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Mountaineer Food Bank, Inc.

Financial Statements and
Supplementary Information

December 31, 2022 and 2021

Independent Auditors' Report

To the Board of Directors of
Mountaineer Food Bank, Inc.

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Mountaineer Food Bank, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mountaineer Food Bank, Inc. as of December 31, 2022 and 2021, and the results of its operations and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 1 to the financial statements, on January 1, 2022, the Organization adopted Accounting Standards Codification Topic 842 as required by Accounting Standards Update 2016-02, *Leases* (Topic 842) and its related amendments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors’ Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

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

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

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by the 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2023, on our consideration of the Organization'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 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 Organization's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Bridgeport, West Virginia
July 18, 2023

Mountaineer Food Bank, Inc.

Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash	$ 5,784,317	$ 12,892,667
Accounts receivable	185,196	134,987
Grants receivable	1,228,983	534,465
Inventories	2,997,187	2,648,923
Prepaid assets	33,911	67,036
Total current assets	10,229,594	16,278,078
Investments	4,963,031	-
Property and Equipment		
Land	338,343	338,343
Building	1,820,038	1,820,038
Equipment	2,223,738	2,205,962
Construction in progress	2,914,882	-
	7,297,001	4,364,343
Less accumulated depreciation	2,409,510	2,118,739
Net property and equipment	4,887,491	2,245,604
Right-of-Use Assets, Operating Leases	585,372	-
Total assets	$ 20,665,488	$ 18,523,682
Liabilities and Net Assets		
Current Liabilities		
Financing leases payable, current portion	$ 39,855	$ 37,277
Operating leases payable, current portion	204,512	-
Accounts payable	336,711	142,249
Accrued salaries and benefits	418,490	317,430
Due to subrecipient food pantries	858,545	820,614
Total current liabilities	1,858,113	1,317,570
Financing Leases Payable, Less Current Portion	12,912	52,767
Operating Leases Payable, Less Current Portion	389,433	-
Total liabilities	2,260,458	1,370,337
Net Assets	18,405,030	17,153,345
Total liabilities and net assets	$ 20,665,488	$ 18,523,682

See notes to financial statements

Mountaineer Food Bank, Inc.

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	2022	2021
Change in Net Assets		
Revenue and support:		
Donated food items	$ 31,627,836	$ 28,735,068
Public support	3,815,042	3,927,643
Federal and state assistance	7,718,115	2,201,046
Cost sharing	2,824,229	1,777,232
Forgiveness of Paycheck Protection Program loan	-	296,400
Other	5,700	1,940
Total revenue and support	45,990,922	36,939,329
Cost of revenue:		
Donated food items	38,275,591	33,443,142
Program activities	1,251,254	1,276,084
Administrative and general	33,962	31,143
Total cost of revenue	39,560,807	34,750,369
Gross profit	6,430,115	2,188,960
Operating expense:		
Program activities	2,222,775	1,938,869
Administrative and general	2,486,830	1,544,552
Depreciation	290,771	281,785
Fundraising	155,737	152,317
Total operating expense	5,156,113	3,917,523
Operating income (loss)	1,274,002	(1,728,563)
Nonoperating income (loss):		
Investment (loss) income	(22,317)	19,738
Change in net assets	1,251,685	(1,708,825)
Net Assets, Beginning	17,153,345	18,862,170
Net Assets, Ending	$ 18,405,030	$ 17,153,345

See notes to financial statements

Mountaineer Food Bank, Inc.

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Activities	Administrative and General	Total Expense
Cost of Revenue			
Donated food items	$ 38,275,591	$ -	$ 38,275,591
Transportation	667,758	8,718	676,476
Direct local agency support	209,878	-	209,878
Utilities, technology and equipment	219,963	25,244	245,207
Supplies	153,655	-	153,655
Total cost of revenue	$ 39,526,845	$ 33,962	$ 39,560,807
Operating Expense			
Salaries and wages	$ 1,299,190	$ 1,722,182	$ 3,021,372
Employee benefits	347,920	461,196	809,116
Depreciation	277,678	13,093	290,771
Rental	194,703	11,381	206,084
Fundraising	-	155,737	155,737
Repairs and maintenance	116,373	853	117,226
Insurance	102,261	11,736	113,997
Professional fees	22,000	51,620	73,620
Travel	-	41,920	41,920
Supplies	-	27,110	27,110
Membership fees	15,664	-	15,664
Interest	4,843	-	4,843
Other	119,821	158,832	278,653
Total operating expense	$ 2,500,453	$ 2,655,660	$ 5,156,113

See notes to financial statements

Mountaineer Food Bank, Inc.

Statement of Functional Expenses
Year Ended December 31, 2021

	Program Activities	Administrative and General	Total Expense
Cost of Revenue			
Donated food items	$ 33,443,142	$ -	33,443,142
Transportation	597,290	5,858	603,148
Direct local agency support	341,174	-	341,174
Utilities, technology and equipment	220,316	25,285	245,601
Supplies	117,304	-	117,304
Total cost of revenue	$ 34,719,226	$ 31,143	$ 34,750,369
Operating Expense			
Salaries and wages	$ 1,153,206	$ 1,107,982	2,261,188
Employee benefits	321,574	308,964	630,538
Depreciation	272,074	9,711	281,785
Rental	166,710	7,723	174,433
Fundraising	-	152,317	152,317
Repairs and maintenance	125,885	-	125,885
Insurance	81,014	9,298	90,312
Professional fees	20,000	29,127	49,127
Travel	-	10,724	10,724
Supplies	-	17,508	17,508
Membership fees	7,832	-	7,832
Interest	7,250	-	7,250
Other	55,398	53,226	108,624
Total operating expense	$ 2,210,943	$ 1,706,580	$ 3,917,523

See notes to financial statements

Mountaineer Food Bank, Inc.

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	$ 1,251,685	$ (1,708,825)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program loan	-	(296,400)
Depreciation	290,771	281,785
Unrealized loss on investments	86,018	-
(Increase) decrease in assets:		
Accounts receivable	(50,209)	110,728
Grants receivable	(694,518)	6,929
Inventories	(348,264)	1,368,160
Prepaid assets	33,125	48,712
Increase (decrease) in liabilities:		
Accounts payable	194,462	130,471
Accrued salaries and benefits	101,060	72,711
Right-of-use assets, operating leases	8,573	-
Due to subrecipient food pantries	37,931	252,668
Net cash provided by operating activities	910,634	266,939
Cash Flows From Investing Activities		
Investment purchases and sales, net	(5,049,049)	-
Purchase of property and equipment	(2,932,658)	(266,575)
Net cash used in investing activities	(7,981,707)	(266,575)
Cash Flows From Financing Activities		
Payments on finance leases payable	(37,277)	(34,870)
Net decrease in cash	(7,108,350)	(34,506)
Cash, Beginning	12,892,667	12,927,173
Cash, Ending	$ 5,784,317	$ 12,892,667
Supplemental Disclosure of Cash Flow and Noncash Investing and Financing Activities		
Cash paid for interest	$ 4,843	$ 7,250
Forgiveness of Paycheck Protection Program loan	$ -	$ 296,400
Right of use assets obtained in exchange for lease liabilities	$ 402,389	$ -
Right of use assets adjustment for Topic 842 implementation	$ 288,378	$ -

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Mountaineer Food Bank, Inc. (the Organization) is a nonprofit organization created in 1981 and headquartered in Gassaway, West Virginia. The Organization provides food and other household items to over 450 feeding programs in 48 counties in West Virginia. The Organization also provides educational resources on basic nutrition, community alternatives for alleviating hunger, and assistance and advice to interested people and groups in the formation and operation of a food pantry.

Mountaineer Food Bank, Inc. is a member of Feeding America, a nationwide nonprofit organization, which collects and allocates food pantry goods to regional/state food banks through its distribution network. Feeding America solicits product suppliers and supervises the distribution of its products to member food banks.

A summary of the Organization's significant accounting policies follows:

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned rather than when received, and expenses are recognized when incurred rather than when paid.

Management's Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Deposit Risk

In the normal course of business, the Organization may have deposits with local financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Organization has not experienced any losses in such accounts.

Accounts Receivable

Accounts receivable represent amounts owed to the Organization for food products sold, which were $0.19 per pound for 2022 and 2021. Transportation for the related products was billed at $0.08 per mile for 2022 and 2021. Accounts receivable are reported at estimated net realizable value taking into account implicit and explicit price concessions. The estimated implicit price concessions are based upon management's judgmental assessment of historical and expected net collections considering business and general economic conditions in its service area.

Grants Receivable

Grants receivable represent amounts billed to state and private agencies but not paid as of the fiscal year end. Certain grants, which allow the Organization to draw down at any time, are included as a receivable and net assets with donor restrictions if the award has been expended but the amount has not been drawn down by the Organization.

Inventories

Inventories consist of food and commodities donated primarily by Feeding America. Inventories of food and commodities received from Feeding America are valued at $1.92 per pound as of December 31, 2022, and $1.79 per pound as of December 31, 2021, as determined by the most recent information available from Feeding America, the principal provider of donated food and commodities. This valuation is adjusted periodically by Feeding America. In addition, commodities received under the U.S. Department of Agriculture Emergency Food Assistance Program (TEFAP) to be passed through to sub-recipient pantries are valued at $1.31 and $1.10 per pound as of December 31, 2022 and 2021.

Food donated to the Organization is accounted for as contributions without donor restrictions.

Investments and investment income

Investments are measured at fair value on the statements of financial position. The fair value of substantially all securities is determined by quoted market rates. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) are included in nonoperating income (loss).

The Organization’s investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported on the statements of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions.

Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported on the statements of financial position could change materially in the near term.

Property and Equipment

Property and equipment are stated at cost for purchased items and fair value for contributed items. Property and equipment whose expected useful life is in excess of one year and cost (or fair value) is above a threshold established by the Board of Directors are capitalized. Depreciation and amortization of property and equipment, which includes amortization of assets recorded under capital leases, are provided for using the straight-line method over the estimated useful lives of the assets (3-39 years). Normal repairs and maintenance are charged to expense as incurred.

Upon sale or retirement of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss on the sale is included in operations.

Compensation for Accrued Absences

A liability for compensated absences earned but not paid as of December 31, 2022 and 2021, has been recognized and is included in accrued salaries and benefits on the statements of financial position. As of December 31, 2022 and 2021, $248,800 and $187,500 remained unpaid, respectively.

Net Assets

Net assets, revenue, and support are classified based on donor-imposed stipulations. Accordingly, net assets of the Organization 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 grantor restrictions. All revenue not restricted by donors or grantors and donor restricted contributions whose restrictions are satisfied in the same period in which they are received are accounted for as net assets without donor restrictions.

Net Assets With Donor Restrictions - Net assets result from contributions, grants, or other inflows of assets whose use by the Organization is limited by donor or grantor-imposed stipulations. Those restrictions can be removed by the passage of time, by actions of the Organization pursuant to those stipulations, or from other asset enhancements and diminishments subject to the same kinds of stipulations. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization did not have any net assets with donor restrictions as of December 31, 2022 or 2021.

Functional Expense Allocation

The program activities of the Organization and the administrative and general costs have been summarized on a functional basis on the statements of functional expenses for the years ended December 31, 2022 and 2021. The statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated between program activities and administrative and general costs based on salaries and wages or square footage.

Revenue Recognition

The Organization receives donated food items from the following government agencies:

West Virginia Department of Agriculture - The Emergency Food Assistance Program (TEFAP)

These funds are administered at the federal level by the United States Department of Agriculture in order to supplement the diets of low-income Americans by providing them with emergency food assistance at no cost. USDA provides 100% American-grown foods as well as administrative funds.

West Virginia Department of Agriculture - Commodity Supplemental Food Program (CSFP)

These funds are administered at the federal level by the United States Department of Agriculture in order to provide food for qualifying seniors. The program includes monthly food packages designed to supplement the nutritional needs of low-income senior citizens.

The USDA commodities are recorded as a contribution of merchandise inventory but are recorded using USDA rates determined by the West Virginia Department of Agriculture - Food Distribution Division. These commodities were recorded at $1.31 and $1.10 per pound as of December 31, 2022 and 2021.

Furthermore, in 2022 and 2021, the Organization received approximately 71% and 57%, respectively, of its food pantry merchandise inventories from Feeding America. The Organization records donated goods that are not provided by the USDA as a contribution of merchandise inventory when the merchandise is received. These contributions were recorded at amounts determined by Feeding America, which were $1.92 per pound for 2022 and $1.79 per pound for 2021.

Contributions, including unconditional promises to give, are recognized upon receipt at fair value and are recorded as without donor restrictions or with donor restrictions depending on the existence of any donor restrictions. Contributions required to be reported as support with donor restrictions are then reclassified to net assets without donor restrictions upon expiration of the restrictions. Grant income, which is generally considered nonreciprocal transactions restricted for certain purposes, is recognized as revenue when eligible qualifying expenditures are incurred and conditions under the agreements are met. It is the Organization's policy to record contributions and grant income with donor restrictions that are received and expended in the same fiscal year as net assets without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are met.

Revenue from the sale of purchased food is recorded when ownership is transferred to the customers, which is when shipment is made. In specific cases, returns are accepted; however, the Organization has not experienced any significant amounts of such returns. Revenue is presented net of returns.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Income Taxes

The Organization is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an entity that is not a private foundation under 509(a)(1). The Organization had no unrelated business income during the years ended December 31, 2022 and 2021. Accordingly, no provision for income taxes has been provided.

The Organization follows guidance for accounting for uncertainty in income taxes recognized in an Organization's financial statements that prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authorities. There were no uncertain tax positions recognized in the financial statements as a result of this guidance.

Generally, the tax returns for the years ended December 31, 2019, and thereafter remain subject to examination by the federal and state taxing authorities.

Economic Dependency and Geographic Concentration

The Organization generates a substantial portion of its revenue from the contribution of food and related commodities from the TEFAP, Feeding America, and the State of West Virginia. Changes in the level of contributions could significantly impact operations. The Organization also receives significant funding from federal and state grants, and discontinuation of support from these sources would significantly impact operations.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs of $11,595 and $24,825 were expensed in 2022 and 2021, respectively. Such costs are included in fundraising expense on the statement of activities and changes in net assets. Additionally, the Organization utilizes a professional fundraising service for direct mailings. The total costs associated with direct mailings were approximately $111,400 and $85,000 for the years ended December 31, 2022 and 2021, respectively.

Reclassifications

Certain minor reclassifications have been made to the 2021 financial statements to conform to the presentation used in 2022.

Subsequent Events

The Organization's management has evaluated events that occurred through July 18, 2023, which is the date this report is available to be issued for potential recognition or disclosure.

Recent Accounting Pronouncements

Leases

Effective January 1, 2022, Mountaineer Food Bank, Inc. adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), and all related amendments using the modified retrospective approach. The Organization's 2021 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Organization recorded operating lease right-of-use assets and lease liabilities of $288,378.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification, and initial direct lease costs;

- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Organization’s right-of-use assets.

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and nonlease components for all asset classes;

- When the rate implicit in the lease is not determinable, rather than use the Organization’s incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes;

- The Organization elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 5.

Contributed Nonfinancial Assets

Effective January 1, 2022, Mountaineer Food Bank, Inc. adopted Accounting Standards Update No. 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. Adoption of this guidance did not have a material impact on the financial statements.

2. Investments

During the year ended December 31, 2022, the Organization established an investment account with Pershing Advisor Solutions, LLC. The fund was established to hold investments of the Organization in a conservative portfolio of money market and fixed income mutual funds and similar investments. The income is used for the operating expenses of the Organization or as specified by management and the Board of Directors.

Investment loss for the year ended December 31, 2022, was as follows:

Unrealized loss on investments	$ (86,018)
Dividends	48,912
Interest	14,789
Investment loss	$ (22,317)

3. Fair Value Measurements

Accounting standards establish a framework for stating investments at fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three Levels of the fair value hierarchy used to value financial assets and liabilities are described as follows:

Level 1 - Quoted prices in active markets for identical financial assets and liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Financial assets recorded on the statement of financial position measured at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,532,112	$ -	$ -	$ 2,532,112
Fixed income mutual funds	983,807	-	-	983,807
Equities mutual funds	1,447,112	-	-	1,447,112
Total investments	$ 4,963,031	$ -	$ -	$ 4,963,031

The following methods were used by the Organization in estimating fair value of its financial instruments.

Cash and Cash Equivalents

Fair values, which are the amounts reported on the statements of financial position, are based on multiplying number of units held by $1 per unit.

Fixed Income and Equities Mutual Funds

Fair values, which are amounts reported on the statements of financial position, are based on quoted market prices.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

4. Financing Lease Commitments

The following is a summary of financing lease obligations as of December 31:

	2022	2021
Ryder Truck Lease, a payable in monthly installments of $1,991, including interest at 7.529%, through February 2024; secured by equipment with an original cost of $129,672 and accumulated depreciation of $122,203.	$ 26,602	$ 47,622
Ryder Trailer Lease, payable in monthly installments of $1,519, including interest at 5.629%, through June 2024; secured by equipment with an original cost of $105,272 and accumulated depreciation of $81,784.	26,165	42,422
	52,767	90,044
Less current portion	39,855	37,277
Total long-term financing leases payable	$ 12,912	$ 52,767

As of December 31, 2022, future payments on financing lease obligations are as follows:

Years ending December 31:	
2023	$ 42,120
2024	13,097
Total minimum lease payments	55,217
Less amounts representing interest	2,450
Present value of minimum lease payments	$ 52,767

5. Operating Lease Commitments

Mountaineer Food Bank, Inc. leases its storage and operating facilities under various non-cancellable operating leases. Monthly rental payments under such leases range from $500 to $12,000 per month, and lease terms expire in periods ranging from July 2023 through December 2025. The Organization has not recorded any non-lease payments in the calculation of the lease asset or lease liability. The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Leases, Prior to January 1, 2022

Rent expense associated with these various operating leases approximated $180,000 for the year ended December 31, 2021.

Leases, January 1, 2022 and After

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain leases of the Organization include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term. Additionally, upon adoption of the new standard, the Organization made judgments regarding lease terms for certain of its real property leases that were in month-to-month status or that contained auto-renewal clauses. The Organization estimated a lease end date based on the required length of usage of the property and calculated a right-of-use asset and lease liability with the resulting estimated lease.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses the uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's fixed asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified, and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

- Determined whether contracts contain embedded leases;

- Determine the discount rate used to measure the lease liability.

- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments.

The Organization does not have any material leasing transactions with related parties.

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 3.12%. As of December 31, 2022, the weighted average remaining lease term was 2.75 years.

The table below summarizes the Organization's scheduled future minimum lease payments for years ending December 31:

Years ending December 31:	
2023	$ 219,427
2024	224,047
2025	175,595
Total lease payments	619,069
Less present value discount	25,124
Total lease liabilities	593,945
Less current portion	(204,512)
Long-term operating lease liabilities	$ 389,433

Below is a summary of expenses incurrent pertaining to leases during the year ended December 31, 2022:

Operating lease expense	$ 112,772
Short-term lease expense	90,504
Variable lease expense	2,808
Total rental expense	$ 206,084

6. Liquidity and Availability

As of December 31, 2022, the Organization has working capital of approximately $8,400,000. Financial assets available for general expenditures within one year of the statement of financial position consist of the following as of December 31:

	2022	2021
Cash	$ 5,784,317	$ 12,892,667
Accounts receivable	185,196	134,987
Grants receivable	1,228,983	534,465
Total	$ 7,198,496	$ 13,562,119

The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which are, on average, approximately $1,006,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

7. Retirement

The Organization maintains a deferred compensation 401(k) plan (the Plan) for eligible employees. Employees can defer a portion of their annual compensation. The Organization has determined it will make a 3% matching contribution as approved by the Board of Directors. Further, the Board of Directors has chosen to set goals that, if met, would increase the match an additional 3%. During 2022 and 2021, the goals were met and an additional 3% contribution was approved. During the fiscal years ended December 31, 2022 and 2021, the Organization made matching contributions of $50,960 and $32,240 to the Plan, and accrued an additional $30,590 and $19,880, which is included in accrued salaries and benefits on the statements of financial position.

8. Commitments and Contingencies

Laws and Regulations

The not-for-profit industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, grant program participation requirements, reimbursement for services, and fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations. Violations of these laws and regulations could result in expulsion from government programs together with the imposition of significant fines and penalties, as well as significant repayments for services and costs previously billed.

Management believes that the Organization is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

USDA Loan

Mountaineer Food Bank, Inc. is in the process of obtaining SBA funding for a building that will increase capacity, allow three current storage locations to be consolidated, and keep all administrative offices in the current location. The estimated cost is twenty-five million, with an estimated interest rate of 4%. As of the date of these financial statements, the application has not been filed. Preliminary costs of this project, which include freezers, some materials, and architect costs, are included in construction in progress on the statements of financial position.

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 Auditors' Report

To the Board of Directors of
Mountaineer Food Bank, Inc.

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 Mountaineer Food Bank, Inc. (the Organization), which comprise the Organization's statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 18, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Baker Tilly US, LLP

Bridgeport, West Virginia
July 18, 2023

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

Independent Auditors' Report

To the Enter Board of Directors of
Mountaineer Food Bank, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Mountaineer Food Bank, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2022. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

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

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

Purpose of the Report

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.

Baker Tilly US, LLP

Bridgeport, West Virginia
July 18, 2023

Mountaineer Food Bank, Inc.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed-Through to Subrecipients
U.S. Department of Agriculture				
Food Distribution Cluster:				
Passed through State of West Virginia - Commodity Supplemental Food Program	10.565	CSFP	$ 505,127	$ -
Passed through State of West Virginia - Commodity Supplemental Food Program (1,811,808 Pounds of Food Commodities)	10.565	CSFP	1,992,989	1,992,989
Passed through State of West Virginia - The Emergency Food Assistance Program (Administrative Costs)	10.568	TEFAP	787,559	-
Passed through State of West Virginia - The Emergency Food Assistance Program (Administrative Costs) - COVID 19	10.568	TEFAP	67,526	-
Passed through State of West Virginia - The Emergency Food Assistance Program (5,266,876 Pounds of Food Commodities)	10.569	TEFAP	5,793,564	5,793,564
U.S. Department of the Treasury				
Passed through State of West Virginia - Coronavirus Relief Fund	21.019	N/A	3,635,000	2,135,000
U.S. Department of Health and Human Resources				
Passed through State of West Virginia - Outreach Programs to Reduce the Prevalence of Obesity in High Risk Rural Areas	93.319	N/A	21,666	-
U.S. Department of the Treasury				
Passed through State of West Virginia - Department of Economic Development				
Community Development Block Grant	14.228	CV-CDBG0019	1,000,000	-
Community Development Block Grant	14.228	CV-CDBG0020	931,938	-
Subtotal of Funding			1,931,938	-
Total expenditures of federal awards			$ 14,735,369	$ 9,921,553

See notes to schedule of expenditures of federal awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Mountaineer Food Bank, Inc. (the Organization) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* CFR part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization. Additionally, due to the different reporting requirements of the financial statements from the above Schedule, some amounts presented may differ from amounts presented in, or used in, the financial statements.

2. Summary of Significant Accounting Policies

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

3. Indirect Costs

The Organization does not seek reimbursement of indirect costs under its federal programs. Additionally, the Organization has never negotiated an indirect cost rate with its cognizant agency. Therefore, the Organization has elected to use the 10% de minimis indirect cost rate.

Mountaineer Food Bank, Inc.

Schedule of Expenditures of State Awards
Year Ended December 31, 2022

State Grantor / Program Title	Grant Number	Award Amount	Grant Receipts	Grant Expenditures
West Virginia Department of Agriculture				
State of West Virginia -				
The Emergency Food	TEFAP	$ 269,219	$ 134,609	$ 134,609
Assistance Program	TEFAP	269,381	134,690	134,690
Governor's Executive Budget	N/A	500,000	500,000	500,000
Total expenditures of state awards		$ 1,038,600	$ 769,299	$ 769,299

See notes to schedule of expenditures of state awards

1. Basis of Presentation

The accompanying schedule of expenditures of state awards (the Schedule) includes the state award activity of Mountaineer Food Bank, Inc. (the Organization) under programs of the state government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of the State of West Virginia. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended, and does not, present the financial position, changes in net assets, or cash flows of the Organization. Additionally, due to the different reporting requirements of the financial statements from those of the above Schedule, some amounts presented may differ from amounts presented in, or used in, the preparation of the financial statements.

2. Summary of Significant Accounting Policies

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

3. Indirect Costs

The Organization does not seek reimbursement of indirect costs under its state programs. Additionally, the Organization has never negotiated an indirect cost rate with its cognizant agency. Therefore, the Organization has elected to use the 10% de minimis indirect cost rate.

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were in accordance with GAAP:	Unmodified	
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified?	______ Yes	X None reported
Noncompliance material to financial statements noted?	______ Yes	X No

Federal Awards

Internal control over major federal program:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified?	______ Yes	X None reported
Type of auditors' report issued on compliance for the major federal program:	Unmodified	
Any audit findings disclosed that are required to be report in accordance with 2 CFR 200.516(a)?	______ Yes	X No
Identification of major federal program:	______ Yes	X No

Assistance Listing Number	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs	$750,000	
Auditee qualified as low-risk auditee?	X Yes	______ No

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

None reported.