

Mountaineer Food Bank, Inc.

Financial and Compliance Report

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mountaineer Food Bank, Inc.
Gassaway, West Virginia

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, 2021 and 2020, 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, 2021 and 2020, 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 Auditor's 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.

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.

Auditor's 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 auditor's 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of state awards, as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of West Virginia, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 June 28, 2022, on our consideration of Mountaineer Food Bank, 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 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
June 28, 2022

MOUNTAINEER FOOD BANK, INC.**STATEMENTS OF FINANCIAL POSITION**
December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 12,892,666	\$ 12,927,172
Accounts receivable	134,987	245,715
Grants receivable	534,465	541,394
Inventories	2,648,923	4,017,083
Prepaid assets	67,037	115,749
Total current assets	16,278,078	17,847,113
PROPERTY AND EQUIPMENT		
Land	338,343	338,343
Building	1,820,038	1,820,038
Equipment	2,205,962	1,939,387
	4,364,343	4,097,768
Less accumulated depreciation	2,118,739	1,836,954
Net property and equipment	2,245,604	2,260,814
Total assets	\$ 18,523,682	\$ 20,107,927
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Leases payable, current portion	\$ 37,277	\$ 34,870
Accounts payable	142,249	11,778
Accrued salaries and benefits	317,430	244,719
Due to subrecipient food pantries	820,614	567,946
Total current liabilities	1,317,570	859,313
LEASES PAYABLE, less current portion	52,767	90,044
PAYCHECK PROTECTION PROGRAM LOAN	-	296,400
Total liabilities	1,370,337	1,245,757
NET ASSETS	17,153,345	18,862,170
Total liabilities and net assets	\$ 18,523,682	\$ 20,107,927

See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2021 and 2020

	2021	2020
CHANGE IN NET ASSETS		
Revenue and support:		
Donated food items	\$ 28,735,068	\$ 36,060,871
Public support	3,927,643	15,017,481
Federal and state assistance	2,201,046	3,271,057
Cost sharing	1,777,232	2,163,659
Forgiveness of Paycheck Protection Program loan	296,400	-
Interest	19,738	5,915
Other	1,940	6,041
Total revenue and support	36,959,067	56,525,024
Cost of revenue:		
Food items	33,443,142	37,762,975
Transportation	603,148	588,746
Direct local agency support	341,174	147,440
Utilities, technology, and equipment	245,601	170,456
Supplies	117,304	105,274
Total cost of revenue	34,750,369	38,774,891
Operating income	2,208,698	17,750,133
Operating expense:		
Salaries and wages	2,261,188	1,868,541
Employee benefits	630,538	446,495
Depreciation	281,785	230,026
Rental	174,433	79,644
Fundraising	152,317	83,780
Repairs and maintenance	125,885	103,142
Insurance	90,312	83,394
Professional fees	49,127	42,235
Supplies	17,508	56,876
Travel	10,724	5,226
Membership fees	7,832	3,916
Interest	7,250	9,500
Other	108,624	140,335
Total operating expense	3,917,523	3,153,110
Change in net assets	(1,708,825)	14,597,023
Net assets:		
Beginning of year	18,862,170	4,265,147
End of year	\$ 17,153,345	\$ 18,862,170

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
	<hr/>	<hr/>	<hr/>
Total cost of revenue	\$ 34,719,226	\$ 31,143	\$ 34,750,369
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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
Supplies	-	17,508	17,508
Travel	-	10,724	10,724
Membership fees	7,832	-	7,832
Interest	7,250	-	7,250
Other	55,398	53,226	108,624
	<hr/>	<hr/>	<hr/>
Total operating expense	\$ 2,210,943	\$ 1,706,580	\$ 3,917,523
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See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2020

	Program Activities	Administrative and General	Total Expense
COST OF REVENUE			
Donated food items	\$ 37,762,975	\$ -	\$ 37,762,975
Transportation	574,093	14,653	588,746
Direct local agency support	147,440	-	147,440
Utilities, technology, and equipment	152,908	17,548	170,456
Supplies	105,274	-	105,274
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Total cost of revenue	\$ 38,742,690	\$ 32,201	\$ 38,774,891
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OPERATING EXPENSE			
Salaries and wages	\$ 990,327	\$ 878,214	\$ 1,868,541
Employee benefits	236,642	209,853	446,495
Depreciation	228,491	1,535	230,026
Rental	69,848	9,796	79,644
Fundraising	-	83,780	83,780
Repairs and maintenance	103,142	-	103,142
Insurance	74,809	8,585	83,394
Professional fees	20,000	22,235	42,235
Supplies	-	56,876	56,876
Travel	-	5,226	5,226
Membership fees	3,916	-	3,916
Interest	9,500	-	9,500
Other	74,378	65,957	140,335
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Total operating expense	\$ 1,811,053	\$ 1,342,057	\$ 3,153,110
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See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,708,825)	\$ 14,597,023
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program loan	(296,400)	-
Depreciation	281,785	230,026
(Increase) decrease in assets:		
Accounts receivable	110,728	(138,935)
Grants receivable	6,929	(49,720)
Inventories	1,368,160	(2,436,316)
Prepaid assets	48,712	(50,479)
Increase (decrease) in liabilities:		
Accounts payable	130,471	(73,767)
Accrued salaries and benefits	72,711	113,565
Due to subrecipient food pantries	252,668	(77,015)
Net cash provided by operating activities	266,939	12,114,382
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(266,575)	(912,113)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on leases payable	(34,870)	(32,620)
Proceeds from paycheck protection program loan	-	296,400
Net cash provided by (used in) financing activities	(34,870)	263,780
Net increase (decrease) in cash	(34,506)	11,466,049
Cash:		
Beginning	12,927,173	1,461,124
Ending	\$ 12,892,667	\$ 12,927,173
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 7,250	\$ 9,500

See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Mountaineer Food Bank, Inc. (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 2021 and 2020. Transportation for the related products was billed at \$0.08 per mile for 2021 and 2020. 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 made but the amount has not been drawn down by the Organization.

Inventories: Food donated to the Organization is accounted for as contributions without donor restrictions. Inventories consist of food and commodities donated primarily by Feeding America. Inventories of food and commodities received from Feeding America are valued at \$1.79 per pound as of December 31, 2021 and \$1.74 per pound as of December 31, 2020, 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 \$1.10 and \$0.99 per pound as of December 31, 2021 and 2020.

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

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. 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, 2021 and 2020, has been recognized and is included in accrued salaries and benefits on the statements of financial position. As of December 31, 2021 and 2020, \$187,500 and \$135,200 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 are 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 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 diminishment 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, 2021 or 2020.

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, 2021 and 2020. 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.

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 nutrition 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 \$1.10 and \$0.99 per pound as of December 31, 2021 and 2020.

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

Furthermore, in 2021 and 2020, the Organization received approximately 57% and 41%, 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 \$1.79 per pound for 2021 and \$1.74 per pound for 2020.

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, 2021 and 2020. 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, 2018, 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 \$24,825 were expensed in 2021. There were no advertising costs for 2020. 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 \$85,000 and \$78,000 for the years ended December 31, 2021 and 2020, respectively.

Reclassifications: Certain minor reclassifications have been made to the 2020 financial statements to conform to the presentation used in 2021.

Subsequent events: The Organization's management has evaluated events that occurred through June 28, 2022, which is the date this report is available to be issued for potential recognition or disclosure.

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

Recent Accounting Pronouncements

Leases: In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) which supersedes FASB ASC Topic 840, Leases, and makes other conforming amendments to U.S. GAAP. This ASU requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability, and additional qualitative and quantitative disclosures. In addition, the updated guidance requires that lessors separate lease and non-lease components in a contract in accordance with the new revenue guidance in ASU 2014-09. Transition guidance is provided within the ASU and generally requires a retrospective approach. In June 2020, the FASB issued ASU 2020-05, which deferred the adoption date of this ASU for all private entities and public not-for-profit (NFP) entities that have not issued their financial statements reflecting the adoption of this ASU. The Organization is currently evaluating the impact, if any, that adoption will have on its December 31, 2022 financial statements.

Note 2. Capital Leases

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

	2021	2020
Ryder Truck Lease, 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.	\$ 47,622	\$ 67,121
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.	42,422	57,793
	90,044	124,914
Less current portion	37,277	34,870
Total long-term leases payable	\$ 52,767	\$ 90,044

As of December 31, 2021, future payments on capital lease obligations are as follows:

Years Ending December 31:	
2022	\$ 42,120
2023	42,120
2024	13,097
Total minimum lease payments	97,337
Less amounts representing interest	7,293
Present value of minimum lease payments	\$ 90,044

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Retirement

The Organization maintains a deferred compensation 401(k) plan (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 2021 and 2020, the goals were met and an additional 3% contribution was approved. During the fiscal years ended December 31, 2021 and 2020, the Organization made matching contributions of \$32,240 and \$26,194 to the Plan, and accrued an additional \$19,880 and \$25,290, which is included in accrued salaries and benefits on the statements of financial position.

Note 4. Operating Leases

The Organization leases various facilities for food storage and distribution centers under operating agreements. The agreements range from yearly renewals to three-year agreements. Future minimum lease payments under these agreements are \$180,000 for December 31, 2022. Further, the National Guard has leased the Organization a facility for \$1. The Organization may use the facility under this arrangement for the next five years. No donation or expense has been recorded on this agreement.

Note 5. Liquidity and Availability

As of December 31, 2021, the Organization has working capital of approximately \$14,960,000. Financial assets available for general expenditures within one year of the statement of financial position consist of the following as of December 31:

	2021	2020
Cash and cash equivalents	\$ 12,892,666	\$ 12,927,172
Accounts receivable	134,987	245,715
Grants receivable	534,465	541,394
	<u>\$ 13,562,118</u>	<u>\$ 13,714,281</u>

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 \$813,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 6. 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.

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

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.

Note 7. Subsequent Event

The Organization has made a significant deposit on a refrigeration system and is currently making plans to expand the building which will house the refrigeration system. The system itself is not expected to be received until 2024.

Note 8. COVID-19 Pandemic Funding

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The response to the pandemic has severely impacted the level of economic activity around the world and has had wide ranging effects on the Organization.

In response to the pandemic, the United States government passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act established several programs including the Paycheck Protection Program (PPP) to aid businesses in their response to the economic effects of COVID-19.

The material government funding received by the Organization, and the corresponding accounting for the funding, is outlined below.

Paycheck Protection Program Loan

During the year ended December 31, 2020, the Organization obtained a loan under the Paycheck Protection Program (PPP) in the amount of \$296,400 from United Bank pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The proceeds from the loan were to be spent on qualifying expenses as allowed under the CARES Act and matured two years from the date of the loan. The Organization received notice of forgiveness in April 2021 and accordingly recognized \$296,400 as Paycheck Protection Program loan forgiveness in the statement of activities and changes in net assets during the year ended December 31, 2021.

Additional TEFAP Recovery Administrative Funding

The United States Department of Agriculture (USDA) authorized the West Virginia Department of Agriculture Emergency Food Assistance Program (TEFAP) to release additional funds to respond to and recover from the pandemic. For the year ended December 31, 2020, the Organization received \$1,468,800 as a result of the increased funding.

The payments received to date or which the Organization may receive in the future, will be beneficial in addressing the impact of the COVID-19 pandemic on its results of operations and financial position. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's patients, financial markets, employees, and vendors. Given the uncertainty regarding the spread of this coronavirus, the related financial impact on the Organization's results of operations, financial position, and liquidity or capital resources cannot be reasonably estimated at this time and have not been reflected in the financial statements.

MOUNTAINEER FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2021

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Food Distribution Cluster:				
Passed through State of West Virginia - Commodity Supplemental Food Program	10.565	CSFP	\$ -	\$ 405,944
Passed through State of West Virginia - Commodity Supplemental Food Program (1,357,008 Pounds of Food Commodities)	10.565	CSFP	1,492,709	1,492,709
Passed through State of West Virginia - The Emergency Food Assistance Program (Administrative Costs)	10.568	TEFAP	-	720,678
Passed through State of West Virginia - The Emergency Food Assistance Program (Administrative Costs) - COVID 19	10.568	TEFAP	-	254,799
Passed through State of West Virginia - The Emergency Food Assistance Program (6,937,506 Pounds of Food Commodities)	10.569	TEFAP	<u>7,631,257</u>	<u>7,631,257</u>
Total expenditures of federal awards			\$ 9,123,966	\$ 10,505,387

See Notes to Schedule of Expenditures of Federal Awards

MOUNTAINEER FOOD BANK, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Mountaineer Food Bank, Inc. (Organization) under programs of the federal government for the year ended December 31, 2021. 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.

Note 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.

Note 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, 2021

State Grantor / Program Title	Grant Number	Award Amount	Grant Receipts	Grant Expenditures
West Virginia Department of Agriculture:				
State of West Virginia - The Emergency Food Assistance Program	TEFAP TEFAP	\$ 269,868 \$ 269,381	\$ 134,934 \$ 134,691	\$ 134,934 \$ 134,691
Department of Education Food Bank Collaboratoin	S2021	50,000	50,000	50,000
Governor's Executive Budget	N/A	500,000	500,000	500,000
Total expenditures of state awards		\$ 1,089,249	\$ 819,625	\$ 819,625

See Notes to Schedule of Expenditures of State Awards

MOUNTAINEER FOOD BANK, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state awards (Schedule) includes the state award activity of Mountaineer Food Bank, Inc. (Organization) under programs of the state government for the year ended December 31, 2021. 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.

Note 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.

Note 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.

**Independent Auditor's Report on Internal Control Over
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With Government Auditing Standards**

Board of Directors
Mountaineer Food Bank, Inc.
Gassaway, West Virginia

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. (Organization), a nonprofit corporation, which comprise the statement of financial position as of December 31, 2021, 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 June 28, 2022.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization'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 weakness or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Bridgeport, West Virginia
June 28, 2022

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

Board of Directors
Mountaineer Food Bank, Inc.
Gassaway, West Virginia

Report on Compliance for the Major Federal Program

Opinion on Major Federal Program

We have audited Mountaineer Food Bank, Inc.'s (Organization) compliance with the types of compliance requirements described 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, 2021. The Organization's major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mountaineer Food Bank, Inc. 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, 2021.

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 "Auditor's 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 controls over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of the 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 "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described 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
June 28, 2022

MOUNTAINEER FOOD BANK, INC.

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

SECTION I – SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

Internal control over major program:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

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

Identification of major programs:

<u>AL Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.565, 10.568, 10.569	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 No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

MOUNTAINEER FOOD BANK, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2021

None reported.