

FOOD BANK OF ALASKA, INC.

Financial Statements, Additional Supplementary
Information, and Compliance Reports

(With Independent Auditor's Report Thereon)

Years Ended June 30, 2019

*Altman, Rogers
& Co.* | CERTIFIED
PUBLIC
ACCOUNTANTS

FOOD BANK OF ALASKA, INC.

Financial Statements, Additional Supplementary
Information, and Compliance Reports

(With Independent Auditor's Report Thereon)

Years Ended June 30, 2019

FOOD BANK OF ALASKA, INC.

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Independent Auditor's Report

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

Report on Financial Statements

We have audited the accompanying financial statements of Food Bank of Alaska, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Members of the Board of Directors
Food Bank of Alaska, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Bank of Alaska, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Food Bank of Alaska, Inc. 2018 financial statements which were audited by other auditors. In their report dated December 3, 2018, they expressed an unmodified opinion on those financial statements.

Additional Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The "Additional Supplementary Information" as presented in the Table of Contents which includes the accompanying schedule of expenditures of federal awards and related notes to schedule, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are 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 general accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relations 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 October 30, 2019 on our consideration of the Food Bank of Alaska, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Food Bank of Alaska, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank of Alaska, Inc.'s internal control over financial reporting and compliance.



Anchorage, Alaska
October 30, 2019

FOOD BANK OF ALASKA, INC.

Statement of Financial Position

June 30, 2019 and 2018

(With Summarized Comparative Amounts for 2018)

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 1,363,427	1,238,058
Receivables:		
Accounts, net of allowance of \$8,000 for 2019 and 2018	263,410	213,285
Grants	283,858	174,688
Promises to give - current	158,950	52,156
Food inventory	1,256,996	671,408
Prepaid expenses	41,411	37,428
Total current assets	<u>3,368,052</u>	<u>2,387,023</u>
Non-current assets:		
Promises to give - non current	246,463	80,773
Property and equipment, net	1,575,964	1,706,801
Investments:		
Endowed	79,158	75,696
Non-endowed	86,410	80,288
Total non-current assets	<u>1,987,995</u>	<u>1,943,558</u>
Total assets	<u>\$ 5,356,047</u>	<u>4,330,581</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	34,533	64,877
Accrued salaries and taxes	156,996	158,121
Deferred revenue	41,500	-
Note payable, current	11,929	11,303
Total current liabilities	<u>244,958</u>	<u>234,301</u>
Non-current liabilities:		
Note payable, non current	73,831	85,688
Total liabilities	<u>318,789</u>	<u>319,989</u>
Net assets:		
Net assets with donor restrictions	778,687	246,783
Net assets without donor restrictions:		
Designated for:		
Inventory	1,256,996	671,408
Property and equipment	1,575,964	1,706,801
Capital campaign	91,198	-
Endowment	79,158	75,696
Undesignated	1,255,255	1,309,904
Total net assets without donor restrictions	<u>4,258,571</u>	<u>3,763,809</u>
Total net assets	<u>5,037,258</u>	<u>4,010,592</u>
Total liabilities and net assets	<u>\$ 5,356,047</u>	<u>4,330,581</u>

See accompanying notes to financial statements.

FOOD BANK OF ALASKA, INC.

Statement of Activities

Year Ended June 30, 2019

(With Summarized Comparative Amounts for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
Public support and revenues:				
Public support:				
Value of donated food	\$ 12,209,562	-	12,209,562	11,872,010
Contributions and grants (non-govt.)	2,449,229	925,088	3,374,317	2,424,445
Government grants and contracts	931,279	-	931,279	987,334
Contributions - in kind	289,359	-	289,359	168,627
Total public support	<u>15,879,429</u>	<u>925,088</u>	<u>16,804,517</u>	<u>15,452,416</u>
Revenues:				
Fees and services	657,459	-	657,459	764,655
Interest and investments	11,257	-	11,257	13,620
Gaming proceeds	43,477	-	43,477	56,582
Other revenue	21,783	-	21,783	10,402
Total revenues	<u>733,976</u>	<u>-</u>	<u>733,976</u>	<u>845,259</u>
Total public support and revenues before net assets released from donor restrictions	16,613,405	925,088	17,538,493	16,297,675
Net assets released from donor restrictions	<u>393,184</u>	<u>(393,184)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>17,006,589</u>	<u>531,904</u>	<u>17,538,493</u>	<u>16,297,675</u>
Expenses				
Program	15,544,151	-	15,544,151	16,392,649
Fundraising	379,788	-	379,788	341,293
Administration	587,889	-	587,889	597,394
Total expenses	<u>16,511,828</u>	<u>-</u>	<u>16,511,828</u>	<u>17,331,336</u>
Change in net assets	494,761	531,904	1,026,665	(1,033,661)
Net assets, beginning of year	<u>3,763,810</u>	<u>246,783</u>	<u>4,010,593</u>	<u>5,044,253</u>
Net assets, end of year	<u>\$ 4,258,571</u>	<u>778,687</u>	<u>5,037,258</u>	<u>4,010,592</u>

See accompanying notes to financial statements.

FOOD BANK OF ALASKA, INC.

Statement of Functional Expenses

Year Ended June 30, 2019

(With Summarized Comparative Amounts for 2018)

Expense	2019					2018
	Program Services	Supporting Activities		Total Supporting Services	Total Program and Supporting Activities	
		Administration	Fundraising			
Cash expenses:						
Salaries and benefits	\$ 1,453,256	475,905	155,434	631,339	2,084,595	1,961,421
Purchased food	963,615	-	-	-	963,615	735,307
Purchased freight	355,674	-	-	-	355,674	353,646
Professional fees/outside services	63,624	57,233	25,309	82,542	146,166	225,922
Operations and maintenance	320,940	13,943	6,528	20,471	341,411	322,770
Utilities and phone	89,293	6,983	4,531	11,514	100,807	110,876
Printing	4,740	2,452	11,441	13,893	18,633	14,169
Grants to other organizations	90,856	-	-	-	90,856	84,495
Dues and subscriptions	9,886	1,475	2,240	3,715	13,601	25,313
Travel and meetings	64,882	12,905	4,282	17,187	82,069	77,880
Supplies	7,091	7,438	15,493	22,931	30,022	43,662
Postage and direct mail	2,353	195	142,183	142,378	144,731	127,031
Interest expense	5,033	-	-	-	5,033	5,630
Other	14,253	-	5,604	5,604	19,857	17,595
Total cash expenses	<u>3,445,496</u>	<u>578,529</u>	<u>373,045</u>	<u>951,574</u>	<u>4,397,070</u>	<u>4,105,717</u>
Non-cash expenses:						
Depreciation	178,903	9,360	3,744	13,104	192,007	190,324
In-kind						
Distribution of donated food	11,633,392	-	-	-	11,633,392	12,866,668
In-kind freight	286,000	-	-	-	286,000	159,663
In-kind goods and services	360	-	2,999	2,999	3,359	8,964
Total non-cash expenses	<u>12,098,655</u>	<u>9,360</u>	<u>6,743</u>	<u>16,103</u>	<u>12,114,758</u>	<u>13,225,619</u>
Total expenses	<u>\$ 15,544,151</u>	<u>587,889</u>	<u>379,788</u>	<u>967,677</u>	<u>16,511,828</u>	<u>17,331,336</u>

See accompanying notes to financial statements.

FOOD BANK OF ALASKA, INC.

Statement of Cash Flows

Years Ended June 30, 2019 and 2018
(With Summarized Comparative Amounts for 2018)

	<u>2019</u>	<u>2018</u>
Cash flow from operating activities:		
Change in net assets	\$ 1,026,665	(1,033,661)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	192,007	190,324
Unrealized and realized loss (gain) on investments	(6,755)	(9,102)
(Increases) decreases in assets:		
Accounts receivable	(50,125)	(24,393)
Grants receivable	(109,170)	96,843
Food Inventory	(585,588)	995,828
Pledges receivable	(272,484)	5,117
Prepaid expenses	(3,983)	21,900
Increases (decreases) in liabilities		
Accounts payable	(30,344)	12,169
Accrued salaries and taxes	(1,125)	67,977
Unearned revenue	41,500	-
Net cash provided by operating activities	<u>200,598</u>	<u>323,002</u>
Cash flow from investing activities:		
Purchase of investments	(2,828)	(12,040)
Purchase of fixed assets	(61,170)	(94,132)
Net cash (used) by investing activities	<u>(63,998)</u>	<u>(106,172)</u>
Cash flow from financing activities:		
Principal payments on debt	(11,231)	(10,634)
Net increase in cash and cash equivalents	125,369	206,196
Cash and cash equivalents, beginning of year	<u>1,238,058</u>	<u>1,031,862</u>
Cash and equivalents, end of year	<u>\$ 1,363,427</u>	<u>1,238,058</u>
Supplemental information		
Cash paid for interest	<u>\$ 5,033</u>	<u>5,630</u>

See accompanying notes to financial statements.

FOOD BANK OF ALASKA, INC.

Notes to Financial Statements

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Food Bank of Alaska, Inc. (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. Food Bank of Alaska, Inc. 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 financial statements of the Food Bank of Alaska, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Comparative Financial Information

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

Basis of Presentation

The financial statements are in accordance with FASB Accounting Standards Codification (ASC) 958-205 and subsections. The Food Bank of Alaska, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. A description of the net asset categories follows:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an inventory reserve, property and equipment, capital campaign and endowment.

FOOD BANK OF ALASKA, INC.

Notes to Financial Statements, continued

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Summarized Comparative Financial Information

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

Income Tax Status

The Organization is exempt from income taxes as nonprofit corporation organized under Section 501(c)(3) of the Internal Revenue Code. Although FBA is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirement of filing Federal Income Tax Form 990-T and a tax liability may be determined on these activities. FBA had no income derived from unrelated business activities as of June 30, 2019.

FBA classifies all interest and penalties related to tax contingencies as income tax expense. As of June 30, 2019 there are no accrued interest or penalties. As of June 30, 2019 there were no uncertain tax positions or unrecognized tax benefits for which management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase or decrease within 12 months of the reporting date. FBA files tax returns in the U.S. Federal Jurisdiction and the State of Alaska. As of 2019, the tax years that remain subject to examination begins with 2016.

Statement of Cash Flows

For the purposes of the statement of cash flows, the Food Bank of Alaska, Inc. considers all unrestricted highly liquid investments (i.e. those with maturity of 3 months or less) which are available for current use to be included in its definition of cash and cash equivalents.

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. Accounts receivables are written off when deemed uncollectible. At June 30, 2019, the allowance was \$8,000.

FOOD BANK OF ALASKA, INC.

Notes to Financial Statements, continued

Promises to Give

We initially record unconditional promises to give and subsequently carried at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Fair values are based on quoted market prices when available.

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) investments, (3) receivables, net, (4) accounts payable and (5) other current liabilities. The carrying amounts reported in the consolidated statements of financial position for the above financial instrument closely approximates their fair value due to the short-term nature of these assets and liabilities, except for the Food Bank of Alaska's investments. The carrying amounts of the Food Bank of Alaska's investments were determined based on quoted market prices.

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. For FY19, the rate for general product was \$1.68 per pound; the rate for USDA commodities was \$1.57 per pound.

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.

Property, buildings and equipment of the Food Bank of Alaska's, is depreciated using the straight line method over the following estimated useful lives:

<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

FOOD BANK OF ALASKA, INC.

Notes to Financial Statements, continued

Revenue and Expense Recognition

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

Donor-restricted contributions (including promises to give) are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When the applicable restriction is satisfied or time passes, whichever the case may be, the net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 Net Assets Without Donor Restrictions 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 Allocation of Expenses

For the purposes of the Statement of Functional Expenses, expenses directly associated with Food Bank of Alaska'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 Food Bank of Alaska.

FOOD BANK OF ALASKA, INC.

Notes to Financial Statements, continued

Donated Assets, Services and Materials

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.

2. CASH AND CASH EQUIVALENTS

FBA maintains cash balances at financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2019, FBA had \$1,088,317 that were not insured or collateralized.

3. RECLASSIFICATIONS

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets. The reclassifications related to the implementation of FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities and adjusted the presentation of net assets.

4. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$	1,363,427
Accounts receivable		263,410
Non-endowed investments		86,410
	\$	<u>1,713,247</u>

Our board-designated endowment of \$79,158 is subject to an annual spending rate of 4.5 percent. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary. The non-endowment portion of the Alaska Community Foundation of \$86,410 can be fully distributed upon request of the board, if necessary to meet cash needs.

FOOD BANK OF ALASKA, INC.

Notes to Financial Statements, continued

As part of our liquidity management plan, we invest cash in excess of daily requirements in a savings reserve.

5. PROMISES TO GIVE

Promises to give as of June 30, 2019 was \$405,413 due in varying amounts from several individuals. Of the \$405,413 in promises to give during the fiscal year 2019, \$269,355 is attributed to the Capital Campaign and \$136,058 is attributed to We Believe.

6. FOOD DONATIONS AND FOOD INVENTORY

Food Bank of Alaska, Inc. received donated food from individual donors, several businesses and from the USDA Emergency Food Assistance and Commodities Supplemental Food programs. During the year ended June 30, 2019, FBA received 7,483,127 pounds of donated food and other commodities. For the year ending June 30, 2019, using a valuation rate provided by Feeding America of \$1.68 for general product and \$1.57 for USDA product, the donated food is valued at \$12,209,562.

Food inventory at June 30, 2019 totaled 637,449 pounds. Applying the same valuation rates and taking into account the actual cost of purchased food, the ending inventory is valued at \$1,256,996 as of June 30, 2019, in the accompanying Statement of Financial Position.

7. INVESTMENTS

Food Bank of Alaska, Inc. maintains a Board-designated endowment, as well as non-endowed investments, 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 (ACF). Therefore, the Foundation is the single legal owner of all assets contributed to any of its component funds.

By direction of the Food Bank of Alaska'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.

Notes to Financial Statements, continued

The Food Bank of Alaska's financial assets and liabilities valued on a recurring basis and carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methods and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

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

Investments consist of the following marketable securities at June 30, 2019:

		Level 1	Level 2	Level 3	Total
ACF – beneficial interests	\$				
Endowed		-	-	79,158	79,158
Non-Endowed		-	-	86,410	86,410
Total investments	\$	<u>-</u>	<u>-</u>	<u>165,568</u>	<u>165,568</u>
Promises to give	\$	<u>-</u>	<u>-</u>	<u>405,413</u>	<u>405,413</u>

The fair value of our investments in ACF and our promises to give are considered Level 3 measurements. The investments with ACF are pooled investments from other non-profits.

FOOD BANK OF ALASKA, INC.

Notes to Financial Statements, continued

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2019:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)		
	Non- Endowments	Endowments	Total
ACF Beneficial Interests:			
Balance, beginning of the year	\$ 80,288	75,696	155,984
Contributions	2,828	-	2,828
Realize Gains/Losses	1,838	1,676	3,514
Interest/Dividend Income	1,455	1,330	2,785
Unrealized Gains/Losses	1,298	1,200	2,498
Foundation/Admin fees	(1,105)	(569)	(1,674)
Management/Custodial Fees	(192)	(175)	(367)
Balance, end of the year	\$ <u>86,410</u>	<u>79,158</u>	<u>165,568</u>
Promises to give:			
Balance, beginning of the year	\$ 132,929		
Additional contributions	407,885		
Payments received	(131,890)		
Adjustments fair value	<u>(3,511)</u>		
Balance, end of the year	\$ <u>405,413</u>		

Investment income and gains, net investment fees, for June 30, 2019 totaled \$6,755, and are included in the investment income line item in Statement of Cash Flows. There are no donor restrictions over funds. All earning on the endowment portion of the ACF funds are designated the board pronouncements. The Board Designated Endowment are classified as net assets without restrictions on the Statement of Financial Position.

8. PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at June 30, 2019:

Within one year	\$ 158,950
In one to five years	<u>264,984</u>
	423,934
Adjustments to fair value	<u>(18,521)</u>
Net promises to give	\$ <u>405,413</u>

FOOD BANK OF ALASKA, INC.

Notes to Financial Statements, continued

9. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	June 30, 2018	Additions	Deletions	June 30, 2019
Physical Plant:				
Land	\$ 543,097	-	-	543,097
Buildings – warehouse	1,601,458	-	-	1,601,458
Refrigeration – warehouse	256,247	-	-	256,247
Total physical plant	<u>2,400,802</u>	<u>-</u>	<u>-</u>	<u>2,400,802</u>
Equipment:				
Vehicles and trailers	665,860	-	(15,690)	650,170
Warehouse equipment	320,271	23,340	-	343,611
Office equipment	174,998	37,830	(5,000)	207,828
Total equipment	<u>1,161,129</u>	<u>61,170</u>	<u>(20,690)</u>	<u>1,201,609</u>
 Total property and equipment	 3,561,931	 61,170	 (20,690)	 3,602,411
Less accumulated depreciation	<u>(1,855,130)</u>	<u>(192,007)</u>	<u>20,690</u>	<u>(2,026,447)</u>
Property and equipment, net	<u>\$ 1,706,801</u>	<u>(130,837)</u>	<u>-</u>	<u>1,575,964</u>

10. NOTES PAYABLE

On September 18, 2015, FBA obtained a loan for \$125,000 to help finance the valley property. The note matures on September 12, 2025 and requires monthly payments of \$1,355 per month including interest at 5.4%. The note has a security interest in the valley property.

Note payable to Wells Fargo,	\$ 85,760
Current portion	<u>(11,929)</u>
Total long-term debt excluding current portion	<u>\$ 73,831</u>

Future minimum payments on note payables is as follows:

Year ending June 30,	Principal	Interest	Total
2020	\$ 11,929	4,334	16,263
2021	12,589	3,675	16,264
2022	13,286	2,977	16,263
2023	14,017	2,246	16,263
2024	14,793	1,470	16,263
Thereafter	<u>19,146</u>	<u>1,169</u>	<u>20,315</u>
	<u>\$ 85,760</u>	<u>15,871</u>	<u>101,631</u>

FOOD BANK OF ALASKA, INC.

Notes to Financial Statements, continued

11. NET ASSET WITH DONOR RESTRICTIONS

Net Assets with Donor Restrictions were compromised of the following amounts at June 30, 2019:

New Ventures, CBPP	\$ 23,548
Feeding America - Hunger Is	43,385
Capital Campaign – Individual Pledges	233,470
Feeding America - Walmart SNAP	43,559
Ford Motor Co., Child Nutrition	14,120
FA, Great America Milk Drive	941
Feeding America, Enterprise	1,111
Feeding America, Costco	<u>13,139</u>
Total purpose restrictions	<u>373,273</u>
We Believe - Individual Pledges	<u>136,059</u>
Total time restrictions	<u>136,059</u>
Capital Campaign - Individual Pledges	<u>269,355</u>
Total time and purpose restrictions	<u>269,355</u>
Total net assets with donor restrictions	<u><u>\$ 778,687</u></u>

Net assets with Donor Restrictions are separated into three categories, purpose restrictions, time restrictions, and time and purpose restrictions. The following funds have purpose restrictions:

- New Ventures, CBPP is restricted for the purpose of the SNAP program advisory.
- Feeding America, Is, is restricted for the purpose of the supporting the Child Hunger Breakfast Efforts.
- Feeding America, Walmart SNAP is restricted for the purpose of supporting the SNAP Application Assistance program.
- Ford Motor Co., Child Nutrition is restricted for the purpose of Child Hunger program for children in rural communities with few resources.
- FA. Great America Milk Drive is restricted for the purpose of purchasing milk to be given to clients.
- Feeding America, Enterprise is restricted for the purpose of the Summer Food Service Program (SFSP).
- Feeding America, Costco is restricted for the purchase of food at Costco for hunger relief programs. All items purchased must be distributed to the clients and may not be used to support food bank operations.

FOOD BANK OF ALASKA, INC.

Notes to Financial Statements, continued

- Rasmuson Foundation and the Block Foundation are restricted for the purchase of implementing a CSFB database.
- Feeding America, Rednose is restricted for the purpose of supporting the Child Hunger program/initiative.
- Feeding America, Government Shutdown is restricted for the purpose of supporting the Food Bank of Alaska's response to the 2019 federal government shutdown.

The individual pledges from We Believe has a time restriction for general pledges that are not yet received. The individual pledge from the Capital Campaign has both a time and purpose restriction. This pledge is restricted for the purpose of Capital Campaign.

Net Assets with Donor Restrictions were released from restrictions for the following purposes for year ended June 30, 2019:

New Ventures, CBPP	\$	61,452
Feeding America - Hunger Is		82,912
Feeding America - Walmart SNAP		8,041
Ford Motor Co., Child Nutrition		15,880
FA, Great America Milk Drive		5,599
Feeding America, Enterprise		23,889
Feeding America, Costco		11,580
Rasmuson Foundation (CSFP database)		16,420
Block Foundation (CSFP database)		10,000
Feeding America - Rednose		10,000
Feeding America/Govt. Shutdown		12,012
Total purpose restrictions		<u>257,785</u>
Individual Pledges		<u>135,399</u>
Total time restrictions		<u>135,399</u>
Total net assets with donor restrictions released	\$	<u><u>393,184</u></u>

12. 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, 2019 totaled \$22,602.

FOOD BANK OF ALASKA, INC.

Notes to Financial Statements, continued

13. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, professional fees/outside services, operations and maintenance, printing, dues and subscriptions, travel and meetings, supplies, postage and direct mail, in-kind goods and services, and other expense which are allocated on the basis of estimated time and effort. Utilities, phone, and depreciation expense is allocated on a square footage basis.

14. PROGRAM SERVICES

The program services are dedicated for providing and distributing food to partner agencies feeding hungry people and through anti-hunger leadership. Food distributions include partner food pantries, soup kitchens, senior centers, and children's programs.

15. IN-KIND SERVICES AND MATERIAL

We received donated services and material as follows for the year ended June 30, 2019.

	Program Services	Fundraising	Total
Freight	\$ 286,000	-	286,000
Professional	360	2,999	3,359
Total	<u>\$ 286,360</u>	<u>2,999</u>	<u>289,359</u>

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 30, 2019, the date the financial statements were available for use.

**ADDITIONAL SUPPLEMENTARY
INFORMATION**

Food Bank of Alaska, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Total Grant Award</u>	<u>Federal Share of Expenditures</u>
U.S. Department of Agriculture:				
Passed through the State of Alaska, Department of Health and Social Services:				
Alaska Food Coalition	604-258-19001	10.561	\$ <u>100,738</u>	<u>100,738</u>
Passed through the State of Alaska, Department of Health and Social Services:				
Commodity Supplemental Food Program	604-262-19001	10.565	155,308	155,308
Commodity Supplemental Food Program	None	10.565	<u>1,412,826</u>	<u>1,412,826</u>
Total CFDA 10.565			<u>1,568,134</u>	<u>1,568,134</u>
Passed through the State of Alaska, Department of Education and Early Development:				
Child and Adult Care Food Program	None	10.558	<u>68,615</u>	<u>68,615</u>
The Emergency Food Assistance Program	TM 19.523.01	10.178	<u>17,687</u>	<u>17,687</u>
Summer Food Service Program	None	10.559	<u>197,436</u>	<u>197,436</u>
The Emergency Food Assistance Program	TE 19.289.01: TE 19.289.02	10.568	<u>198,017</u>	<u>198,017</u>
The Emergency Food Assistance Program	None	10.569	<u>2,418,684</u>	<u>2,418,684</u>
Passed through Alaska Native Tribal Health Consortium:				
FDPIR	None	10.567	<u>303,647</u>	<u>303,647</u>
Total U.S. Department of Agriculture			<u>4,872,958</u>	<u>4,872,958</u>
U.S. Department of Health and Human Services				
Passed through the State of Alaska, Department of Health and Human Services:				
Alaska Food Coalition	604-258-19001	93.558	<u>126,572</u>	<u>126,572</u>
U.S. Department of Homeland Security				
Direct:				
Emergency & Food Shelter	Phase 35	97.024	<u>17,683</u>	<u>17,683</u>
Total Expenditures of Federal Awards			<u>\$ 5,017,213</u>	<u>5,017,213</u>

See accompanying notes to the Schedule.

FOOD BANK OF ALASKA, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

1. Basic of Presentation

The accompanying of expenditures of federal awards includes the federal grant activity of Food Bank of Alaska under programs of the federal government for the year ended June 30, 2019. The information in this Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Food Bank of Alaska, it is not intended to and does not present financial position, changes in net position, or cash flows of Food Bank of Alaska.

2. Summary of Significant Account Policies

Expenditures reported on the Schedule reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Food Bank of Alaska has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

3. Multiagency Grant Clusters

Multiagency grant clusters include:

Food Distribution Cluster:

Department of Health and Social Services			
Commodity Supplemental Food Program	10.565	\$	1,568,134
Department of Education and Early Development			
The Emergency Food Assistance Program	10.568		198,017
The Emergency Food Assistance Program	10.569		<u>2,418,684</u>
Total food distribution cluster		\$	<u><u>4,184,835</u></u>

4. Reconciliation of Federal Expenditures

Total federal expenditures	\$	5,017,213
Less non-cash assistance		<u>(4,135,157)</u>
Total non-commodities federal revenue		<u>882,056</u>
Total government grants and contributions per statement of activities	\$	931,279
Less state awards		<u>(49,223)</u>
Total federal grants per statement of activities		<u><u>882,056</u></u>

Non-cash assistance is presented in the Statement of Activities as value of donated foods.

5. Subrecipients

No federal funds were passed through to subrecipients.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Food Bank of Alaska, Inc. (a non-profit organization), which comprise the Statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon date October 30, 2019.

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 opinions 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying federal schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Members of the Board of Directors
Food Bank of Alaska, Inc.

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*.

Food Bank of Alaska, Inc.'s Response to the Finding

Food Bank of Alaska, Inc.'s response to the finding identified in our audit is described in the accompanying federal schedule of findings and questioned costs and the corrective action plan. Food Bank of Alaska, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Anchorage, Alaska
October 30, 2019

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance as Required by the Uniform Guidance

Independent Auditor's Report

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

We have audited Food Bank of Alaska, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Food Bank of Alaska, Inc.'s major federal program for the year ended June 30, 2019. Food Bank of Alaska, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying federal 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, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards general 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). These 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, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Food Bank of Alaska, Inc. complied, in all respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying federal schedule of findings and questioned costs as item 2019-002. Our opinion on each major federal program is not modified with these matters.

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

Report on Internal Control Over Compliance

Management of Food Bank of Alaska, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Food Bank of Alaska, Inc.'s internal control over compliance with the types of requirements that could have direct and material effect on each major federal program to determine auditing procedures that are appropriate in the circumstances for the purpose expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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, Inc.'s internal control over compliance.

A deficiency in internal control 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.

Members of the Board of Directors
Food Bank of Alaska, Inc.

Our consideration of internal control was for the limited purpose described in first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant efficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying federal schedule of findings and questioned costs as item 2019-002 that we consider to be a significant deficiency.

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

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 the testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Altman, Rogers & Co.

Anchorage, Alaska
October 30, 2019

FOOD BANK OF ALASKA, INC.

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

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

Is a going concern emphasis-of-matter paragraph included in the audit report?

_____ Yes X No

Internal control over financial reporting:

Significant deficiency(ies) identified?

_____ Yes X None reported

Material weakness(es) identified?

 X Yes _____ No

Noncompliance material to financial statements?

_____ Yes X No

Federal Awards

Internal control over major programs (2 CFR 200.516 (a)(1)):

Significant deficiency(ies) identified?

 X Yes _____ None reported

Material weakness(es) identified?

_____ Yes X No

Any material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program (2 CFR 200.516 (a)(2))?

_____ Yes X No

Type of auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516 (a)(3) or (4)?

_____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.565	Commodity Supplemental Food Program – Food Distribution Cluster
10.568	Emergency Food Assistance Program – Food Distribution Cluster
10.569	Emergency Food Assistance Program – Food Distribution Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes X

FOOD BANK OF ALASKA, INC.

Federal Schedule of Findings and Questioned Costs, Continued

Section II – Financial Statement Findings

Finding 2019-001

Lack of Internal Control over Procurement

Type of Finding:

Material weakness in internal control over procurement.

Condition/Context:

The Food bank of Alaska has no formal procurement policy record, although procurement is being used for certain transactions of the entity. During our review of the procurement policy, it was determined that management did not have a formal policy approved by the board which complies with 200 CFR 200.320 and all Uniform Guidance requirements. Management rarely go through procurement above the \$10,000 micro-purchase threshold and that threshold is impractical in Alaska generally.

Criteria:

Procurement standards required by 2 CFR 200.318 and the Uniform Guidance were not followed. All entities who accept a federal grant must be adhere to 2 CFR 200.318.

Cause:

Lack of internal controls over procurement requirements.

Effect:

Potential noncompliance over federal grants which could lead to potential repayments to federal agency.

Recommendation:

We recommend that the board of directors immediately review and approve additional policies over the entity to ensure that management is following the appropriate policies and in line with all federal requirements.

Management's Response:

Management agrees with this finding. See Corrective Action Plan.

Federal Schedule of Findings and Questioned Costs, Continued

Section III – Federal Award Findings and Questioned Costs

Finding 2019-002 **Lack of Internal Control over Accurate and Complete Records of USDA Foods**

Federal Agency: U.S. Department of Agriculture
Federal Program: Food Distribution Cluster
CFDA Number: 10.565, 10.568, 10.569
Award Number: TE 19.289, 604-262-19001
Award Year: 2019
Type of Finding: Significant deficiency in internal control over compliance and noncompliance

Criteria: Accurate and complete records must be maintained with respect to the receipt distribution/use, and inventory of USDA Foods consistent with 7 CFR section 250.19.

Condition/Context: Supporting documentation surrounding receipt of goods by agencies receiving distributions of USDA commodities were lacking sufficient shipping documentation noting the disbursement and acceptance of USDA commodities between the Food Bank of Alaska and the recipient agency. Damaged and trashed foods were documented entirely by one individual and controls over verifying damaged/trashed goods were appropriate did not appear to be in place.

Cause: Lack of internal controls over accurate and complete records of USDA Foods.

Effect: Noncompliance with program, variances in distribution amounts from the Food Bank of Alaska and recipient agency could go undetected. Without a second review of trash or damaged good, items may incorrectly be listed as trashed or damaged.

Questioned Costs: None noted.

Repeat Finding: No.

Recommendation: We recommend that the entity increase internal controls regarding documenting all shipments out of the Food Bank of Alaska, and acceptance of said goods by the underlying agencies at the time of arrival. We also recommend that the entity implement additional internal controls surrounding a review and approval of any damaged or trashed goods to ensure that they are actually impaired commodities.

Management's Response: Management agrees with this finding. See Corrective Action Plan.



Corrective Action Plan

June 30, 2019

Financial Statement Findings

Finding 2019-001

Lack of Internal Control over Procurement

Name of Contact Person: James Baldwin

Corrective Action Plan: Food Bank of Alaska will develop a procurement policy that will ensure that we are compliant with 2 CRF 200.320. The purpose of the policy is to ensure that all funds, including federal funds, are spent ethically and responsibly. Staff at the Food Bank of Alaska have already reached out to other food banks in the Feeding America network to assist with the development of this policy. The policy will be reviewed by the Audit and Finance Committee and presented to the Board of Directors for approval.

Proposed Completion Date: November 30, 2019.

Federal Award Findings

Finding 2019-002

Lack of Internal Control over Accurate and Complete Records of USDA Foods

Name of Contact Person: James Baldwin

Corrective Action Plan: Food Bank of Alaska staff will develop a procedure to ensure that all USDA commodities that are received and distributed have adequate documentation. This procedure will include the following: (1) Documentation for all commodities that come into the warehouse will be maintained. These records should match the values in the inventory database; (2) Documentation for all commodities that are distributed will be maintained. These values will be verified by the person/agency receiving the product; (3) All products that are damaged will be verified by more than one individual.

Proposed Completion Date: December 31, 2019.