FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION

Years Ended December 31, 2022 and 2021

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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 statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits 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 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 the 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 in accordance 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 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 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.

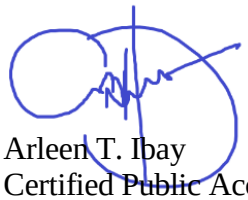
Supplementary Information

My 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, 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 July 25, 2023 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

July 25, 2023

NOURISH PIERCE COUNTY
STATEMENTS OF FINANCIAL POSITION
Years Ended December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	1,810,910	2,395,096
Grants receivable	78,479	29,186
Contributions receivable	59,010	71,179
Food inventory	1,041,281	1,732,190
Supplies inventory	7,408	15,167
Gifts cards	23,896	13,647
Prepaid expenses	17,044	23,668
Total current assets	3,038,028	4,280,133
Property and equipment		
Leasehold improvements	492,865	492,865
Equipment	394,791	307,131
Vehicles	502,557	502,557
Total	1,390,213	1,302,553
Accumulated depreciation	(900,249)	(763,501)
In-progress	11,847	42,514
Property and equipment, net	501,811	581,566
Other assets		
Cash restricted for property and equipment	847,518	39,986
Investments	2,003,627	2,001,202
Right of use assets	657,918	-
Total other assets	3,509,063	2,041,188
TOTAL ASSETS	7,048,902	6,902,887
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	33,320	16,597
Lease liabilities, current	150,140	-
Total current liabilities	183,460	16,597
Long-term liabilities		
Lease liabilities, net of current portion	498,463	-
TOTAL LIABILITIES	681,923	16,597
Net assets		
Without donor restrictions	6,161,652	6,716,304
With donor restrictions	205,327	169,986
TOTAL NET ASSETS	6,366,979	6,886,290
TOTAL LIABILITIES AND NET ASSETS	7,048,902	6,902,887

See accompanying notes.

NOURISH PIERCE COUNTY
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
MONETARY SUPPORT AND REVENUES						
Support:						
Grants - private	1,106,150	140,327	1,246,477	616,238	169,986	786,224
Grants - government	505,809	-	505,809	789,058		789,058
Contributions	1,318,870	65,000	1,383,870	1,633,291	-	1,633,291
Special Events	84,124	-	84,124	31,732	-	31,732
Total support	3,014,953	205,327	3,220,280	3,070,319	169,986	3,240,305
Revenues:						
Earnings on investments	53,374	-	53,374	48,025	-	48,025
Gains and losses	(350,601)	-	(350,601)	65,546	-	65,546
Miscellaneous	2,084	-	2,084	-	-	-
Total revenues	(295,143)	-	(295,143)	113,571	-	113,571
Net assets released from restrictions	169,986	(169,986)	-	130,000	(130,000)	-
Total monetary support and revenues	2,889,796	35,341	2,925,137	3,313,890	39,986	3,353,876
IN-KIND SUPPORT						
Donated food	8,957,488	-	8,957,488	9,933,147	-	9,933,147
TOTAL SUPPORT AND REVENUES	11,847,284	35,341	11,882,625	13,247,037	39,986	13,287,023
EXPENSES						
Program services	11,647,728	-	11,647,728	11,345,342	-	11,345,342
Administrative services	558,330	-	558,330	385,171	-	385,171
Fundraising	195,880	-	195,880	184,122	-	184,122
TOTAL EXPENSES	12,401,938	-	12,401,938	11,914,635	-	11,914,635
CHANGE IN NET ASSETS	(554,654)	35,341	(519,313)	1,332,402	39,986	1,372,388
NET ASSETS, BEGINNING OF YEAR	6,716,306	169,986	6,886,292	5,383,902	130,000	5,513,902
NET ASSETS, END OF YEAR	6,161,652	205,327	6,366,979	6,716,304	169,986	6,886,290

See accompanying notes.

NOURISH PIERCE COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2022 and 2021

	2022				2021			
	Program Services	Administrative services	Fundraising	Total	Program Services	Administrative services	Fundraising	Total
Salaries	766,752	277,295	127,075	1,171,122	589,111	161,198	136,462	886,771
Payroll taxes	74,162	23,465	10,753	108,380	53,156	13,326	11,281	77,763
Employee benefits	146,391	38,647	20,774	205,812	112,328	25,763	21,514	159,605
Temporary staff	-	-	-	-	159,331	1,322	-	160,653
Total salaries and related expenses	987,305	339,407	158,602	1,485,314	913,926	201,609	169,257	1,284,792
Food purchased	488,329	1,942	-	490,271	240,174	-	-	240,174
Other assistance	43,550	-	-	43,550	189,950	-	-	189,950
Vehicle expenses	68,477	53	-	68,530	61,587	-	-	61,587
Bank fees	-	18,363	2,555	20,918	-	26,752	2,546	29,298
Insurance	47,705	3,090	-	50,795	38,689	2,242	-	40,931
Occupancy	254,192	49,724	-	303,916	164,946	30,837	-	195,783
Postage	-	2,006	1,628	3,634	-	4,347	245	4,592
Printing	-	26,208	-	26,208	357	16,747	1,618	18,722
Professional services	2,168	48,903	8,500	59,571	-	57,283	2,800	60,083
Public relations	601	17,642	8,674	26,917	102	4,206	5,195	9,503
Repairs	12,812	69	-	12,881	18,367	-	-	18,367
Supplies	100,839	33,938	15,870	150,647	52,086	25,090	2,461	79,637
Telephone	20,798	12,505	-	33,303	17,431	10,302	-	27,733
Training	789	3,620	-	4,409	-	4,563	-	4,563
Travel	1,488	860	51	2,399	650	1,193	-	1,843
Depreciation	139,720	-	-	139,720	147,595	-	-	147,595
Total before donated food	2,168,773	558,330	195,880	2,922,983	1,845,860	385,171	184,122	2,415,153
Donated food distributed	9,478,955	-	-	9,478,955	9,499,482	-	-	9,499,482
TOTAL EXPENSES	11,647,728	558,330	195,880	12,401,938	11,345,342	385,171	184,122	11,914,635

See accompanying notes.

NOURISH PIERCE COUNTY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and public support	3,045,363	2,964,945
Cash paid to suppliers and employees	(2,558,728)	(2,031,269)
Earnings on investments	53,374	48,025
Net cash provided by operating activities	540,009	981,701
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(353,025)	(1,147,615)
Purchase of property and equipment	(59,965)	(42,514)
Net cash used by investing activities	(412,990)	(1,190,129)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for property and equipment	96,327	82,500
Net cash provided by financing activities	96,327	82,500
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	223,346	(125,928)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	2,435,082	2,561,010
AT END OF YEAR	2,658,428	2,435,082
CASH, CASH EQUIVALENTS AND RESTRICTED CASH IN THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	1,810,910	2,395,096
Cash restricted for equipment	847,518	39,986
TOTAL	2,658,428	2,435,082

See accompanying notes.

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 and 2022.

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 as follows:

Leasehold improvements	20 years
Equipment	3 to 15 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.

Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year 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:

	2022	2021
Purchased food, stated at cost	355,186	524,627
Donated food, stated at USDA cost	25,010	163,886
Donated food, stated at $1.82/lb.	661,085	1,043,677
Total	1,041,281	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:

	2022	2021
Investments at beginning of year	2,001,202	788,041
Additional invested during the year	300,000	1,100,000
Interest and dividends, net	53,026	47,615
Gains (losses)	(350,601)	65,546
Investments at end of year	2,003,627	2,001,202

NOTE D – INVESTMENTS – (Continued)

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 – LEASES

In 2022, the organization entered into two operating leases for warehouse space expiring in March 2027 and May 2027, respectively, and with no extension options. The lease liabilities are stated at the present value of future lease payments using a discount rate of 2% and 3%, which are the rate implicit in the lease agreements.

The right-of-use assets obtained in exchange of the lease liabilities are reported within other assets in the financial statements.

The maturities of lease liabilities as of December 31, 2022 were as follows:

Fiscal year ending December 31,	
2023	152,552
2024	156,245
2025	160,029
2026	163,908
2027	53,125
Total	685,859
Less: Discount to present value	(37,256)
Present value of lease liabilities	648,603

Operating lease expenses of $199,512 and $137,780 were included in occupancy in the financial statements for the year ended December 31, 2022 and 2021, respectively.

NOTE F –NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Purchase of property and equipment	90,327	39,986
For general operations but not available until due	50,000	130,000
Culturally-relevant food	50,000	-
Certain food bank operations	15,000	-
	205,327	169,986

NOTE F –NET ASSETS WITH DONOR RESTRICTIONS – (Continued)

Net assets released from restrictions during the year ended December 31, were for:

	2022	2021
Lapsing of time restriction	130,000	130,000
Purchase of equipment	39,986	-
	169,986	130,000

NOTE G – DONATED FOOD

The value of donated food from community contributions included as in-kind contributions were $7,947,619 and $8,379,051 for the years ended December 31, 2022 and 2021, respectively. The in-kind donations were valued at $1.82 per pound ($1.75 from January to June 2021 and $1.82 July to December 2021). The in-kind community contributions represent 67% and 63% of total support and revenues for the years ended December 31, 2022 and 2021, respectively.

The value of donated food from federally funded emergency food and assistance program included as in-kind contributions were $1,009,869 and $1,554,096 for the years ended December 31, 2022 and 2021, respectively. The value is based on pass through entity's indicated costs which is based on prices established by U.S Department of Agriculture. The in-kind federal contributions represent 8% and 12% of total support and revenues for the years ended December 31, 2022 and 2021, respectively.

The Organization reports the fair value 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. Nourish Pierce County received approximately 5,212,415 and 5,532,502 pounds of donated food during the years ended December 31, 2022 and 2021, respectively, and distributed approximately 5,765,551 and 5,554,119 pounds during the same period.

NOTE H – 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 years ended December 31, 2022 and 2021 were $26,224 and $19,252, respectively.

NOTE I – COMMITMENTS

At December 31, 2022, Nourish Pierce County is in the process of purchasing real property for use as Lakes foodbank. The cost of appraisal and feasibility study to date in the amount of $ 11,847 had been capitalized as property and equipment in progress. The earnest money deposited and expected closing costs are reported within cash restricted for property and equipment in the financial statements. Nourish Pierce County plan to obtain a long-term loan to finance the purchase. Nourish Pierce County approved a budget of $1.1M in renovation and equipment costs to complete the project.

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:	2022	2021
Cash and cash equivalents	1,810,910	2,395,096
Restricted cash	847,518	39,986
Grants receivables	78,479	29,186
Contributions receivables	59,010	71,179
Investments	2,003,627	2,001,202
Total financial assets	4,799,544	4,536,649
Less: those unavailable for general expenditures within one year, due to:		
Reserved for purchase of real estate	757,191	-
Donor-restricted to purchase of equipment	90,327	39,986
Donor-restricted for certain food and food bank	65,000	-
Total not available	912,518	39,986
Financial assets available to meet cash needs for general expenditure within one year	3,887,026	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 – CONCENTRATION OF RISKS

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, 2022 and 2021, the Organization's uninsured cash balances were $1,558,218 and $1,252,662, respectively.

Concentration of support

The Organization received 42% and 46% of its support from Emergency Food Network for the year ended December 31, 2022 and 2021, respectively. A substantial reduction in the level of this support, if it were to occur, would have a significant effect on the Organization.

NOTE L – RISK AND UNCERTAINTIES

While the World Health Organization has lifted the Public Health Emergency of International Concern concerning Covid-19 in May 2023, significant uncertainty remains regarding the effects of the recent pandemic subsequent to year-end. As of the date of issuance of these financial statements, the full impact of the pandemic to the Organization's financial position or operations is not known. 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 M – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 25, 2023 the date the financial statements were available for issue.

On January 23, 2023, the Organization incurred a 10-year 6% loan of $2,950,000 for the purchase of real estate discussed in Note I. The loan requires monthly payment of principal and interest of $19,007, and a balloon payment of $2,664,394 upon maturity on February 1, 2033.

SUPPLEMENTARY INFORMATION

NOURISH PIERCE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2022

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			
Commodities	10.569	unknown	1,145,943
Total U.S. Department of Agriculture			1,145,943
U.S. Department of Housing and Urban Development			
Pass-through from Pierce County			
Community Development Block Grant	14.218	SC-109603	25,000
Community Development Block Grant	14.218	SC-108629	20,000
Total U.S. Department of Housing and Urban Development			45,000
U.S. Department of the Treasury			
Pass-through Emergency Food Network			
Coronavirus State and Local Recovery Funds	Covid-19 21.027	unknown	178,759
Coronavirus State and Local Recovery Funds	Covid-19 21.027	unknown	60,018
Pass-through Harvest Against Hunger			
Coronavirus State and Local Recovery Funds	Covid-19 21.027	unknown	25,416
Pass-through City of Tacoma			
Coronavirus State and Local Recovery Funds	Covid-19 21.027	unknown	40,000
Total U.S. Department of Treasury			304,193
U.S. Department of Homeland Security			
Pass-through Associated Ministries			
Disaster Grants - Public Assistance	97.036	unknown	10,000
Total U.S. Department of Homeland Security			10,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			1,505,136

See notes to schedule of expenditures of federal awards.

NOURISH PIERCE COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2022

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, 2022

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 was: U.S. Department of Agriculture, Emergency Food Assistance Program, CFDA 10.569.

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. 2022 - 001 – Donated food records

Criteria: Transactions should be valid, accurate, and completely recorded.

Condition: Quantities of donated food were inaccurately calculated and reported.

Context: In the test of monthly statistics report of several food bank locations, it was noted that 12 out of the 20 reports tested inaccurately reported the volume of food contributions received.

It was also noted that food contributions received at the warehouse were not recorded in the general ledger upon receipt but upon issuance to the food banks.

Effect or potential effect: Inaccurately reporting food received may result to material misstatements in the financial statements.

Cause: The review process adopted was ineffective in detecting errors. Responsible personnel had errors in converting cases to pounds, used incorrect weight per case, missed food items in the receipt total, erroneously included non-food items, and made transposition errors. The warehouse' inventory reporting system was based on the expectation that donated food will be transferred immediately to the food banks. However, when the foodbanks are full, the food are retained for certain periods, resulting to delay in recording to the general ledger.

Questioned costs: $0

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

Recommendation: Regularly train staff to improve the accuracy of food bank reports. Record food donations received promptly. Consider allocating additional resources for inventory tracking and reporting.

Views of responsible personnel and planned corrective actions: We will regularly train concerned personnel to accurately report donated food. We will continuously monitor system to accurately report in-kind food donations.

Finding No. 2022 - 002 – Payroll processing

Criteria: Segregation of duties is critical to effective internal control by reducing the risks of mistakes and inappropriate actions. No one person should be able to initiate, approve and record a transaction.

Condition: During the year, multiple responsibilities were assigned to one position that includes payroll processing, approving timesheets, paying employees, and recording in the general ledger. The payroll did not have documentation of supervisory approval before payment.

Context: During inspection of payroll documentation, it was noted that the payroll processor approved electronic time records. The payrolls did not have documentation of approval for payment.

Effect or potential effect: Insufficient segregation of duties may result to undetected intentional or unintentional errors that are material to the financial statements.

Cause: Approval on electronic timesheet, although required in the payroll system, was not required from supervisors. Documentation of payroll approval was not required before payroll are paid.

Questioned costs: None

Identification of repeat findings: Not applicable

Recommendation: Require supervisors to approve time records of their respective staff. Adopt a policy to assign approval override to a person other than the payroll processor. Require documented approval of payroll before payment.

Views of responsible personnel and planned corrective actions: We will monitor the implementation of internal controls to ensure payrolls are properly approved, and supervisory review of time records is properly delegated.

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, 2022

2021-001 – 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 2022-001.

2021-002 – Financial Statements Audit – Significant Deficiency in Internal Control

Summary: Gift card distribution to beneficiaries were not contemporaneously recorded and supported.

Current status: 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, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated July 25, 2023.

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) as a basis for designing 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit, I did not identify any deficiency in internal control that I consider to be material weaknesses. I identified certain deficiencies in internal control described in accompanying schedule of findings and questioned costs as item 2022-001 and 2022-002 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 from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective

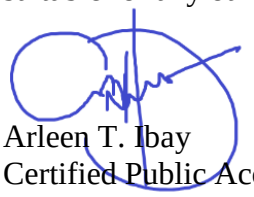
of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Nourish Pierce County's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Nourish Pierce County's response to the finding identified in my audit and 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 the response.

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

July 25, 2023

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, 2022. 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, 2022.

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.

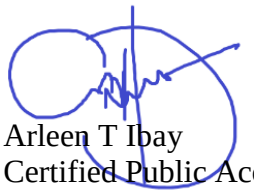
Report on Internal Control over Compliance

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

July 25, 2023

NOURISH PIERCE COUNTY
Food Banks for Healthier Futures

Management Corrective Action Plan
For the Years ended December 31, 2022

Finding 2022-001 – Financial reporting findings, Donated Food

We have no disagreement with the audit findings.

We will regularly train concerned personnel to improve the accuracy of food bank reports. We will continuously monitor system for accuracy of in-kind food contributions.

The corrective action will be completed by December 31, 2023.

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 2022-002 – Financial reporting findings, Payroll

We have no disagreement with the audit findings.

We required the supervisors to approve the time records of their respective staff and segregate duties as much as possible. We will monitor implementation of internal controls to ensure payrolls are properly approved and documented.

The corrective action will be completed by December 31, 2023.

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.