

MOUNTAINEER FOOD BANK, INC.

Financial and Compliance Report
December 31, 2019



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Mountaineer Food Bank, Inc. (Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountaineer Food Bank, Inc. as of December 31, 2019 and 2018, and the changes in its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of expenditures 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 are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 30, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mountaineer Food Bank, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mountaineer Food Bank, Inc.'s internal control over financial reporting and compliance.

Annett Carbis Toothman LLP

Bridgeport, West Virginia
June 30, 2020

MOUNTAINEER FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,461,124	\$ 1,063,699
Accounts receivable	106,780	112,114
Grants receivable	491,674	257,671
Inventories	1,580,767	1,705,290
Prepaid assets	65,270	33,568
Total current assets	3,705,615	3,172,342
PROPERTY AND EQUIPMENT		
Land	338,343	338,343
Building	1,567,664	1,567,664
Equipment	1,320,473	1,053,840
	3,226,480	2,959,847
Less accumulated depreciation	1,647,753	1,451,212
Net property and equipment	1,578,727	1,508,635
Total assets	\$ 5,284,342	\$ 4,680,977
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Leases payable, current portion	\$ 32,620	\$ 30,519
Accounts payable	85,546	13,276
Accrued salaries and benefits	123,762	72,506
Accrued payroll taxes	7,392	5,122
Due to subrecipient food pantries	644,961	556,276
Total current liabilities	894,281	677,699
LEASES PAYABLE, less current portion	124,914	157,534
Total liabilities	1,019,195	835,233
NET ASSETS	4,265,147	3,845,744
Total liabilities and net assets	\$ 5,284,342	\$ 4,680,977

See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 Years Ended December 31, 2019 and 2018

	2019	2018
CHANGE IN NET ASSETS		
Revenue and support:		
Donated food items	\$ 19,961,197	\$ 18,734,089
Grant income	2,606,823	1,275,271
Cost sharing	1,518,962	1,549,712
Public support	866,067	847,714
Interest	5,826	3,904
Other	2,973	3,576
	<u>24,961,848</u>	<u>22,414,266</u>
Total revenue and support	24,961,848	22,414,266
Cost of Revenue:		
Donated food items	21,701,878	20,916,626
Transportation	357,614	183,496
Utilities	61,175	69,137
Supplies	54,797	43,341
	<u>22,175,464</u>	<u>21,212,600</u>
Total cost of revenue	22,175,464	21,212,600
Operating income	2,786,384	1,201,666
Operating expense:		
Salaries and wages	1,247,967	977,323
Employee benefits	363,563	260,938
Depreciation	196,541	222,621
Fundraising	64,769	67,940
Repairs and maintenance	56,998	94,823
Insurance	45,231	44,962
Professional fees	39,130	41,034
Rental	32,125	42,005
Travel	21,156	30,671
Membership fees	15,664	15,560
Interest	11,601	13,565
Supplies	9,079	7,205
Other	263,157	162,567
	<u>2,366,981</u>	<u>1,981,214</u>
Total operating expense	2,366,981	1,981,214
Change in net assets	419,403	(779,548)
Net assets:		
Beginning of year	<u>3,845,744</u>	<u>4,625,292</u>
End of year	<u>\$ 4,265,147</u>	<u>\$ 3,845,744</u>

See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program Services	Administrative and General	Total Expense
COST OF REVENUE			
Donated food items	\$ 21,701,878	\$ -	\$ 21,701,878
Transportation	351,229	6,385	357,614
Utilities	52,769	8,406	61,175
Supplies	43,341	11,456	54,797
	<hr/>		
Total cost of revenue	\$ 22,149,217	\$ 26,247	\$ 22,175,464
	<hr/>		
OPERATING EXPENSE			
Salaries and wages	\$ 686,382	\$ 561,585	\$ 1,247,967
Employee benefits	199,960	163,603	363,563
Depreciation	193,745	2,796	196,541
Fundraising	-	64,769	64,769
Repairs and maintenance	56,980	18	56,998
Insurance	39,016	6,215	45,231
Professional fees	20,000	19,130	39,130
Rental	24,000	8,125	32,125
Travel	-	21,156	21,156
Membership fees	15,664	-	15,664
Interest	11,601	-	11,601
Supplies	-	9,079	9,079
Other	144,736	118,421	263,157
	<hr/>		
Total operating expense	\$ 1,392,084	\$ 974,897	\$ 2,366,981
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See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Activities	Administrative and General	Total Expense
COST OF REVENUE			
Donated food items	\$ 20,916,626	\$ -	\$ 20,916,626
Transportation	182,245	1,251	183,496
Utilities	59,637	9,500	69,137
Supplies	43,341	-	43,341
Total cost of revenue	\$ 21,201,849	\$ 10,751	\$ 21,212,600
OPERATING EXPENSE			
Salaries and wages	\$ 554,671	\$ 422,652	\$ 977,323
Employee benefits	148,093	112,845	260,938
Depreciation	215,837	6,784	222,621
Fundraising	-	67,940	67,940
Repairs and maintenance	94,823	-	94,823
Insurance	38,784	6,178	44,962
Professional fees	20,000	21,034	41,034
Rental	24,000	18,005	42,005
Travel	-	30,671	30,671
Membership fees	15,560	-	15,560
Interest	13,565	-	13,565
Supplies	-	7,205	7,205
Other	92,263	70,304	162,567
Total operating expense	\$ 1,217,596	\$ 763,618	\$ 1,981,214

See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 419,403	\$ (779,548)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	196,541	222,621
(Increase) decrease in assets:		
Accounts receivable	5,334	16,455
Grants receivable	(234,003)	(72,938)
Inventories	124,523	463,938
Prepaid assets	(31,702)	15,159
Increase (decrease) in liabilities:		
Accounts payable	72,270	(45,378)
Accrued expenses	53,526	21,442
Due to subrecipient food pantries	88,685	89,288
Net cash provided by (used in) operating activities	694,577	(68,961)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(266,633)	(334,700)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on leases payable	(30,519)	(28,556)
Net increase (decrease) in cash and cash equivalents	397,425	(432,217)
Cash and cash equivalents:		
Beginning	1,063,699	1,495,916
Ending	\$ 1,461,124	\$ 1,063,699
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 11,601	\$ 13,565

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 follow:

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 cash equivalents and deposit risk: For purposes of the statements of financial position and cash flows, the Organization considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired, to be cash equivalents. As of December 31, 2019 and 2018, management believes that the carrying amount of cash equivalents approximates fair value because of the short maturity of these financial instruments.

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 2019 and 2018. Transportation products sold were \$0.08 per pound for 2019 and 2018. 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 \$1.62 per pound as of December 31, 2019 and \$1.68 per pound as of December 31, 2018, 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 \$0.64 per pound as of December 31, 2019 and 2018.

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, 2019 and 2018, has been recognized and is included in accrued salaries and benefits on the statements of financial position. As of December 31, 2019 and 2018, \$61,171 and \$49,311 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 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, 2019 or 2018.

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, 2019 and 2018. 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 \$0.64 per pound as of December 31, 2019 and 2018.

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

Furthermore, in 2019 and 2018, the Organization received approximately 68% and 81%, 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 \$1.62 per pound for 2019 and \$1.68 per pound for 2018.

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, 2019 and 2018. 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, 2016, 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 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. There were no advertising costs for 2019 or 2018. Such costs would be included in other 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 \$53,195 and \$63,807 for the years ended December 31, 2019 and 2018, respectively.

Subsequent events: The Organization's management has evaluated events that occurred through June 30, 2020, which is the date this report is available to be issued for potential recognition or disclosure.

Recent Accounting Pronouncements

Revenue Recognition: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP. This ASU attempts to remove inconsistencies and weaknesses in the current revenue recognition requirements, provides a more robust framework for addressing issues, improves comparability across entities and industries, provides more useful information to the users of the financial statements, and simplifies the preparation of financial statements by consolidating the number of requirements required to be referenced. The guidance permits the use of either a retrospective or modified retrospective (cumulative effect) transition method. The Organization adopted this guidance for the year ended December 31, 2019, and retroactively applied it to 2018. The adoption of the guidance did not have a material impact on the Organization's financial statements.

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. The Organization is currently evaluating the impact, if any, that adoption will have on its December 31, 2022 financial statements

Not-For-Profit Entities: In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations (NFPs) and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. The new ASU does not apply to transfers of assets from governments to businesses. The Organization adopted this guidance for the year ended December 31, 2019. The adoption of this guidance did not have a material impact on the Organization's financial statements.

Note 2. Retirement

During the year ended December 31, 2019, the Organization established a 401(k) deferred compensation plan (Plan) for the benefit of eligible employees to 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 2019, the goals were met and an additional 3% contribution was approved. During the fiscal year ended December 31, 2019, the Organization made matching contributions of \$25,427 to the Plan, and accrued an additional \$23,725, which is included in accrued salaries and benefits on the balance sheet.

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Leases

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

	2019	2018
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 \$92,326.	\$ 85,211	\$ 101,993
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 \$59,235.	<u>72,323</u>	<u>86,060</u>
	157,534	188,053
Less current portion	<u>32,620</u>	<u>30,519</u>
Total long-term leases payable	<u>\$ 124,914</u>	<u>\$ 157,534</u>

As of December 31, 2019, future payments on capital lease obligations are as follows:

Years Ending December 31:	
2020	\$ 42,120
2021	42,120
2022	42,120
2023	42,120
2024	<u>13,097</u>
Total minimum lease payments	181,577
Less amounts representing interest	<u>24,043</u>
Present value of minimum lease payments	<u>\$ 157,534</u>

Note 4. Liquidity and Availability

As of December 31, 2019, the Organization has working capital of approximately \$2,800,000. Financial assets available for general expenditures within one year of the statement of financial position consist of the following as of December 31:

	2019	2018
Cash and cash equivalents	\$ 1,461,124	\$ 1,063,699
Accounts receivable	106,780	112,114
Grants receivable	<u>491,674</u>	<u>257,671</u>
	<u>\$ 2,059,578</u>	<u>\$ 1,433,484</u>

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

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 \$394,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 5. 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.

Note 6. Subsequent Events

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world.

The pandemic has significantly impacted both the world and U.S economies. During March 2020, many state and local governments, in addition to the federal government, reacted to the public health crisis, creating significant uncertainties in the U.S. economy. In response to this coronavirus outbreak, the governments of many countries, states, cities, and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. In certain geographic regions in which the Organization operates, temporary closures of businesses have been ordered or suggested and numerous other businesses have temporarily closed voluntarily. Further, individuals' ability to travel has been curtailed through mandated travel restrictions and may be further limited through additional voluntary or mandated closures of travel-related businesses.

Further, a pandemic might adversely impact the Organization by causing a greater demand for food, by disrupting or delaying production and delivery of products in the supply chain, or by causing staffing shortages in the Organization's facilities.

During April 2020, the Organization took a number of steps to enhance its liquidity given the challenges associated with the COVID-19 environment, including the receipt of federal emergency assistance money in the form of a Paycheck Protection Program (PPP) loan, as well as significant funding from the community through a COVID-19 Response Campaign. A summary of funds received through May 31, 2020 include:

COVID-19 Response Campaign	\$	316,975
Paycheck Protection Program Loan		296,400
		<hr/>
	\$	613,375

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, the coronavirus outbreak has not had a significant effect on 2020 operating results to date. The Organization has received increased food requests, but it has also received increased resources from the government and the community to meet these needs. However, 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.

MOUNTAINEER FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended December 31, 2019

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA 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	\$ -	\$ 203,527
Passed through State of West Virginia - Commodity Supplemental Food Program (873,464 Pounds of Food Commodities)	10.565	CSFP	562,088	562,088
Passed through State of West Virginia - The Emergency Food Assistance Program (Administrative Costs)	10.568	TEFAP	-	1,162,913
Passed through State of West Virginia - The Emergency Food Assistance Program (8,869,136 Pounds of Food Commodities)	10.569	TEFAP	<u>5,714,631</u>	<u>5,714,631</u>
Total expenditures of federal awards			<u>\$ 6,276,719</u>	<u>\$ 7,643,159</u>

See Notes to Schedule of Expenditures of Federal Awards

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, 2019. 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, 2019

<u>State Grantor / Program Title</u>	<u>Grant Number</u>	<u>Award Amount</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>	<u>Grant Receivable</u>
West Virginia Department of Agriculture:					
State of West Virginia - The Emergency Food Assistance Program	TEFAP	\$ 270,450	\$ 252,840	\$ 270,450	\$ 17,610

See Notes to Schedule of Expenditures of State Awards

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, 2019. 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
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, 2019, 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 30, 2020.

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.

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.

Arnett Carlos Toothman LLP

Bridgeport, West Virginia
June 30, 2020

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

We have audited Mountaineer Food Bank, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on Mountaineer Food Bank, Inc.'s major federal program for the year ended December 31, 2019. Mountaineer Food Bank, Inc.'s major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Mountaineer Food Bank, Inc. complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Purpose of this 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.

Annett Carlie Toothman LLP

Bridgeport, West Virginia
June 30, 2020

MOUNTAINEER FOOD BANK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019

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 No

Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes 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 No

Significant deficiency(ies) identified? Yes None Reported

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

Identification of major programs:

<u>CFDA 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 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, 2019

None reported.