# FINANCIAL STATEMENTS
# SUPPLEMENTARY INFORMATION

## Year Ended December 31, 2021

**TABLE OF CONTENTS**


| | |
|---|---|
| INDEPENDENT AUDITOR'S REPORT | 1 – 3 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 4 |
| Statement of Activities | 5 |
| Statement of Functional Expenses | 6 |
| Statement of Cash Flows | 7 |
| Notes to Financial Statements | 8 – 14 |
| SUPPLEMENTARY INFORMATION | |
| Schedule of Expenditures of Federal Awards | 15 – 16 |
| Schedule of Findings and Questioned Costs | 17 – 19 |
| Summary of Prior Year Findings | 20 |
| REPORTS ON COMPLIANCE AND INTERNAL CONTROL | |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* | 21 – 22 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance | 23 – 25 |
| MANAGEMENT'S CORRECTIVE ACTION PLAN | 26 |

ARLEEN T. IBAY
Certified Public Accountant

Arleen T. Ibay, CPA
5000 Bridgeport Way W
University Place, WA 98467

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nourish Pierce County
Tacoma, Washington

## Report on the Audit of the Financial Statements

### *Opinion*

I have audited the accompanying financial statements of Nourish Pierce County (a nonprofit organization) which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nourish Pierce County as of December 31, 2021, 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.

### *Basis for Opinion*

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Nourish Pierce County and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit with generally accepted auditing standards and Government Auditing Standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and asses the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit and to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nourish Pierce County's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude, whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nourish Pierce County's ability to continue as a going concern for a reasonable period of time.

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

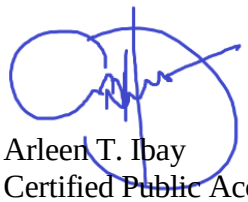
***Supplementary Information***

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued my report dated May 27, 2022, on my consideration of Nourish Pierce County's internal control over financial reporting and on my 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 my 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 Nourish Pierce County'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 Nourish Pierce County's internal control over financial reporting and compliance.



Arleen T. Ibay
Certified Public Accountant
University Place, Washington

May 27, 2022

**NOURISH PIERCE COUNTY**
**STATEMENT OF FINANCIAL POSITION**
**December 31, 2021**

| | |
|---|---|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | 2,395,096 |
| Grants receivable | 29,186 |
| Contributions receivable | 71,179 |
| Food inventory | 1,732,190 |
| Supplies inventory | 15,167 |
| Prepaid expenses | 37,315 |
| Total current assets | 4,280,133 |
| Property and equipment | |
| Leasehold improvements | 492,865 |
| Equipment | 307,131 |
| Vehicles | 502,557 |
| Total | 1,302,553 |
| Accumulated depreciation | (763,501) |
| In-progress | 42,514 |
| Property and equipment, net | 581,566 |
| Other assets | |
| Cash restricted for equipment | 39,986 |
| Investments | 2,001,202 |
| Total other assets | 2,041,188 |
| TOTAL ASSETS | 6,902,887 |
| LIABILITIES AND NET ASSETS | |
| Current liabilities | |
| Accounts payable | 16,597 |
| TOTAL LIABILITIES | 16,597 |
| Net assets | |
| Without donor restrictions | 6,716,304 |
| With donor restrictions | 169,986 |
| TOTAL NET ASSETS | 6,886,290 |
| TOTAL LIABILITIES AND NET ASSETS | 6,902,887 |


See accompanying notes.

**NOURISH PIERCE COUNTY**
**STATEMENT OF ACTIVITIES**
**Year Ended December 31, 2021**

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| SUPPORT AND REVENUES | | | |
| Support: | | | |
| Grants - private | 616,238 | 169,986 | 786,224 |
| Grants - government | 789,058 | | 789,058 |
| Contributions | 1,633,291 | - | 1,633,291 |
| Special Events | 31,732 | - | 31,732 |
| Total support | 3,070,319 | 169,986 | 3,240,305 |
| Donated food | 9,933,147 | - | 9,933,147 |
| Revenue: | | | |
| Earnings on investments | 48,025 | - | 48,025 |
| Gains and losses | 65,546 | - | 65,546 |
| Total revenues | 113,571 | - | 113,571 |
| Net assets released from restrictions | 130,000 | (130,000) | - |
| TOTAL SUPPORT AND REVENUES | 13,247,037 | 39,986 | 13,287,023 |
| EXPENSES | | | |
| Program services | 11,345,342 | - | 11,345,342 |
| Administrative services | 385,171 | - | 385,171 |
| Fundraising | 184,122 | - | 184,122 |
| TOTAL EXPENSES | 11,914,635 | - | 11,914,635 |
| CHANGE IN NET ASSETS | 1,332,402 | 39,986 | 1,372,388 |
| NET ASSETS, BEGINNING OF YEAR | 5,383,902 | 130,000 | 5,513,902 |
| NET ASSETS, END OF YEAR | 6,716,304 | 169,986 | 6,886,290 |


See accompanying notes.

**NOURISH PIERCE COUNTY**
**STATEMENT OF FUNCTIONAL EXPENSES**
**Year Ended December 31, 2021**

| | | Supporting Services | | |
|---|---|---|---|---|
| | Program Services | Administrative services | Fundraising | Total |
| Salaries | 589,111 | 161,198 | 136,462 | 886,771 |
| Payroll taxes | 53,156 | 13,326 | 11,281 | 77,763 |
| Employee benefits | 112,328 | 25,763 | 21,514 | 159,605 |
| Temporary staff | 159,331 | 1,322 | - | 160,653 |
| Total salaries and related expenses | 913,926 | 201,609 | 169,257 | 1,284,792 |
| Food purchased | 240,174 | - | - | 240,174 |
| Other assistance | 189,950 | - | - | 189,950 |
| Vehicle expenses | 61,587 | - | - | 61,587 |
| Bank fees | - | 26,752 | 2,546 | 29,298 |
| Insurance | 38,689 | 2,242 | - | 40,931 |
| Occupancy | 164,946 | 30,837 | - | 195,783 |
| Postage | - | 4,347 | 245 | 4,592 |
| Printing | 357 | 16,747 | 1,618 | 18,722 |
| Professional services | - | 57,283 | 2,800 | 60,083 |
| Public relations | 102 | 4,206 | 5,195 | 9,503 |
| Repairs | 18,367 | - | - | 18,367 |
| Supplies | 52,086 | 25,090 | 2,461 | 79,637 |
| Telephone | 17,431 | 10,302 | - | 27,733 |
| Training | - | 4,563 | - | 4,563 |
| Travel | 650 | 1,193 | - | 1,843 |
| Depreciation | 147,595 | - | - | 147,595 |
| Total before donated food | 1,845,860 | 385,171 | 184,122 | 2,415,153 |
| Donated food distributed | 9,499,482 | - | - | 9,499,482 |
| TOTAL EXPENSES | 11,345,342 | 385,171 | 184,122 | 11,914,635 |



See accompanying notes.

**NOURISH PIERCE COUNTY**
**STATEMENT OF CASH FLOWS**
**Year Ended December 31, 2021**

| | |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from contributions and public support | 2,964,945 |
| Cash paid to suppliers and employees | (2,031,269) |
| Earnings on investments | 48,025 |
| Net cash provided by operating activities | 981,701 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of investments | (1,147,615) |
| Purchase of property and equipment | (42,514) |
| Net cash used by investing activities | (1,190,129) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Contributions received for property and equipment | 82,500 |
| Net cash provided by financing activities | 82,500 |
| NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED | (125,928) |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR | 2,561,010 |
| AT END OF YEAR | 2,435,082 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH IN THE STATEMENT OF FINANCIAL POSITION | |
| Cash and cash equivalents | 2,395,096 |
| Cash restricted for equipment | 39,986 |
| TOTAL | 2,435,082 |


See accompanying notes.

**NOURISH PIERCE COUNTY**
**NOTES TO FINANCIAL STATEMENTS**

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### History of the Organization

Nourish Pierce County, formerly known as FISH Food Banks of Pierce County ("the Organization"), was incorporated in November 1982 under the laws of the State of Washington. This report reflects the financial activities of a central office and eight food banks under the direction of a board of directors.

### Nature of Activities

The Organization provides food at no cost to recipients. Food is donated to the food banks or purchased with cash donations and grants. A central office provides administrative, community relations and fundraising services for all the food banks.

### Basis of Accounting

The financial statements of the Organization have been prepared according to accounting principles generally accepted in the United States of America on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the obligation is incurred, regardless of related cash flow timing.

### Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon existence or absence of restrictions on use that are stipulated by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

The unspent contributions are reported net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of property and equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of six months or less to be cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of credit history with donors having outstanding balances and current relationship with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Fair Value Disclosures

The fair value of financial instruments including cash and cash equivalents, accounts and pledges receivable, accounts payable and accrued expenses approximates the carrying values, principally because of the short maturity of those items. The fair value of notes approximates the carrying value, principally because of the maturity dates of the notes and the current terms applicable to each item.

Fair Value – Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy described below gives the highest priority to inputs used in level 1 measurements and the lowest priority to level 3 measurements.

Level 1: Unadjusted quoted prices in active markets for identical securities.
Level 2: Observable prices that are based on inputs not quoted in active markets but are corroborated by market data.
Level 3: Significant unobservable inputs are used when little or no market data is available.

The Organization has no level 2 or level 3 investments at December 31, 2021.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets ranging from five to twenty years.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Support and Revenues with or without Donor Restrictions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers providing services throughout the years were not recognized as contributions in the financial statement since the recognition criteria were not met.

Functional Expenses

Directly identifiable expenses are charged to program services or supporting services. Expenses related to more than one function are charged to program services and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the program.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization had no unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. In addition, the Organization qualifies for charitable contribution deduction and has been classified as an organization other than a private foundation.

The Organization’s federal information returns are subject to possible examination by the taxing authorities until the expiration of related statutes of limitations on those tax returns, which is generally three years.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Adopted accounting pronouncement

In 2021, the organization elected to early adopt Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement if activities apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit received. Adoption of this standard did not have a significant impact on the financial statement.

Pending accounting pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. The new standard is effective for the Organization's 2022 financial statements. The Organization is currently evaluating the impact of adoption of the standard on the financial statements.

NOTE B – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following programs and supporting services are included in the accompanying financial statements:

Program Services

Operation of several food banks for the collection and distribution of food to individuals and families throughout Pierce County.

Administrative Services

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; and manage the financial and budgetary responsibilities of the Organization.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations.

NOTE C – FOOD INVENTORY

Food inventory at December 31, consist of:

| | |
|---|---|
| Purchased food, stated at cost | 524,627 |
| Donated food, stated at USDA cost | 163,886 |
| Donated food, stated at $1.82/lb. | 1,043,677 |
| Total | 1,732,190 |

NOTE D – INVESTMENTS

Investments consist of account in pooled investments at a community foundation which reports to participants the fund balances at fair market values. The pooled investments are invested in marketable equity securities and mutual funds with readily determinable fair values considered to be Level 1 in the fair value hierarchy.

Investments activity for the year ended December 31, is reflected in the following table:

| | |
|---|---|
| Investments at beginning of year | 788,041 |
| Additional invested during the year | 1,100,000 |
| Interest and dividends, net | 47,615 |
| Gains (losses) | 65,546 |
| Disbursed for current operations | - |
| Investments at end of year | 2,001,202 |

The investments are exposed to various risk such as interest rate, market risk, and credit risk. Due to the level of risk associated with these investments and the level of uncertainty related to changes in value, it is at least reasonably possible that changes in various risk factors will occur in the near term that could materially affect the Organization's investment account balances and the amounts reported in the accompanying financial statements.

NOTE E –NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, were available for the following specified purposes:

| | |
|---|---|
| Available for purchase of property and equipment | 39,986 |
| Available for future periods | 130,000 |
| | 169,986 |

Net assets released from restrictions during the year in the amount of $130,000 were due to lapsing of time restrictions.

NOTE F – DONATED FOOD

The Organization reports the fair value of gifts of donated food and grocery products over which it has control as in-kind food contributions, and shortly thereafter, as expense when distributed to clients. During the years ended December 31, 2021, Nourish Pierce County received approximately 5,532,502 pounds of donated food and distributed 5,554,119 pounds. The value of food donation purchased with federal funds is based on USDA published prices. Food from local groceries and the general public are valued at $1.75 per pound from January to June 2021, and $1.82 per pound from thereafter, based on effective contracts.

NOTE G – RETIREMENT PLAN

The Organization maintains a SIMPLE retirement plan under Section 408(p) of the Internal Revenue Code. Employees who meet eligibility requirements can contribute to the plan and receive matching contributions from the organization, up to 3% of gross wages. The employer contribution for the year was $19,252.

NOTE H – CREDIT RISKS

The Organization maintains cash balances in several financial institutions located in Tacoma, Washington which from time to time may exceed federally insured limits. The Organization had not incurred any losses for such uninsured balances. At December 31, 2021, the Organization's uninsured cash balances were $1,252,662.

NOTE I – CONCENTRATION OF SUPPORT

The Organization received 46% of its support from Emergency Food Network for the year ended December 31, 2021. A substantial reduction in the level of this support, if it were to occur, would have a significant effect on the Organization.

NOTE J – FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions.

| | |
|---|---|
| Financial assets at year-end: | |
| Cash and cash equivalents | 2,395,096 |
| Restricted cash | 39,986 |
| Grants receivables | 29,186 |
| Contributions receivables | 71,179 |
| Investments | 2,001,202 |
| Total financial assets | 4,536,649 |
| Less: those unavailable for general expenditures within one year, due to: | |
| Donor-restricted to purchase of equipment | 39,986 |
| Financial assets available to meet cash needs for general expenditures within one year | 4,496,663 |

Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in pooled investments at a community foundation.

## NOTE K – RISK AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the coronavirus outbreak a pandemic, resulting to restrictions on travel, quarantines and forced closures for certain types of public places and businesses worldwide, which has an adverse impact on economies and financial markets.

It is unknown how long the adverse conditions associated with the coronavirus will last and what is the complete financial effect will be to the Organization. The Organization is closely monitoring its operations, liquidity, capital and financial resources, and is actively working to minimize the current and future effects of this unprecedented situation.

## NOTE L – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 27, 2022, the date the financial statements were available for issue.

On March 4, 2022, the Organization entered into a 5-year non-cancelable lease for warehouse. The lease requires initial monthly payment of $7,262 and increases 2% annually, for a total rent payment of $453,476 for the 5-year period.

On April 18, 2022, the Organization entered into a 5-year non-cancelable lease for warehouse. The lease requires initial monthly payment of $5,250 and increases 3% annually, for a total rent payment of $334,488 for the 5-year period.

# SUPPLEMENTARY INFORMATION

**NOURISH PIERCE COUNTY**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**Year Ended December 31, 2021**

| Agency Name | CFDA Number | ID Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Agriculture | | | |
| Pass-through Emergency Food Network | | | |
| Emergency Food Assistance Program - Food Distribution Cluster | | | |
| Administrative Funding | 10.568 | K2725 | 56,430 |
| Commodities | 10.569 | unknown | 1,319,708 |
| Total Food Distribution Cluster | | | 1,376,138 |
| Food Purchase Distribution Program | 10.178 | unknown | 179,438 |
| Supplemental Nutrition Assistance | 10.561 | unknown | 8,857 |
| Total U.S. Department of Agriculture | | | 1,564,433 |
| U.S. Department of Housing and Urban Development | | | |
| Pass-through from Pierce County | | | |
| Community Development Block Grant | 14.218 | SC-107805 | 20,000 |
| Community Development Block Grant | 14.218 | SC-108629 | 20,000 |
| Total U.S. Department of Housing and Urban Development | | | 40,000 |
| U.S. Department of the Treasury | | | |
| Pass-Thru Emergency Food Network | | | |
| Coronavirus State and Local Recovery Funds | 21.027 | PC - 2021 | 286,231 |
| Coronavirus State and Local Recovery Funds | 21.027 | K3484 | 91,048 |
| Pass-Thru Harvest Against Hunger | | | |
| Coronavirus State and Local Recovery Funds | 21.027 | unknown | 407 |
| Total Coronavirus state and Local Recovery Funds | | | 377,686 |
| Pass Thru Washington State Department of Agriculture | | | |
| Coronavirus Relief Funds | 21.019 | K3353 | 133,791 |
| Total U.S. Department of Treasury | | | 511,477 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | 2,115,910 |


See notes to schedule of expenditures of federal awards.

**NOURISH PIERCE COUNTY**
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**Year Ended December 31, 2021**

## NOTE A – BASIS OF PRESENTATION

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

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Identifying numbers – Pass-through entity identifying numbers are presented where available.

## NOTE C – INDIRECT COSTS

Management has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOURISH PIERCE COUNTY**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**Year Ended December 31, 2021**

## A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Nourish Pierce County (the Organization).

2. Two significant deficiencies and no material weaknesses relating to the audit of the financial statements are reported in the 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.*

3. No instance of noncompliance material to the financial statements of the Organization, which is required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No material weaknesses and significant deficiencies in internal control over major federal awards programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal award programs for the Organization expresses an unmodified opinion.

6. Audit findings that are required to be reported in accordance with 2 CFR sections 200.516(a) of the Uniform Guidance are reported in this schedule.

7. The program tested as major programs were: U.S. Department of Treasury, Coronavirus State and Local Funds, CFDA 21.027 and Coronavirus Relief Funds, CFDA No. 21.019

8. The threshold for distinguishing Types A and B programs was $750,000.

9. The Organization was determined to be a low-risk auditee.

## B. FINDINGS- FINANCIAL STATEMENTS AUDIT

Significant Deficiencies

Finding No. 2021 - 001 – Donated food

Criteria: Internal control should ensure that general ledger entries are supported.

Condition: Quantity of donated food were inaccurately recorded.

Context: In the test of food receipts, 3 out of 4 months tested had food receipts that did not match reported quantities in various foodbank locations.

Effect or potential effect: Donated food may be inaccurately reported.

Cause: Detailed worksheets or additions of monthly totals were not attached to food receipts; food receipts had no reference numbers to indicate completeness of records; calculated weight were not indicated on some food receipts; and monthly totals, if verified, were not documented.

Questioned costs: $0

Identification of repeat findings: This is a reiteration of prior year finding.

Recommendation: Records should be maintained in such detail that creates an audit trail and facilitates review and verification of donated food.

Views of responsible personnel and planned corrective actions: The Organization adopted new procedures and retrained personnel during the last quarter of 2021 to ensure food contributed is accurately recorded. Management continues to monitor implementation.

Finding No. 2021 - 002 – Gift Card Issuance

Criteria: Cash equivalents should be properly handled and accounted for as cash. Internal control should be monitored to ensure expenses are appropriately supported.

Condition: Gift card distributions to beneficiaries were not contemporaneously recorded and supported.

Context: 866 gift cards with total value of $43,300 were distributed to event attendees without contemporaneous documentation, or acknowledgement receipt from beneficiaries.

Effect or potential effect: The expense is not supported.

Cause: The Organization participated in community events where the gift cards were handed out to participants without contemporaneous documentation.

Questioned costs: $43,300

Identification of repeat findings: Not applicable

Recommendation: Internal controls should be maintained to ensure assets are safeguarded at all times. Internal control should be monitored to ensure expenses are properly and adequately documented.

Views of responsible personnel and planned corrective actions: The gift cards were received from a donor organization for distribution to food insecure customers. There were no instructions received on how to distribute the gift cards. Since the donor organization requires Nourish to remove barriers to service such as making people prove they are low income or sign for food, Nourish did not implement a sign out process during the Military Family Advisory Network outdoor food distribution events. However, Nourish staff did sign for the cards to take to the events and personally distributed the cards during the events. Nourish has a system for distributing gift cards at its food bank locations. The Organization will implement a similar system for outside events in the future.

C. FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

**NOURISH PIERCE COUNTY**
**SCHEDULE OF PRIOR AUDIT FINDINGS**
**For the Year Ended December 31, 2021**

2020-001 – Financial Statements Audit – Significant Deficiency in Internal Control

*Summary*: Internal control did not ensure the accuracy of recorded donated food.

*Current status*: Similar findings were noted and reiterated in Findings and Questioned costs 2021-001.

2020-002 – Major Program Audit, Coronavirus Relief Fund, CFDA 21.019, significant deficiencies

*Summary:* Internal control on food purchasing failed to detect error in received products.

*Current status*: The finding was corrected and no similar finding was noted in the current year.

2020-003 – Major Program Audit, Food Purchase Distribution Program, CFDA 10.178 and Emergency Food Assistance, CFDA 10.569, significant deficiency

*Summary:* Physical inventory were not accurately reported at the end of the year.

*Current status*: The finding was corrected and no similar finding was noted in the current year.

# REPORTS ON COMPLIANCE AND INTERNAL CONTROL

ARLEEN T. IBAY
Certified Public Accountant

Arleen T. Ibay, CPA
5000 Bridgeport Way W
University Place, WA 98467

**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 of
Nourish Pierce County
Tacoma, Washington

I have audited, 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, the financial statements of Nourish Pierce County (a nonprofit organization) which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated May 27, 2022.

***Report on Internal Control over Financial Reporting***

In planning and performing my audit, I considered Nourish Pierce County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nourish Pierce County's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of significant 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, 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that I consider to be significant deficiencies.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Nourish Pierce County's financial statements are free of material misstatement, I 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

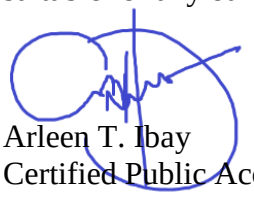
provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Nourish Pierce County's Response to Finding***

Nourish Pierce County's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. Nourish Pierce County's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, I express no opinion on it.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of my 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.



Arleen T. Ibay
Certified Public Accountant
University Place, Washington

May 27, 2022

ARLEEN T. IBAY
Certified Public Accountant

Arleen T. Ibay, CPA
5000 Bridgeport Way W
University Place, WA 98467

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Nourish Pierce County
Tacoma, Washington

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

I have audited the Nourish Pierce County's (a nonprofit organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Nourish Pierce County's major federal programs for the year ended December 31, 2021. Nourish Pierce County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, Nourish Pierce County 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 program for the year ended December 31, 2021.

### *Basis for Opinion on Each Federal Program*

I conducted my 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). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of Nourish Pierce County and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Nourish Pierce County's compliance with the compliance requirement referred to above.

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Nourish Pierce County's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.

- Obtain an understanding of Nourish Pierce County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Nourish Pierce County's internal control over compliance. Accordingly, no such opinion is expressed.

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

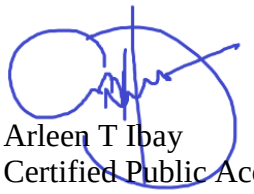
**Report on Internal Control over Compliance**

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.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.



Arleen T Ibay
Certified Public Accountant
University Place, Washington

May 27, 2022

NOURISH PIERCE COUNTY
Food Banks for Healthier Futures

Management Corrective Action Plan
For the Year ended December 31, 2021

---

**Finding 2021-001 – Financial reporting findings, Donated Food**

We have no disagreement with the audit findings.

For efficiency and uniformity among food banks, we have documented and adopted a single system that is simple, easy to maintain and review. We have trained concerned personnel with new procedures to ensure accuracy of food records. We continue to monitor implementation of corrective action plan.

The corrective action will be completed by June 30, 2022.

Sue Potter, Chief Executive Officer, will be responsible for ensuring that the corrective actions take place as described. If you have any questions or require additional information, please feel free to contact her at 253-383-3164 or suepotter@nourishpc.org.

**Finding 2021-002 – Financial reporting findings, Documentation of Gift Card Issuance**

We have no disagreement with the audit findings.

We will remind concerned personnel to implement procedures to substantiate gift card issuance to beneficiaries. We will monitor implementation of the corrective action plan.

The corrective action plan will be completed by December 31, 2022.

Sue Potter, Chief Executive Officer, will be responsible for ensuring that the corrective actions take place as described. If you have any questions or require additional information, please feel free to contact her at 253-383-3164 or suepotter@nourishpc.org.