

# SUMMARY OF FINANCIAL STATEMENT AUDIT RESULTS — FOOD BANK OF NORTHERN NEVADA

As of and for the year ended June 30, 2020  
For Internal Purposes Only



# CONTENTS

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	<u>Page</u>
Engagement Team and Timing	1
Audit Overview	3
Performance Review and Observations	8
Nonprofit Accounting Developments	16

# FOOD BANK OF NORTHERN NEVADA ENGAGEMENT TEAM

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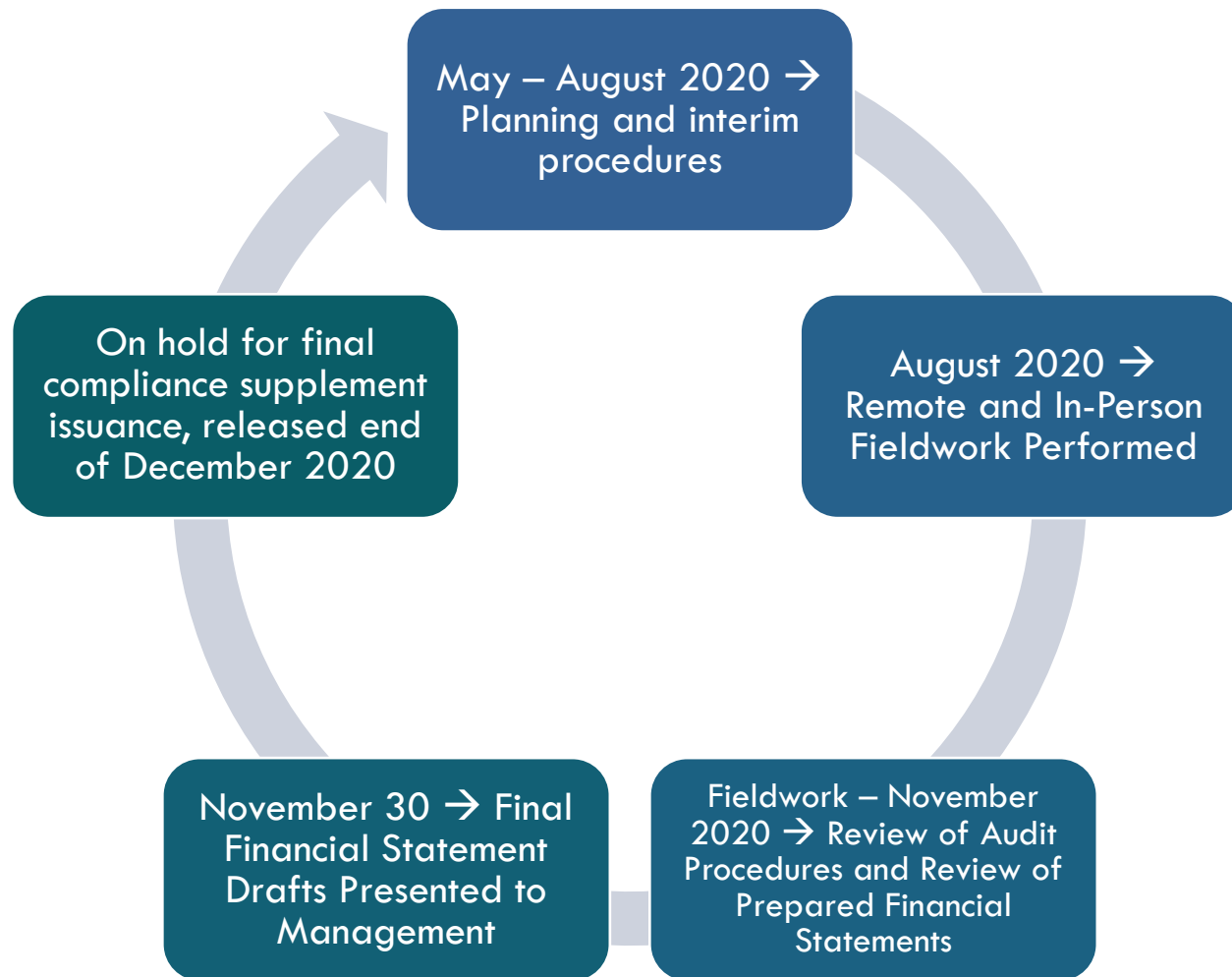


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# AUDIT ENGAGEMENT TIMING



# OVERVIEW OF AUDIT RESULTS

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## Financial Statement Audit

- Audit opinion – Unmodified Opinion
- Audit adjustments
  - One immaterial adjustment noted
  - Two passed journal entries for account receivable and an error in donated food calculation
- Federal Award Findings noted
  - Beneficiary eligibility
  - Procurement suspension and debarment
- No independence concerns identified



# REQUIRED AUDITOR'S COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

## Communication with Board of Directors

1. Auditor's responsibility for financial statement audit
  - Express an opinion about whether financial statements prepared by management are presented fairly
  - Obtain reasonable assurance about whether the financial statements are free of material misstatements
2. Planned scope and timing have been communicated to you
3. Compliant with relevant ethical requirements regarding independence
4. Significant accounting policies
  - Management is responsible for selection and use of appropriate policies
  - Described in notes to financial statements
  - Change in accounting policies:
    - ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made
    - ASU 2014-09, Revenue from Contracts with Customers
5. Management judgments and accounting estimates and disclosures
  - Fair market values of donated food

# REQUIRED AUDITOR'S COMMUNICATION - CONTINUED

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6. No significant difficulties encountered in performing the audit
7. Corrected and uncorrected misstatements
  - Corrected misstatements
    - One entry to adjust prior year equity \$125,142
  - Uncorrected adjustments
    - Overstated revenue resulting from Federal food valuation errors by \$124,452
    - Understated deferred revenue by \$30,862
8. No disagreements with management
9. Certain written representations were requested from management
10. No consultations by management with other independent accountants noted
11. Other matters discussed in normal course of professional relationship

# CURRENT ENVIRONMENT – AUDIT CONSIDERATIONS



- \*Pandemic Impact on Operations
- \*Furloughs/Staff Reductions
- \*Market Volatility
- \*Internal Controls
  - \*Risks and Uncertainties

- \*Ability to Obtain and Provide Information Needed for Audit
- \*Scope Limitations
- \*Performing Audit Procedures Remotely

- \*Delayed Reporting
- \*PPP Loan – Forgiveness/Recognition
- \*Going Concern Considerations
- \*Emphasis of Matter

# PERFORMANCE REVIEW AND OBSERVATIONS

## Five-Year Financial Review

	2020	2019	2018	2017	2016
<b>Assets</b>					
Cash and cash equivalents	\$ 1,319,209	\$ 814,211	\$ 514,857	\$ 440,869	\$ 487,939
Investments	4,168,695	472,876	641,083	464,340	741,546
Accounts receivable	2,119,827	545,380	417,048	319,620	408,958
Food inventory	1,882,670	2,919,120	1,449,547	2,156,324	1,624,555
Prepaid expenses	7,450	-	2,500	-	-
Property and equipment, net	7,217,180	7,340,357	7,330,053	8,107,233	8,057,117
Cash and investments held for building maintenance fund	1,986,019	2,040,303	2,074,493	2,036,419	1,871,785
Cash and investments in Donald W. Reynolds restricted fund for programs	600,000	870,000	1,140,000	1,424,631	1,640,036
<b>Total Assets</b>	<b>\$ 19,301,050</b>	<b>\$ 15,002,247</b>	<b>\$ 13,569,581</b>	<b>\$ 14,949,436</b>	<b>\$ 14,831,936</b>
<b>Liabilities and Net Assets</b>					
Accounts payable	\$ 835,333	\$ 178,251	\$ 151,044	\$ 197,181	\$ 412,942
Accrued expenses	325,075	338,641	271,806.00	199,254.00	165,954.00
Deferred revenue	1,310,887	2,114,143	598,404	445,110	363,050
Payroll Protection Plan (PPP) Loan	383,538	-	-	-	-
<b>Total liabilities</b>	<b>2,854,833</b>	<b>2,631,035</b>	<b>1,021,254</b>	<b>841,545</b>	<b>941,946</b>
<b>Net Assets</b>					
Without donor restrictions	12,539,783	8,404,494	8,235,982	3,103,393	3,247,049
With donor restrictions	3,906,434	3,966,718	4,312,345	11,004,498	10,642,941
<b>Total net assets</b>	<b>16,446,217</b>	<b>12,371,212</b>	<b>12,548,327</b>	<b>14,107,891</b>	<b>13,889,990</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 19,301,050</b>	<b>\$ 15,002,247</b>	<b>\$ 13,569,581</b>	<b>\$ 14,949,436</b>	<b>\$ 14,831,936</b>



# PERFORMANCE REVIEW AND OBSERVATIONS

## Five-Year Financial Review

	2020	2019	2018	2017	2016
Revenue, Support and Gains					
Donated food	\$ 20,077,944	\$ 22,493,436	\$ 22,381,697	\$ 21,063,447	\$ 20,472,499
USDA commodities	15,354,800	9,842,656	5,088,202	2,400,695	1,890,225
Other governmental grants and contracts	1,038,040	874,887	657,139	722,638	767,169
Contributions - other assets and supplies	19,847	4,755	20,342	517,642	9,383
General contributions and pledges	9,824,090	4,524,433	4,219,036	3,788,772	4,700,019
Kids Café					
Child and Adult Care Food Program	668,187	856,449	737,197	852,500	757,303
Summer Food Service Program	1,398,854	146,504	156,672	270,956	285,842
Other contributions	126,628	121,088	131,215	191,955	335,167
Special events and fundraising	362,005	533,247	479,487	323,566	342,042
Agency fees	271,348	298,342	318,206	319,385	355,365
Rent and reimbursements	86,884	95,100	69,519	85,524	79,300
Total revenue, support and gains	<u>\$ 49,228,627</u>	<u>\$ 39,790,897</u>	<u>\$ 34,258,712</u>	<u>\$ 30,537,080</u>	<u>\$ 29,994,314</u>
Expenses					
Program services - food distribution	43,043,845	37,822,249	33,419,262	28,195,717	27,253,200
Supporting services	2,142,178	2,331,706	2,543,769	2,357,169	2,302,118
Total expenses	<u>45,186,023</u>	<u>40,153,955</u>	<u>35,963,031</u>	<u>30,552,886</u>	<u>29,555,318</u>
Other Gains and Losses					
Net investment income	25,681	181,113	160,455	233,707	36,831
Gain (loss) on sale of assets	6,720	4,830	(15,700)	-	(1,692)
Net other gains and losses	<u>32,401</u>	<u>185,943</u>	<u>144,755</u>	<u>233,707</u>	<u>35,139</u>
Change in Net Assets	4,075,005	(177,115)	(1,559,564)	217,901	474,135
Net Assets, Beginning of Year	<u>12,371,212</u>	<u>12,548,327</u>	<u>14,107,891</u>	<u>13,889,990</u>	<u>13,415,855</u>
Net Assets, End of Year	<u>\$ 16,446,217</u>	<u>\$ 12,371,212</u>	<u>\$ 12,548,327</u>	<u>\$ 14,107,891</u>	<u>\$ 13,889,990</u>



# PERFORMANCE REVIEW AND OBSERVATIONS

## *Liquidity and Availability*

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

	2020	2019
Cash and cash equivalents	\$ 1,319,209	\$ 814,211
Short-term investments	4,168,695	472,876
Accounts receivable	2,119,827	545,380
Allocations from Donald W. Reynolds Restricted Fund for Programs	270,000	270,000
	\$ 7,877,731	\$ 2,102,467

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

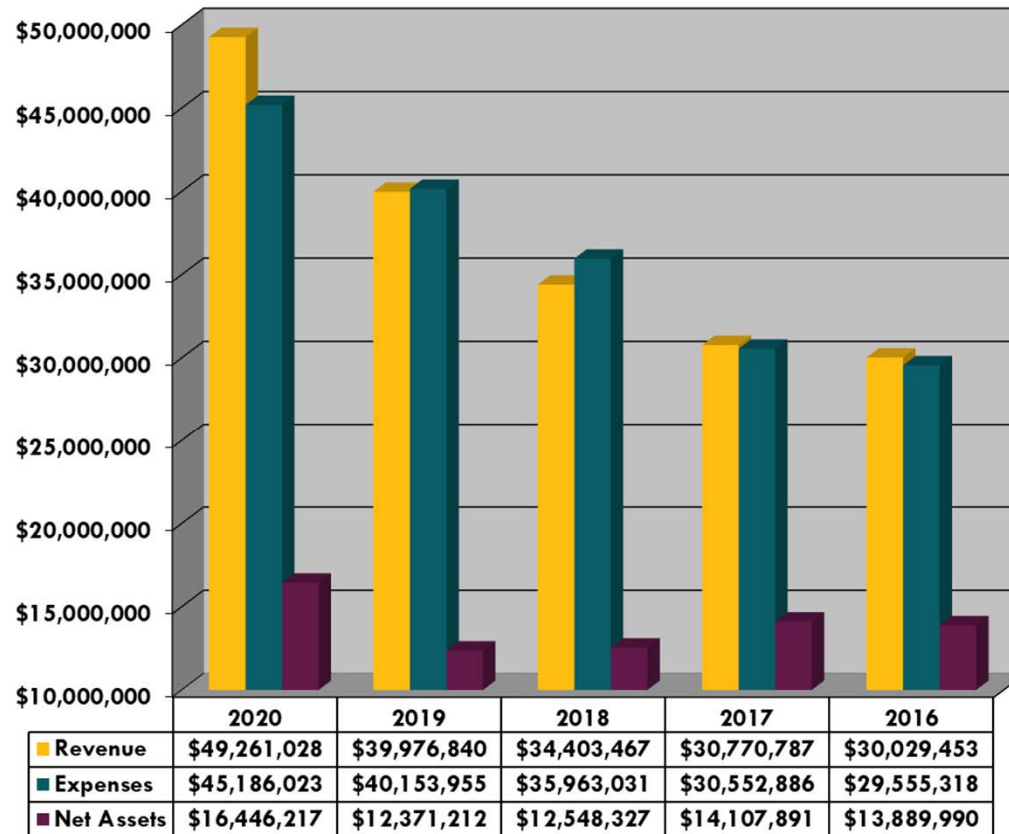
The Donald W. Reynolds Restricted Fund for Programs is subject to an annual spending rate established by the donor. In addition, the Food Bank has designated funds for a sustaining fund. Although the Food Bank does not intend to spend from its Board-designated sustaining fund or Board-designated endowment (other than amounts appropriated for general expenditure as part of the Board’s annual budget approval and appropriation), these amounts could be made available if necessary.

As a part of a liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds.



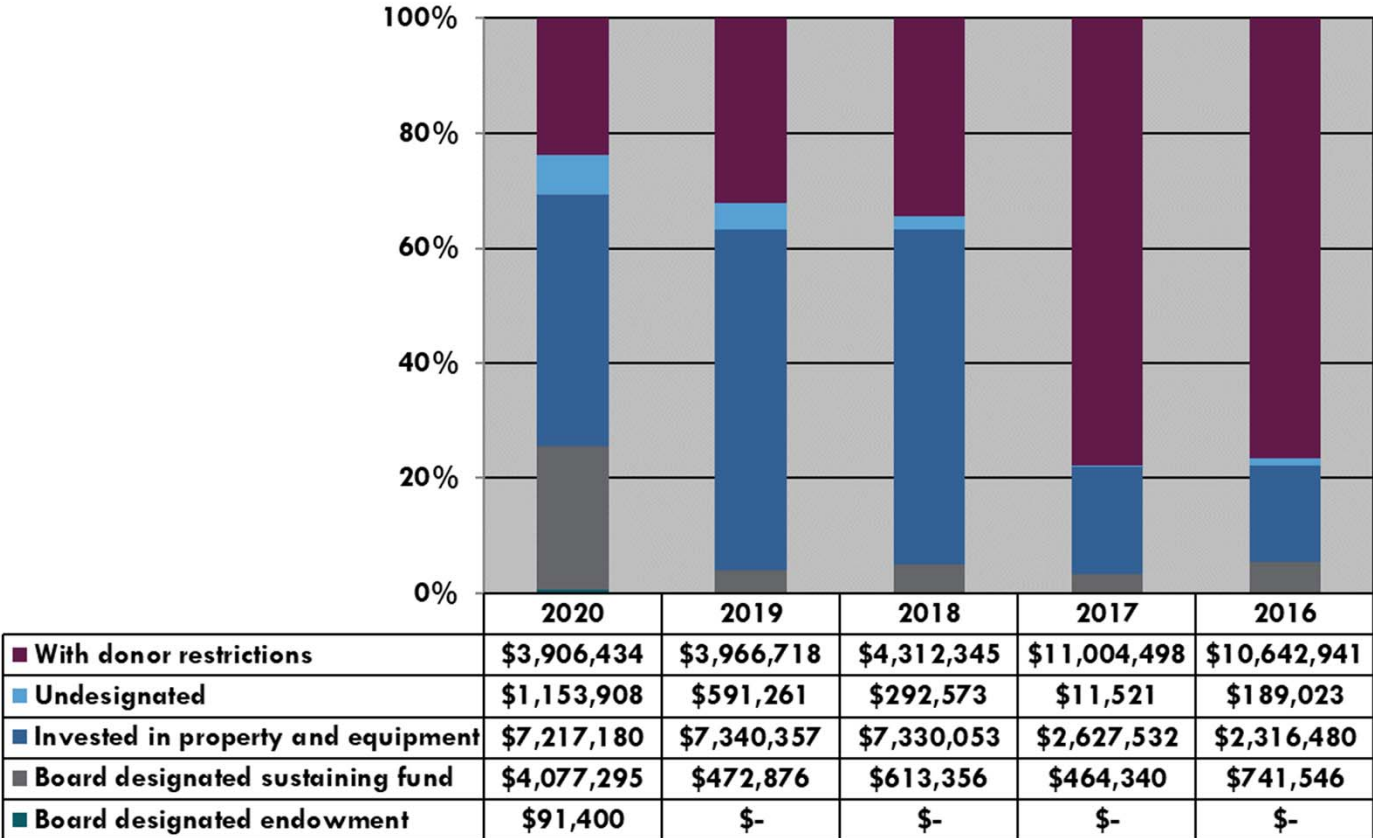
# PERFORMANCE REVIEW AND OBSERVATIONS

## *Total Revenue, Expenses, and Net Assets*



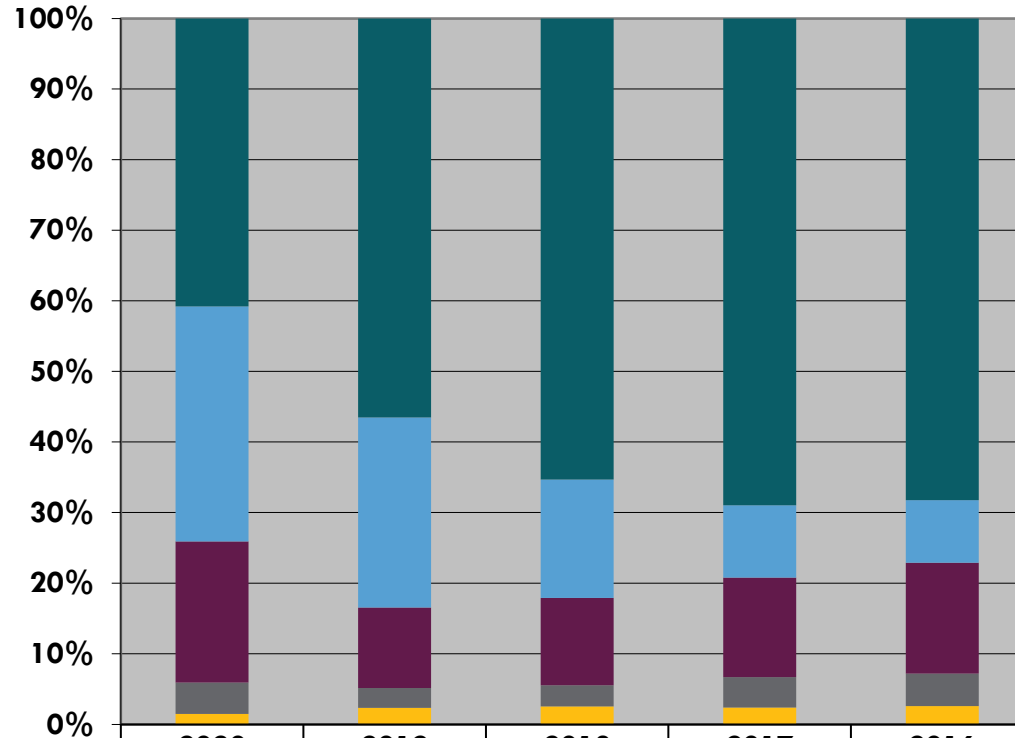
# PERFORMANCE REVIEW AND OBSERVATIONS

*Net Assets With Donor Restrictions and Without Donor Restrictions*



# PERFORMANCE REVIEW AND OBSERVATIONS

## Support and Revenue

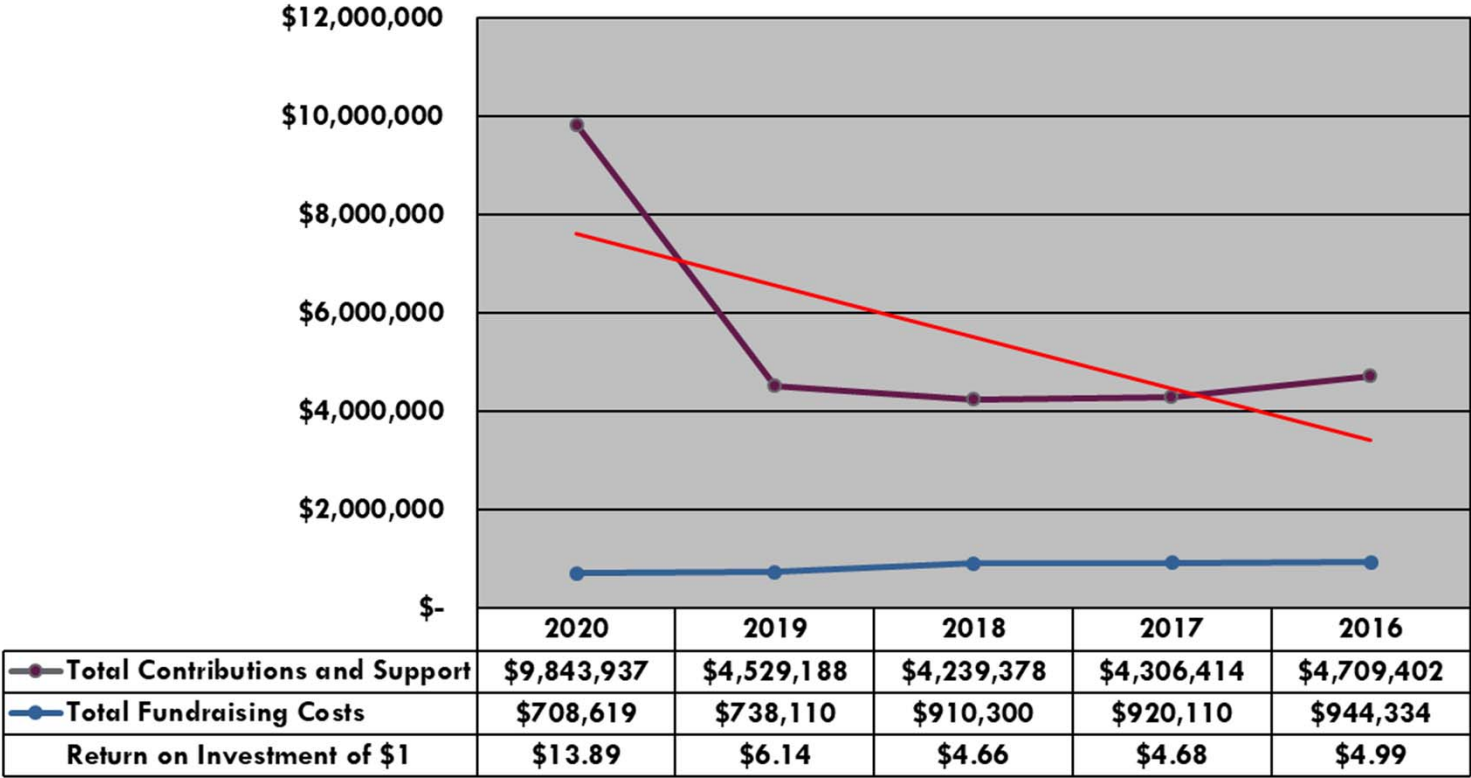


	2020	2019	2018	2017	2016
■ Donated Food	\$20,077,944	\$22,493,436	\$22,381,697	\$21,063,447	\$20,472,499
■ UDSA Commodities	\$16,392,840	\$10,717,543	\$5,745,341	\$3,123,333	\$2,657,394
■ Contributions and General Contributions	\$9,843,937	\$4,529,188	\$4,239,378	\$4,306,414	\$4,709,402
■ Kids Café	\$2,193,669	\$1,124,041	\$1,025,084	\$1,315,411	\$1,378,312
■ Other Revenue	\$720,237	\$926,689	\$867,212	\$728,475	\$776,707



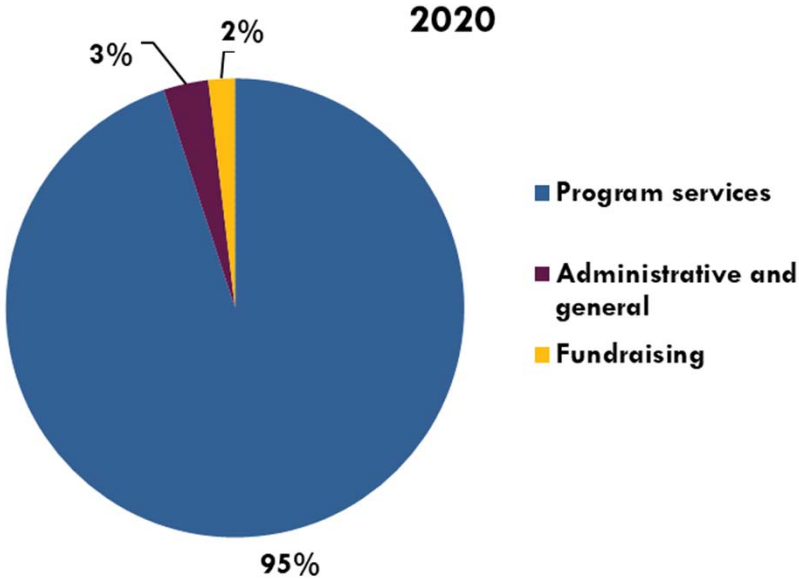
# PERFORMANCE REVIEW AND OBSERVATIONS

## Return on Investment of Fundraising Expense



# PERFORMANCE REVIEW AND OBSERVATIONS

## Allocation of Program and Support Services Expenses



**Key Takeaways**

- The allocation of expenses to program was approximately 94% in FY19 and 93% in FY18.

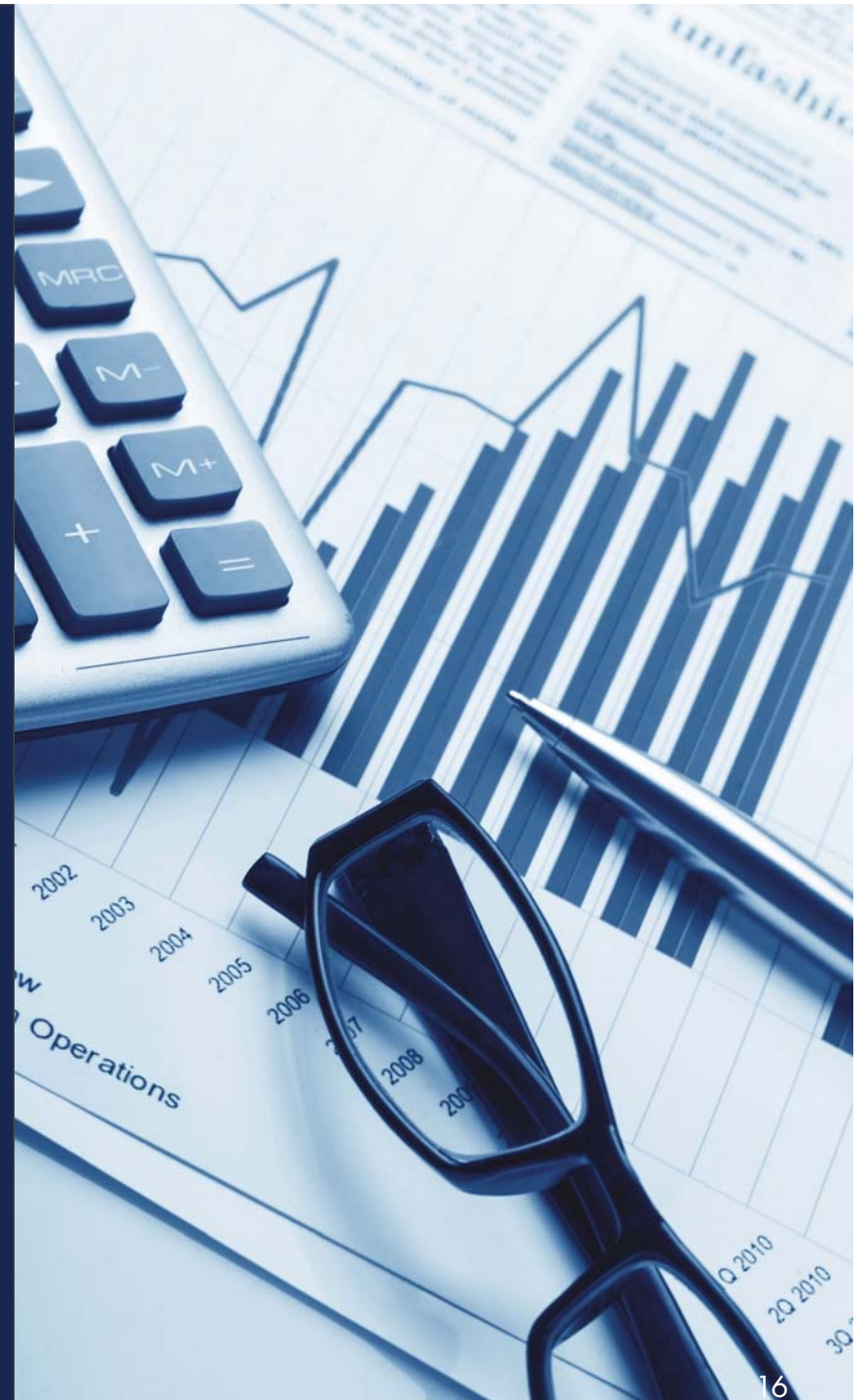
# NONPROFIT ACCOUNTING DEVELOPMENTS

**\*\*New for 2020**

## **ASU 2018-08 Clarifying the Scope of Contributions Received and Contributions Made**

Provides NFP clarity to address the difficulty and diversity in practice in:

- Characterizing grants and similar contracts with government agencies and others as (i) reciprocal transactions (exchanges) or (ii) nonreciprocal transactions (contributions).
- Distinguishing between conditional and unconditional contributions.



# NONPROFIT ACCOUNTING STANDARD UPDATES

\*\*To be adopted in FY2021 (elected to adopt early)

## ASU 2014-09– *Revenue from Contracts with Customers (ASC 606)*

**Core Principle:** Recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

5 Step Process to Apply ASC 606 (applicable for all entity types):



A man in a dark suit, white shirt, and dark tie is sitting at a desk in an office. He is looking down at a document on the desk and has a pen in his right hand, appearing to be writing or reviewing the document. The desk has several papers and a notebook. In the background, there is a window with a view of greenery outside.

# NONPROFIT ACCOUNTING DEVELOPMENTS

## ASU 2016-02, Leases:

- Long-term operating leases will require recognition of right of use asset and related liability.
- Consideration of any internal performance measurements.
- Effective for fiscal years beginning after 12/15/21 (FY22 for FBNN).

A magnifying glass is positioned over a document, focusing on the text 'CARES ACT'. The document also contains the words 'Relief and Econ' and 'AGI'.

## CARES ACT DEVELOPMENTS

- \$300 above the line deduction for cash charitable contributions in 2020
- Cap on individual charitable contributions for 2020 changed from 60% of AGI to 100% of AGI
- Cap on corporate charitable contributions for 2020 changed from 10% of taxable income to 25%
- Corporate food donation cap went from 15% of taxable income to 25%.

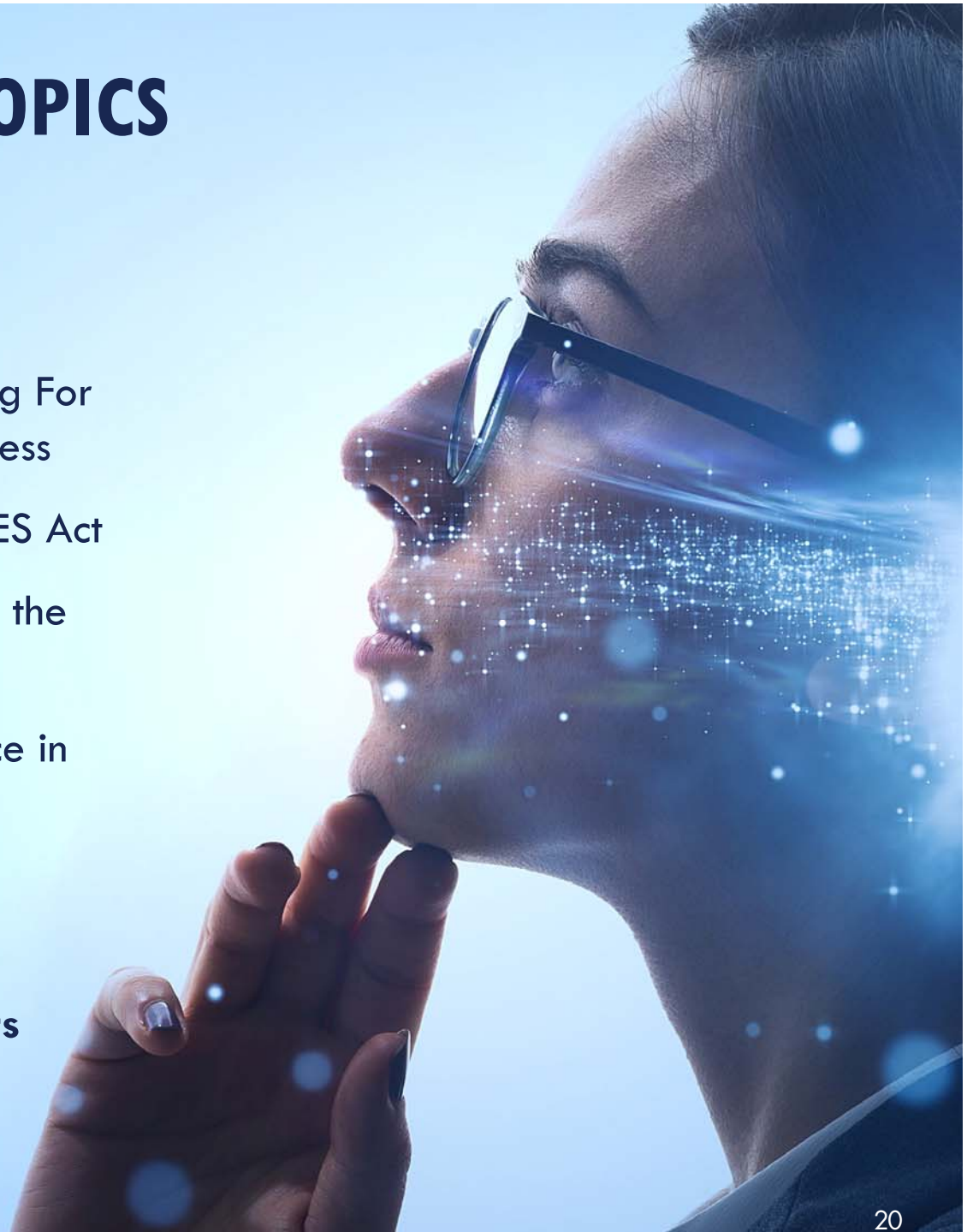
# OTHER TRENDING TOPICS

## INSIGHTS

### Example Topics:

- How to Ensure Proper Accounting For PPP Funding and Loan Forgiveness
- Single Audit Impact of the CARES Act
- What You Need to Know About the CARES Act
- How to Ensure Grant Compliance in the Wake of COVID-19
- Tax Filing Relief Expanded For Exempt Organizations

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