farm feed 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, an 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, 2020 and 2019.

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 and an endowment.

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

The Food Bank recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest 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 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 upon satisfaction of the performance requirements as services are provided in accordance with the terms of the agreement or as the governmental food commodities are distributed. The Food Bank received advance payment under the Paycheck Protection Program (PPP) of \$382,900 that has not been recognized as revenue at June 30, 2020 because qualifying expenditures have not yet been submitted for forgiveness (Note 11).

The Food Bank distributes food to partner agencies. All revenues pertaining to partner agency transactions are recognized when the performance obligation of providing the food to the partner agency is completed. No fees are charged to partner agencies for donated food. The cooperative food purchase program is optional to partner agencies for certain food items purchased by the Food Bank then distributed to partner agencies is 100% of cost.

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'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.

Volunteers contribute significant amounts of time to distribution program services; 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 \$3,500 and \$6,000 during the years ended June 30, 2020 and 2019, 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. Total deposits in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In the event the institutions were to incur severe financial difficulties, the Food Bank would be at risk for \$328,148 of uninsured cash and cash equivalents at June 30, 2020. 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 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.

Subsequent Events

The Food Bank has evaluated subsequent events through January 7, 2021, the date the financial statements were available to be issued.

Recent Accounting Guidance

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. This standard is effective for annual reporting period beginning after December 15, 2021, or July 1, 2021 for the Food Bank. The Food Bank is currently assessing the impact of the adoption of the standard.

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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,319,209	\$ 814,211
Short-term investments	4,168,695	472,876
Accounts receivable	2,119,827	545,380
Allocations from Donald W. Reynolds Restricted Fund for Programs	<u>270,000</u>	<u>270,000</u>
	<u>\$ 7,877,731</u>	<u>\$ 2,102,467</u>

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 or Board-designated endowment (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, 2020

(With Comparative Totals for June 30, 2019)

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

	2020			Total
	Level 1	Level 2	Level 3	
Common stocks	\$ 754,301	\$ -	\$ -	\$ 754,301
Corporate fixed income bonds	43,088	-	-	43,088
Exchange- traded and closed-end funds	535,932	-	-	535,932
Mutual funds	1,452,080	-	-	1,452,080
Certificates of deposit	-	3,845,754	-	3,845,754
Government and treasury securities	105,667	-	-	105,667
	<u>\$ 2,891,068</u>	<u>\$ 3,845,754</u>	<u>\$ -</u>	<u>\$ 6,736,822</u>
	2019			
	Level 1	Level 2	Level 3	Total
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>\$ 2,838,696</u>	<u>\$ 506,135</u>	<u>\$ -</u>	<u>\$ 3,344,831</u>

Included in investments above is \$2,553,850 and \$2,871,955, 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 2020 and 2019, respectively.

Note 4 - Food Inventory

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

	2020	2019
Donated food	\$ 429,635	\$ 743,456
USDA commodities	1,293,757	2,111,675
Purchased food	159,278	63,989
	<u>\$ 1,882,670</u>	<u>\$ 2,919,120</u>

The Food Bank of Northern Nevada, Inc.

Notes to Financial Statements

June 30, 2020

(With Comparative Totals for June 30, 2019)

Note 5 - Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Non-depreciable assets		
Land	\$ 530,148	\$ 530,148
Real property available for sale	<u>151,997</u>	<u>151,997</u>
	<u>682,145</u>	<u>682,145</u>
Depreciable assets		
Building	8,546,732	8,546,732
Solar panels	918,287	918,287
Vehicles	1,687,952	1,496,170
Warehouse equipment	383,737	317,777
Office furniture, fixtures and equipment	95,425	78,938
Equipment- Kids Café	<u>94,402</u>	<u>94,402</u>
	11,726,535	11,452,306
Less accumulated depreciation	<u>(5,191,500)</u>	<u>(4,794,094)</u>
Depreciable assets, net	<u>6,535,035</u>	<u>6,658,212</u>
Total property and equipment, net	<u>\$ 7,217,180</u>	<u>\$ 7,340,357</u>

Note 6 - 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 \$122,513 and \$129,422 for the years ended June 30, 2020 and 2019, respectively.

Note 7 - Endowment

The Food Bank has established an endowment fund 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 fund was originally established with donor restricted funds.

The Food Bank of Northern Nevada, Inc.

Notes to Financial Statements

June 30, 2020

(With Comparative Totals for June 30, 2019)

In addition, the Food Bank has established a board-designated endowment fund to support operating activities. Unbudgeted revenue that the Food Bank records in the endowment (unsolicited contributions, bequests, or similar) will be recorded as unrestricted, while revenue specifically designated to this fund by the donor will be recorded as restricted. Unrestricted funds are available to support the Food Bank's operations at the designation of management. Restricted funds can be accessed quarterly at up to 3% of the account's value.

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, 2020 and 2019, 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, 2020, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 91,400	\$ -	\$ 91,400
Donor-restricted endowment funds			
Original donor-restricted gift amounts and amounts required to be maintained by donor	-	983,285	983,285
Restricted accumulated investment gains	-	1,002,734	1,002,734
	<u>\$ 91,400</u>	<u>\$ 1,986,019</u>	<u>\$ 2,077,419</u>

The Food Bank of Northern Nevada, Inc.

Notes to Financial Statements

June 30, 2020

(With Comparative Totals for June 30, 2019)

As of June 30, 2019, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds			
Original donor-restricted gift amounts and amounts required to be maintained by donor	-	1,065,226	1,065,226
Restricted accumulated investment gains	-	975,077	975,077
	<u>\$ -</u>	<u>\$ 2,040,303</u>	<u>\$ 2,040,303</u>

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, 2020 and 2019.

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.

The Food Bank of Northern Nevada, Inc.

Notes to Financial Statements

June 30, 2020

(With Comparative Totals for June 30, 2019)

Changes in Endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 2,040,303	\$ 2,040,303
Contributions	94,635	-	94,635
Investment income, net of fees	253	52,607	52,860
Net realized and unrealized gains (losses)	(3,488)	(70,091)	(73,579)
Appropriation of assets for expenditure	-	(36,800)	(36,800)
Endowment net assets, end of year	<u>\$ 91,400</u>	<u>\$ 1,986,019</u>	<u>\$ 2,077,419</u>

Changes in Endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 2,074,493	\$ 2,074,493
Investment income, net of fees	-	34,731	34,731
Net realized and unrealized gains (losses)	-	82,491	82,491
Appropriation of assets for expenditure	-	(151,412)	(151,412)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,040,303</u>	<u>\$ 2,040,303</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.

The Food Bank of Northern Nevada, Inc.

Notes to Financial Statements

June 30, 2020

(With Comparative Totals for June 30, 2019)

Note 8 - Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose		
Nutrition education	\$ 89,719	\$ 91,162
Emergency response	388,621	-
Food distribution programs	<u>704,945</u>	<u>965,253</u>
	1,183,285	1,056,415
Subject to the Passage of Time		
Donald W. Reynolds Restricted Fund for Programs		
Enrichment and sustainability	737,130	870,000
Endowments		
Board-designated	91,400	-
Held for long-term specified purposes, subject to		
endowment spending policy appropriation		
Building maintenance fund	<u>1,986,019</u>	<u>2,040,303</u>
	<u>\$ 3,997,834</u>	<u>\$ 3,966,718</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ 132,870	\$ 270,000
Satisfaction of purpose restriction		
Nutrition education	71,379	\$ 87,544
Emergency response	675,226	-
Food distribution programs	<u>20,785,959</u>	<u>22,666,929</u>
	21,665,434	23,024,473
Restricted-purpose spending-rate distributions and appropriates		
Building maintenance fund	<u>36,800</u>	<u>151,412</u>
	<u>\$ 21,702,234</u>	<u>\$ 23,175,885</u>

Note 9 - Revenue from Contracts with Customers

The following table provides information about significant changes in deferred revenue for the year ended June 30, 2020:

	<u>2020</u>	<u>2019</u>
Deferred revenue, beginning of period	\$ 2,114,143	\$ 598,404
Revenue recognized that was included in deferred revenue	(2,114,143)	(598,404)
Increases in deferred revenue due to commodities received during the period	<u>1,310,887</u>	<u>2,114,143</u>
Deferred revenue, end of period	<u>\$ 1,310,887</u>	<u>\$ 2,114,143</u>

Note 10 - Volunteers

The Food Bank's distribution programs are significantly dependent upon the support provided by volunteers. Such volunteers provided approximately 27,100 (unaudited) and 27,800 (unaudited) hours of direct services during the years ended June 30, 2020 and 2019, 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 \$406,000 and \$417,000 for 2020 and 2019, respectively.

Note 11 - Refundable Advance- Paycheck Protection Program (PPP) Loan

On April 20, 2020, the Food Bank was granted a \$382,900 loan under the PPP administered by a Small Business Administration-approved partner. The loan is uncollateralized and is fully guaranteed by the federal government. The Food Bank is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Food Bank has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan. Proceeds from the loan are eligible for forgiveness if used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. The Food Bank will be required to repay any remaining balance, plus interest accrued at 1 percent, in monthly payments commencing upon notification of forgiveness or partial forgiveness. The Food Bank received notification of forgiveness in full on December 4, 2020.

Note 12 - Contingency

The 2019 Coronavirus (COVID-19) was declared a global pandemic by the World Health Organization on March 11, 2020, and the related responses by public health and governmental authorities to contain its outbreak and spread adversely impacted workforces, economics, and financial markets globally.

The impact on the Food Bank as a result of COVID-19 has been significant. Operational and programmatic changes were made to ensure Food Bank programs operated in a manner that was compliant with new State and Federal guidance and regulations pertaining to COVID-19. In addition, certain Food Bank programs expanded as a result of increased community need resulting from various economic impacts of COVID-19. The Food Bank continues to closely monitor its operations, liquidity, and capital resources as a result of COVID-19. As of the date of issuance of these financial statements, the current and future full impact to the Food Bank as a result of COVID-19 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, 2020, 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 January 7, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Reno, Nevada
January 7, 2021



**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, 2020. 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.

Basis for Qualified Opinion on 10.565 Commodity Supplemental Food Program, 10.568 Temporary Emergency Food Assistance Program

As described in the accompanying schedule of findings and questioned costs The Food Bank of Northern Nevada, Inc. did not comply with requirements regarding, CFDA 10.565 Commodity Supplemental Food Program and 10.568 Temporary Emergency Food Assistance Program as described in finding number 2020-001 and for Eligibility and 10.568 Temporary Emergency Food Assistance Program as described in finding number 2020-002 for Procurement. Compliance with such requirements is necessary, in our opinion, for The Food Bank of Northern Nevada, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on 10.565 Commodity Supplemental Food Program, 10.568 Temporary Emergency Food Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA 10.565 Commodity Supplemental Food Program and 10.568 Temporary Emergency Food Assistance Program for the year ended June 30, 2020.

Opinion on Each of the other 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2020.

Other Matters

The Food Bank of Northern Nevada, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Food Bank of Northern Nevada, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 2020-001 and 2020-002 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.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Reno, Nevada
January 7, 2021

The Food Bank of Northern Nevada, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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	\$ 96,752	\$ -
Education	10.561	Ed1814	<u>69,936</u>	<u>-</u>
Total SNAP Cluster			<u>166,688</u>	<u>-</u>
Passed through the Nevada Department of Agriculture Food Distribution Cluster				
Commodity Supplemental Food Program (Food Commodities)	10.565	L010	1,315,035	-
Commodity Supplemental Food Program (Administrative)	10.565	L010	173,914	-
Temporary Emergency Food Assistance Program (Administrative)	10.568	D041	270,274	-
Temporary Emergency Food Assistance Program (Food Commodities)	10.569	D041	<u>14,039,765</u>	<u>9,821,171</u>
Total Food Distribution Cluster			<u>15,798,988</u>	<u>9,821,171</u>
Families First Coronavirus Relief Act	10.568		<u>49,272</u>	<u>-</u>
Trade Mitigation Food Purchase and Distribution Program	10.178	TRADE19-01	<u>291,949</u>	<u>-</u>
Child and Adult Care Food Program	10.558	C1250	606,534	-
COVID-19 Child and Adult Care Food Program	10.558	C1250	<u>61,653</u>	<u>-</u>
Total Child and Adult Care Food Program			<u>668,187</u>	<u>-</u>
Child Nutrition Cluster				
Summer Food Service Program	10.559	S0160	202,673	-
COVID-19 Summer Food Service Program	10.559	S0160	<u>1,196,181</u>	<u>-</u>
Total Summer Food Service Program			<u>1,398,854</u>	<u>-</u>
Total Department of Agriculture			<u>18,373,938</u>	<u>9,821,171</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>60,943</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 18,434,881</u>	<u>\$ 9,821,171</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, 2020. 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, 2020, the Food Bank had food commodities totaling \$1,293,757 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

**2020-001: United States Department of Agriculture, Passed through the Nevada Department of Agriculture
Food Distribution Cluster – Commodity Supplemental Food Program (CFSP), CFDA 10.565, The Emergency Food Assistance Program (TEFAP), CFDA 10.568, Award Number 7NV810AGE**

Beneficiary Eligibility

Material Weakness in Internal Control over Compliance and Material Noncompliance

Grant Award Number: Affects all grant awards included under CFDA 10.568 on the Schedule of Expenditures of Federal Awards.

Criteria: The OMB Compliance Supplement requires that recipients of 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 the recipient signing the Certification of Eligibility at the distribution site. The Certification of Eligibility also requires the capture other recipient information such as address, phone number, and basis for eligibility. Signature requirement was waived beginning March 2020 due to COVID-19, however, other information collection requirements continued.

Condition: During the period July 2019-June 2020, 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 form, but a link to where this information is maintained must be made on the distribution log. Furthermore, there is no documentation for how this information is verified at the time of distribution.

Cause: The Food Bank did not have adequate internal controls to ensure that all information included on the Certification of Eligibility was obtained, documented, or referenced to other appropriate records.

Effect: Information required by Uniform Guidance to document who received food was not properly maintained; food distribution without proper collection of demographic information of the recipient as required by Uniform Guidance took place.

Questioned Costs: None.

Context/Sampling: A nonstatistical sample of 15 Food Bank-managed individual TEFAP food distributions out of a population of 374 distributions was selected for eligibility testing. Signatures were obtained on the Certification of Eligibility forms as evidence of complying with low-income household eligibility on all forms when required (signature requirement was waived beginning March 2020 due to COVID-19). Accordingly, there are no questioned costs based on allowable distribution of food to the needy. However, other sections of the Certification of Eligibility forms from 14 of the 15 distributions tested were missing information such as address, phone number and/or approval.

Repeat Finding from Prior Year: Yes, 2019-02.

Recommendation: We recommend 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 preventing collection of required information.

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

**2020-002: United States Department of Agriculture, Passed through the Nevada Department of Agriculture
Food Distribution Cluster - The Emergency Food Assistance Program (TEFAP), CFDA 10.568, Award Number 7NV810AGE**

**Procurement, Suspension, and Debarment
Material Weakness in Internal Control over Compliance and Material Noncompliance**

Grant Award Number: Affects all grant awards included under CFDA 10.565 on the Schedule of Expenditures of Federal Awards.

<i>Criteria:</i>	The OMB Compliance Supplement states that non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Non-federal entities may verify that a party is not suspended or debarred by checking the Excluded Parties List System, collecting a certification from the entity, or adding a clause or condition to the covered transaction vehicle.
<i>Condition:</i>	Suspension and debarment verification procedures were not performed prior to entering into covered transactions with local distributing agencies that the Food Bank of Northern Nevada entered into TEFAP Agency Food Distribution agreements with. The requirement was not communicated to the Food Bank by the Nevada Department of Agriculture or Food and Nutrition Services western region office.
<i>Cause:</i>	The Food Bank of Northern Nevada did not have adequate internal controls to ensure contracts under federal awards contained all of the applicable provisions and to ensure suspension and debarment verification procedures performed prior to entering into all covered transactions.
<i>Effect:</i>	Agencies receiving TEFAP food may not be aware of required terms and conditions, and distributions could be made to recipients who were suspended or debarred.
<i>Questioned Costs:</i>	None.
<i>Context/Sampling:</i>	A nonstatistical sample of 45 agency procurement transactions out of a population of 923 were selected for testing. For all 45 transactions, no suspension and debarment verification procedures were performed.
<i>Repeat Finding from Prior Year:</i>	No.
<i>Recommendation:</i>	We recommend the Food Bank of Northern Nevada enhance internal controls to ensure suspension and debarment verification procedures are performed prior to entering into all covered transactions.
<i>Views of Responsible Officials:</i>	The Food Bank of Northern Nevada, Inc. agrees with this finding.