

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Financial Statements and Compliance Reports

June 30, 2018 and 2017



NEWHOUSE & VOGLER
Certified Public Accountants

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
 FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Statement of Functional Expenses:	
Year Ended June 30, 2018.....	7
Year Ended June 30, 2017.....	8
Notes to Financial Statements	9-18
 FEDERAL SINGLE AUDIT REPORT	
Schedule of Expenditures of Federal Awards.....	19
Notes to Schedule of Expenditures of Federal Awards.....	20
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21-22
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	23-25
Summary of Auditor's Results and Schedule of Findings and Questioned Costs	26
Status of Prior Findings and Questioned Costs	27



Newhouse & Vogler

Certified Public Accountants
237 E. Fireweed Lane, Suite 200
Anchorage, Alaska 99503
(907) 258-7555
(907) 258-7582 Fax

Independent Auditor's Report

Board of Directors
Food Bank of Alaska, Inc.
Anchorage, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of Food Bank of Alaska, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors
Food Bank of Alaska, Inc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Bank of Alaska as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018 on our consideration of Food Bank of Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Food Bank of Alaska's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Newman & Vogel".

Anchorage, Alaska
December 3, 2018

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Statements of Financial Position

June 30, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current Assets:		
Unrestricted cash	\$ 1,124,204	823,897
Temporarily restricted cash	113,854	207,965
Receivables:		
Accounts, net of allowance of \$8,000 for 2018 and 2017	213,285	188,892
Grants	174,688	271,531
Pledges - current	52,156	55,481
Food inventory	671,408	1,667,236
Prepaid expenses	<u>37,428</u>	<u>59,328</u>
Total current assets	<u>2,387,023</u>	<u>3,274,330</u>
Non-current Assets:		
Pledges receivable - non-current	80,773	82,565
Property and equipment, net	1,706,801	1,802,993
Investments (endowed and non-endowed)	<u>155,984</u>	<u>134,842</u>
Total non-current assets	<u>1,943,558</u>	<u>2,020,400</u>
Total Assets	<u>\$ 4,330,581</u>	<u>5,294,730</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 64,877	52,708
Accrued salaries and taxes	158,121	90,144
Note payable, current	<u>11,303</u>	<u>10,714</u>
Total current liabilities	<u>234,301</u>	<u>153,566</u>
Non-current Liabilities		
Note payable, non-current	<u>85,688</u>	<u>96,911</u>
Total Liabilities	<u>319,989</u>	<u>250,477</u>
Net Assets		
Temporarily restricted	246,783	374,511
Unrestricted		
Designated for:		
Inventory	671,408	1,667,236
Property and equipment	1,706,801	1,802,993
Endowment	75,696	134,842
Undesignated	<u>1,309,904</u>	<u>1,064,671</u>
Total unrestricted net assets	<u>3,763,810</u>	<u>4,669,742</u>
Total Net Assets	<u>4,010,592</u>	<u>5,044,253</u>
Total Liabilities and Net Assets	<u>\$ 4,330,581</u>	<u>5,294,730</u>

See accompanying notes to financial statements

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Statement of Activities

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Public Support, Revenue and Other Changes in Unrestricted Assets			
Public support			
Value of donated food	\$ 11,872,010	-	11,872,010
Contributions and grants (non-government)	2,181,610	242,834	2,424,445
Government grants and contracts	986,839	495	987,334
Contributions - in-kind	168,627	-	168,627
Total public support	15,209,087	243,329	15,452,416
Revenue			
Fees and services	764,655	-	764,655
Interest and investments	13,620	-	13,620
Gaming proceeds	56,582	-	56,582
Other revenue	10,402	-	10,402
Total revenue	845,259	-	845,259
Total Public Support and Revenue before net assets released from restrictions	16,054,346	243,329	16,297,675
Net assets released from restrictions	371,057	(371,057)	-
Total Public Support, Revenue and Other Changes in Unrestricted Assets	16,425,403	(127,728)	16,297,675
Expenses			
Program	16,392,649	-	16,392,649
Fundraising	341,293	-	341,293
Administration	597,394	-	597,394
Total Expenses	17,331,336	-	17,331,336
Change in Net Assets	(905,933)	(127,728)	(1,033,661)
Net Assets, Beginning of Year	4,669,742	374,511	5,044,253
Net Assets, End of Year	\$ 3,763,809	246,783	4,010,592

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Public Support, Revenue and Other Changes in Unrestricted Assets			
Public support			
Value of donated food	\$ 12,585,985	-	12,585,985
Contributions and grants (non-government)	2,068,249	344,841	2,413,090
Government grants and contracts	948,340	120,870	1,069,210
Contributions - in-kind	308,508	-	308,508
Total public support	15,911,082	465,711	16,376,793
Revenue			
Fees and services	891,342	-	891,342
Interest and investments	15,607	-	15,607
Gaming proceeds	85,909	-	85,909
Other revenue	8,167	-	8,167
Total revenue	1,001,025	-	1,001,025
Total Public Support and Revenue before net assets released from restrictions	16,912,107	465,711	17,377,818
Net assets released from restrictions	711,918	(711,918)	-
Total Public Support, Revenue and Other Changes in Unrestricted Assets	17,624,025	(246,207)	17,377,818
Expenses			
Program	16,158,276	-	16,158,276
Fundraising	365,886	-	365,886
Administration	679,975	-	679,975
Total Expenses	17,204,137	-	17,204,137
Change in Net Assets	419,888	(246,207)	173,681
Net Assets, Beginning of Year	4,249,854	620,718	4,870,572
Net Assets, End of Year	\$ 4,669,742	374,511	5,044,253

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Statement of Functional Expenses

Year Ended June 30, 2018

Expense	Supporting Activities			Total Program Services and Supporting Activities
	Program Services	Administration	Fundraising	
Cash Expenses				
Salaries and benefits	\$ 1,357,921	449,910	153,590	1,961,421
Purchased food	735,307	-	-	735,307
Purchased freight	353,646	-	-	353,646
Professional fees/outside services	117,575	82,079	26,268	225,922
Operations and maintenance	310,412	9,275	3,083	322,770
Utilities and phone	103,335	5,266	2,276	110,876
Printing	5,060	4,207	4,902	14,169
Grants to other organizations	84,495	-	-	84,495
Dues & subscriptions	11,915	9,961	3,436	25,313
Travel and meetings	63,380	9,231	5,270	77,880
Supplies	27,052	7,216	9,394	43,662
Postage and direct mail	3,222	7,573	116,237	127,031
Interest expense	5,630	-	-	5,630
Other	6,053	641	10,901	17,595
Total Cash Expenses	<u>3,185,003</u>	<u>585,358</u>	<u>335,356</u>	<u>4,105,717</u>
Non-cash Expenses				
Depreciation	172,350	12,036	5,938	190,324
In-kind				
Distribution of donated food	12,866,668	-	-	12,866,668
In-kind freight	159,663	-	-	159,663
In-kind goods and services	8,964	-	-	8,964
Total Non-cash Expenses	<u>13,207,645</u>	<u>12,036</u>	<u>5,938</u>	<u>13,225,619</u>
Total Expenses	<u>\$ 16,392,649</u>	<u>597,394</u>	<u>341,293</u>	<u>17,331,336</u>

See accompanying notes to financial statements

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Statement of Functional Expenses

Year Ended June 30, 2017

Expense	Supporting Activities			Total Program Services and Supporting Activities
	Program Services	Administration	Fundraising	
Cash Expenses				
Salaries and benefits	\$ 1,232,573	477,606	157,051	1,867,230
Purchased food	888,372	-	-	888,372
Purchased freight	411,826	-	-	411,826
Professional fees/outside services	105,975	68,872	24,879	199,726
Operations and maintenance	242,383	10,857	1,740	254,980
Utilities and phone	92,348	2,140	2,746	97,234
Printing	4	-	530	534
Grants to other organizations	151,323	13,433	-	164,756
Dues & subscriptions	5,510	21,481	1,268	28,259
Travel and meetings	80,300	37,863	12,668	130,831
Supplies	31,208	4,560	17,094	52,862
Postage and direct mail	9,688	1,670	133,213	144,571
Interest expense	1,579	4,616	-	6,195
Other	10,311	3,276	10,629	24,216
Total Cash Expenses	3,263,400	646,374	361,819	4,271,593
Non-cash Expenses				
Depreciation	150,005	33,601	4,068	187,674
In-kind				
Distribution of donated food	12,436,363	-	-	12,436,363
In-kind freight	308,508	-	-	308,508
In-kind goods and services	-	-	-	-
Total Non-cash Expenses	12,894,876	33,601	4,068	12,932,546
Total Expenses	\$ 16,158,276	679,975	365,886	17,204,137

See accompanying notes to financial statements

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

*Statements of Cash Flows**Years Ended June 30, 2018 and 2017*

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (1,033,661)	173,681
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	190,324	187,674
Unrealized and realized gain on investments	(9,102)	(10,311)
(Increases) decreases in assets:		
Accounts receivable	(24,393)	14,021
Grants receivable	96,843	81,568
Food inventory	995,828	(191,157)
Pledges receivable	5,117	25,929
Prepaid expenses	21,900	23,044
Increases (decreases) in liabilities		
Accounts payable	12,169	(71,025)
Accrued salaries and taxes	67,977	5,576
Unearned revenue	-	(117,391)
Net cash provided by operating activities	<u>323,002</u>	<u>121,609</u>
Cash flows from investing activities		
Purchase of investments	(12,040)	(517)
Proceeds from sale of buildings held for sale	-	57,226
Purchase of fixed assets	<u>(94,132)</u>	<u>(205,952)</u>
Net cash provided by investing activities	<u>(106,172)</u>	<u>(149,243)</u>
Cash flows from financing activities		
Principal payments on debt	<u>(10,634)</u>	<u>(10,068)</u>
Net cash used by financing activities	<u>(10,634)</u>	<u>(10,068)</u>
Net increase in cash	206,196	(37,702)
Cash, beginning of year	<u>1,031,862</u>	<u>1,069,564</u>
Cash, end of year	<u>\$ 1,238,058</u>	<u>1,031,862</u>
Cash at end of year:		
Unrestricted cash	\$ 1,124,204	823,897
Temporarily restricted cash	113,854	207,965
	<u>\$ 1,238,058</u>	<u>1,031,862</u>
Supplemental information		
Cash paid for interest	<u>\$ 5,630</u>	<u>6,195</u>

See accompanying notes to financial statements

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Financial Statements

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Food Bank of Alaska, Inc. (FBA) is presented to aid in understanding the financial statements. The financial statements and notes are the representations of FBA's management, who are responsible for their integrity and objectivity. The accounting principles which are applied in the accompanying financial statements conform to generally accepted accounting principles.

Nature of the Organization

FBA was incorporated in 1979 as a non-profit organization pursuant to Alaska statutes. Its mission is to eliminate hunger in Alaska by obtaining and providing food to partner agencies feeding hungry people and through anti-hunger leadership. FBA is a member of Feeding America, the nation's food bank network (formerly known as America's Second Harvest). Public support is comprised primarily of contributions of food from governmental agencies, local businesses and individuals and cash donations from United Way, local businesses and individuals. Revenue is derived from memberships and fees paid to FBA by its partner agencies and from the Alaska Native Tribal Health Consortium for the Food Distribution Program on Indian Reservations.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other accrued assets and liabilities.

Financial Statement Presentation

The financial statement presentation is done pursuant to the accounting principles outlined by the Financial Accounting Standards Board. Pursuant to the requirements of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, FBA reports information regarding its financial position and activities in three classes of net assets (equity): unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Only those resources which are restricted as to their use, by donor directives, are classified as restricted net assets. All other resources are included in unrestricted net assets.

The presentation included in the accompanying Statements of Activities further delineates the activity of FBA by emphasizing the distinction between its cash and non-cash revenues and expenses and between its operating and non-operating revenues and expenses.

Income Tax Status

The Organization is exempt from income taxes as a nonprofit corporation organized under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the financial statements.

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Financial Statements, continued

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash

For purposes of the Statement of Cash Flows, FBA considers all unrestricted highly liquid investments (i.e. those with a maturity of 3 months or less) which are available for current use to be included in its definition of cash. For fiscal years 2018 and 2017, cash included checking, savings, and money market accounts and petty cash.

Accounts Receivable

Accounts receivable, which primarily relate to amounts due from the FBA's partner agencies for food handling fees, are stated at the amount expected to be collected. The allowance for uncollectible accounts, which is included in the accompanying financial statements, is based on management's assessment of the collectability of the individual accounts.

Inventory

The inventory of food and related commodities is measured by applying a monetary rate to the quantity, in pounds, of foodstuffs (product) on hand. The monetary rate (which has been calculated by Feeding America) is designated to represent the average value of food and related commodities held in a typical food bank. Beginning in FY18, different values were used for general food and commodities that are part of the USDA programs. For FY18, the rate for general product was \$1.73 per pound; the rate for USDA commodities was \$1.52 per pound. For FY17, the rate per pound was \$1.67 per pound for all products.

Property and Equipment

Property and equipment is carried at cost, or, in the case of donated property, at the estimated fair market value on the date of donation. All property and equipment is capitalized if the acquisition cost or estimated fair market value is in excess of \$5,000, the capitalization threshold.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as described in the following table. The cost of maintenance and repairs is charged to expense when incurred.

<u>Description</u>	<u>Estimated Useful lives</u>
Vehicles	3 to 7 years
Warehouse equipment	3 to 10 years
Freezers/Refrigerators	3 to 20 years
Office Equipment	3 to 7 years
Warehouse building	40 years

Revenue and Expense Recognition

Contributions are recognized in the period in which either the donation is received or the pledge is made, although any promises of future contributions that are contingent upon substantive conditions being met are not recognized until those conditions are met.

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Notes to Financial Statements, continued

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donor-restricted contributions (including support pledged for a future period) are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When the applicable restriction is satisfied or time passes, whichever the case may be, the temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue and Expense Recognition, continued

Agency dues, handling fees, The Emergency Food Assistance Program (TEFAP) and Commodity Supplemental Food Program (CSFP) reimbursements, Summer Food Service Program (SFSP) and Child and Adult Care Food Program (CACFP) and contractual payments are recognized as revenue when earned. Proceeds from fundraising efforts are recognized when the event occurs, including accruals for any amounts outstanding at year end.

Contributed food and related commodities are valued by measuring their weight and applying a monetary rate to the measured quantity. The valuation of the foodstuffs is recognized as revenue when received and as expense when distributed.

Governmental grant awards are recognized as revenue when the associated contractual obligations are met – generally when allowable expenses have been incurred. Cash received which is in excess of the satisfied contractual obligations is included in temporarily restricted net assets at year end.

Expenses are accrued in the accounting period in which the obligation arises.

Income from Operations

The Statements of Activities include *Increase (decrease) in Unrestricted Net Assets from Cash Operating Activities* as a measurement indicator. This figure measures the results of current period cash operating transactions only; donated goods and services, support restricted to future program expansion, and activities relating to capital funding and outlays are excluded from this intermediate measurement indicator.

Functional Expense Allocations

For the purposes of the Statement of Functional Expenses, expenses directly associated with FBA's program, its administration or its fundraising activities are charged to the particular function. Allocable expenses benefiting all functions are allocated by management based on the benefits of the activities performed. Administrative expenses also include expenses that are not identifiable as either a program or fundraising expense, but which provide for the overall support and direction of FBA.

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Notes to Financial Statements, continued

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donated Goods and Services (In-kind)

Donations of goods are recognized as contributions at their estimated fair values when the donation is received. Donated services which satisfy the definitions of the Financial Accounting Standards Board, are recognized as contributions when the service is rendered. In addition to the donated services which are recognized as contributions, many other volunteers have contributed significant time in assisting FBA for which their donated service is not recognized because it does not meet the published criteria of the Financial Accounting Standards Board.

Estimates and Significant Estimate

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The valuations of contributed food received and distributed, as well as ending valuation of food inventory are profoundly affected by an estimation process, generally applied by all food bank members of Feeding America.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalent balances are comprised of the following amounts at June 30, 2018:

	<u>Book Balance</u>	<u>Bank Balance</u>
Checking	\$ 453,840	472,073
Savings and Money Market	783,968	783,967
Petty Cash	250	-
Total long-term debt excluding current portion	<u>\$ 1,238,058</u>	<u>1,256,040</u>

Cash and cash equivalent balances are comprised of the following amounts at June 30, 2017:

	<u>Book Balance</u>	<u>Bank Balance</u>
Checking	\$ 325,921	367,029
Savings and Money Market	705,691	705,691
Petty Cash	250	-
Total long-term debt excluding current portion	<u>\$ 1,031,862</u>	<u>1,072,720</u>

Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000 per financial institution. At June 30, 2018 and 2017, \$500,000 of bank deposits were insured by FDIC. Uncollateralized and uninsured balances at June 30, 2018 and 2017 were \$756,040 and \$572,720, respectively.

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Notes to Financial Statements, continued

NOTE C – PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2018 were \$132,929 due in varying amounts from several individuals. Pledges receivable as of June 30, 2017 were \$138,046 due in varying amounts from several individuals.

NOTE D – FOOD DONATIONS AND FOOD INVENTORY

FBA received donated food from individual donors, several businesses, and from the USDA Emergency Food Assistance and Commodities Supplemental Food programs. During the years ended June 30, 2018 and June 30, 2017, FBA received 7,072,119 and 7,536,518 pounds of donated food and other commodities, respectively. For the year ended June 30, 2018, using a valuation rate provided by Feeding America of \$1.73 for general product and \$1.52 for USDA product, the donated food is valued at \$11,872,010. For the year ended June 30, 2017, using a valuation rate provided by Feeding America of \$1.67 per pound for all products, the donated food is valued at \$12,585,985.

Food inventory at June 30, 2018 and 2017 totaled 455,082 and 868,175 pounds, respectively. Applying the same valuation rates and taking into account the actual cost of purchased food, the ending inventory is valued at \$671,408 and \$1,667,236 as of June 30, 2018 and 2017, respectively, in the accompanying Statements of Financial Position.

NOTE E – INVESTMENTS

FBA maintains a Board-designated endowment with the Alaska Community Foundation. The foundation includes this investment as assets owned by the Foundation and is presented as a component fund in their financials. As defined by United States Treasury Regulations, the Foundation has the right to modify the terms of the fund agreement if in the judgment of the Foundation's Board of Trustees the restrictions and conditions of the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The authority to modify restrictions is sometimes referred to as "variance power" and is a legal standard imposed on all community foundations. As a result of the variance power all component funds are considered to be a part of a single public charity, in this case the Alaska Community Foundation. Therefore, the Foundation is the single legal owner of all assets contributed to any of its component funds.

By direction of the FBA's Board of Directors, this fund, both its contributions as well as earnings, is presently being preserved in order to accumulate enough resources so that it can generate a future, ongoing source of income for FBA. The underlying investments of this fund are a mix of fixed income securities and equities and are measured at their fair value in the accompanying financial statements.

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

*Notes to Financial Statements, continued***NOTE E – INVESTMENTS, continued**

The fiscal year activity of this fund is summarized as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of the year	\$ 134,842	124,014
Contributions	12,040	517
Interest earned	14,216	1,693
Investment fees	(2,301)	(2,303)
Realized and unrealized gains (losses), net	<u>(2,814)</u>	<u>10,921</u>
Balance, end of year	<u>\$ 155,984</u>	<u>134,842</u>

Investment income and gains, net of investment fees, for June 30, 2018 and 2017 totaled \$9,102 and \$10,311, respectively, and are included in the investment income line item in the non-operating activities section of the Statement of Activities.

NOTE F – CAPITAL ASSETS

Capital assets are comprised of the following:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Physical Plant				
Land	\$ 543,097	-	-	543,097
Buildings - warehouse	1,593,268	8,190	-	1,601,458
Refrigeration - warehouse	256,247	-	-	256,247
Total physical plant	<u>2,392,612</u>	<u>8,190</u>	<u>-</u>	<u>2,400,802</u>
Equipment:				
Vehicles and trailers	665,584	53,853	(53,577)	665,860
Warehouse equipment	333,436	-	(13,165)	320,271
Office equipment	177,101	32,089	(34,192)	174,998
Total equipment	<u>1,176,121</u>	<u>85,942</u>	<u>(100,934)</u>	<u>1,161,129</u>
Total capital assets	3,568,733	94,132	(100,934)	3,561,931
Less accumulated depreciation	<u>(1,765,740)</u>	<u>(190,324)</u>	<u>100,934</u>	<u>(1,855,130)</u>
Capital assets, net	<u>\$ 1,802,993</u>	<u>(96,192)</u>	<u>-</u>	<u>1,706,801</u>

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Financial Statements, continued

NOTE G – CONTINGENCIES

Secured interest in warehouse and office

Pursuant to the terms of a 1996 debt reduction grant with the Alaska Department of Health and Social Services, FBA provided the State of Alaska secured interest in its warehouse and office facility; the secured position expired in 2017.

Performance standards contingency

Pursuant to terms of a 1998 warehouse addition grant with the Municipality of Anchorage, FBA has committed to maintain certain standards in operating its program over the defined 20 year life of the warehouse addition.

Grants and contracts compliance

Other grant proceeds are subject to adjustment and refund should the funding sources ultimately disallow any grant costs reported by FBA.

NOTE H – NOTE PAYABLE

Note payable at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Note payable to Wells Fargo, interest accrues at 5.400%.		
Payments of \$1,355 are due monthly.		
This note is secured and matures on September 12, 2025.	\$ 96,991	107,625
Current Portion	<u>(11,303)</u>	<u>(10,714)</u>

Future minimum payments on note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30, 2019	\$ 11,303	4,960	16,263
2020	11,929	4,335	16,264
2021	12,589	3,674	16,263
2022	13,286	2,978	16,264
2023-2025	<u>47,884</u>	<u>4,383</u>	<u>52,267</u>
	<u>\$ 96,991</u>	<u>20,330</u>	<u>117,321</u>

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Notes to Financial Statements, continued

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were comprised of the following amounts at June 30:

	<u>2018</u>	<u>2017</u>
United Way, subsequent year's funding	\$ -	28,500
Ford - Child Hunger	15,000	13,918
Walmart - SNAP Innovation	-	53,723
Feeding America - Costco	11,580	10,150
Feeding America - Hunger Is	60,854	65,000
FNBA Virtual Food Drive	-	1,472
Mazon	-	20,747
New Ventures CBPP	-	39,490
SOA-DNR Child Nutrition	-	3,465
Rasmuson Foundation - CSFP database	16,420	-
Block Foundation - CSFP database	10,000	-
Individual Pledges	<u>132,928</u>	<u>138,046</u>
Total temporarily restricted assets	<u>\$ 246,783</u>	<u>374,511</u>

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

*Notes to Financial Statements, continued***NOTE I – TEMPORARILY RESTRICTED NET ASSETS, continued**

Temporarily restricted net assets were released from restriction for the following purposes for year ended June 30:

	<u>2018</u>	<u>2017</u>
United Way, subsequent year's funding	\$ 28,500	35,626
Knowledge Needs Nutrition (KNN) - Ford	-	6,150
Food - Kids' Meals	-	20,000
Ford - Child Hunger	13,918	23,082
KNN - Beth Shalom Congregation	-	156
FNBA Virtual Food Drive	1,472	3,528
GCI Blessing	-	7,500
Blessing Program	-	15,000
SOA-DNR Child Nutrition	-	2,250
Feeding America - Safeway Food Initiative	-	92,000
Feeding America - Costco	10,150	758
Feeding America - Rednose	-	10,990
Feeding America - Hunger Is	65,000	15,000
Conoco Phillips PCG	-	20,000
Mazon	5,747	24,253
Feeding America - Advocacy capacity	-	51,156
Red Nose Day	-	4,483
Mobile Food Pantry Program	-	2,264
Wal-Mart SNAP Inovation	2,023	88,503
New Ventures CBPP	39,490	10,510
Capital - Mat-Su Health Foundation CERES4	-	15,000
Capital - Rasmuson CERES4	-	25,000
Capital - Walmart - Warehouse equipment and security	-	50,000
Capital - Fidelity CERES 4	-	18,500
Capital - SOA Essential Equipment	-	116,280
Wal-Mart SNAP outreach and capacity	51,700	-
Mazon Advocacy	15,000	-
SOA-DNR Child Nutrition; summer 2017	3,960	-
New Ventures CBPP	40,000	-
Feeding America - Rednose	10,000	-
Mat-Su Health Foundation (CSFP databse)	11,000	-
Rasmuson Foundation (CSFP database)	8,580	-
Pledges from Individuals	64,518	53,929
Total restricted net assets released	<u>\$ 371,057</u>	<u>711,918</u>

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Financial Statements, continued

NOTE J – UNRESTRICTED AND TEMPORARILY RESTRICTED NET ASSETS

Unrestricted grants and support originate from contributions received that have no donor restrictions and from the funding released from the temporarily restricted classification.

Donor-restricted contributions (including support pledged for a future period) are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When the applicable restriction is satisfied or time passes, whichever the case may be, the temporarily restricted net assets are reclassified to unrestricted net assets.

A recap of the FBA's unrestricted grants and support, as well as the composition and changes of the FBA's temporarily restricted net assets, is as follows:

Source	<u>Temporarily Restricted Grants and Support</u>			
	Balance at June 30, 2017	Received in FY18	Released to Unrestricted in FY18	Balance at June 30, 2018
Individuals	\$ 138,046	59,400	64,518	132,928
Private sources	233,000	183,434	302,580	113,854
Government	<u>3,465</u>	<u>495</u>	<u>3,960</u>	<u>-</u>
Total	<u>\$ 374,511</u>	<u>243,329</u>	<u>371,057</u>	<u>246,783</u>

NOTE K – FUNDRAISING AND SPECIAL EVENTS

No special events were held in the year ended June 30, 2018.

NOTE L – PENSION PLAN

FBA sponsors a defined contribution retirement plan. The plan calls for employer matching of employee contributions of a percentage of each participating employee's salary; 2 percent up to one year's service, and 3 percent for one year or more of service. Pension cost for the years ended June 30, 2018 and 2017 totaled \$22,267 and \$19,226, respectively.

NOTE M – SUBSEQUENT EVENTS

In preparing these financial statements, Food Bank of Alaska has evaluated events and transactions for potential recognition or disclosure through December 3, 2018, the date the financial statements were available to be issued.

FEDERAL SINGLE AUDIT REPORT

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Federal Grant Title	Award Number	CFDA Number	Total Grant Award	Federal Expenditures
<u>U.S. Department of Agriculture (USDA) Cash Assistance:</u>				
Alaska Food Coalition (passed through State of Alaska Department of Health and Social Services)	604-258-18001	10.561	\$ 100,738	88,898
CACFP (passed through State of Alaska Department of Education and Early Development)	MA 523	10.558	56,000	56,000
SFSP (passed through State of Alaska Department of Food and Nutrition Services)	Unknown	10.559	208,341	208,341
CSFP* (passed through State of Alaska Department of Health and Social Services) **	604-262-1602	10.565	134,101	134,101
TEFAP* (passed through State of Alaska Department of Education and Early Development) **	TE 18.289.02	10.568	<u>160,361</u>	<u>160,361</u>
<i>Total USDA Cash Assistance</i>			<u>659,541</u>	<u>647,701</u>
<u>U.S. Department of Agriculture (USDA) Non-Cash Assistance:</u>				
CSFP* (passed through State of Alaska Department of Health and Social Services) - Food Commodity **	Unknown	10.565	1,218,645	1,218,645
FDPIR (passed through Alaska Native Tribal Health Consortium) - Food Commodity	Unknown	10.567	386,018	386,018
TEFAP* (passed through State of Alaska Department of Education and Early Development) - Food Commodity **	Unknown	10.568	<u>957,916</u>	<u>957,916</u>
<i>Total USDA Non-Cash Assistance</i>			<u>2,562,579</u>	<u>2,562,579</u>
<i>Total USDA Cash and Non-Cash Assistance</i>			<u>2,722,940</u>	<u>2,722,940</u>
<u>U.S. Department of Health and Human Services (DHHS):</u>				
Alaska Food Coalition (passed through State of Alaska Department of Health and Social Services)	604-258-1801	93.558	<u>126,572</u>	<u>126,572</u>
<u>U.S. Department of Homeland Security:</u>				
Emergency Food & Shelter	Phase 34	97.024	<u>19,769</u>	<u>19,769</u>
			<u>\$ 3,368,461</u>	<u>3,356,621</u>

* Denotes a major program

** Identifies USDA Food Distribution cluster

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Schedule of Expenditures of Federal Awards

June 30, 2018 and 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Food Bank of Alaska under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the audit requirements of Title 2 U.S. CFR Part 200, Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Food Bank of Alaska, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Food Bank of Alaska.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. CFR Part 200, Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – FEDERAL INDIRECT RATE

Food Bank of Alaska did not elect to use the 10% de minimis indirect cost rate.

NOTE 4 – CLUSTERS

The Schedule presents grants by the type of assistance received, Cash Assistance and Non-Cash Assistance. Grants marked with a ** are a part of the USDA Food Distribution cluster. The total expenditures for the cluster were \$2,471,023.



Newhouse & Vogler

Certified Public Accountants

237 E. Fireweed Lane, Suite 200

Anchorage, Alaska 99503

(907) 258-7555

(907) 258-7582 Fax

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*

Independent Auditor's Report

Board of Directors
Food Bank of Alaska
Anchorage, Alaska

Ladies and Gentlemen:

We 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 Food Bank of Alaska, which comprises the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated December 3, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Food Bank of Alaska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Food Bank of Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of Food Bank of Alaska's internal control.

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

Board of Directors
Food Bank of Alaska

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

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



Anchorage, Alaska
December 3, 2018



Newhouse & Vogler

Certified Public Accountants
237 E. Fireweed Lane, Suite 200
Anchorage, Alaska 99503
(907) 258-7555
(907) 258-7582 Fax

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by *Uniform Guidance*

Independent Auditor's Report

Board of Directors
Food Bank of Alaska
Anchorage, Alaska

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited Food Bank of Alaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Food Bank of Alaska's major federal programs for the year ended June 30, 2018. Food Bank of Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Board of Directors
Food Bank of Alaska

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

Opinion on Each Major Federal Program

In our opinion, Food Bank of Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Food Bank of Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Food Bank of Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of Food Bank of Alaska's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Food Bank of Alaska

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read "Newman & Vogel". The signature is written in a cursive style with a blue ink color.

Anchorage, Alaska
December 3, 2018

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

*Summary of Auditor's Results, and
Schedule of Findings and Questioned Costs*

Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> No
Noncompliance material to the financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of Major Federal Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.565, 10.568	USDA Food Distribution Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Status of Prior Findings and Questioned Costs

Year Ended June 30, 2018

Food Bank of Alaska did not have any findings in the prior year.