



September 17, 2018

To the Board of Directors  
Idaho Foodbank Warehouse, Inc.  
Boise, Idaho

We have audited the financial statements of Idaho Foodbank Warehouse, Inc. (the Organization) as of and for the year ended April 30, 2018, and have issued our report thereon dated September 17, 2018. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and Government Auditing Standards**

As communicated in our letter dated June 25, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Organization solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

## Qualitative Aspects of the Entity's Significant Accounting Practices

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Organization is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The FASB issued ASU 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities* during August 2016. The ASU is the first in a two-phase FASB project that will change the way not-for-profit (NFP) entities present their financial statements and related disclosures. It seeks to improve NFP financial reporting by simplifying net asset classifications and enhancing presentation and disclosure requirements regarding liquidity, financial performance, and cash flows. The ASU is effective for fiscal years beginning after December 15, 2017, and, accordingly will be effective for the Organization's April 30, 2019 year end. The most significant changes resulting from the ASU are summarized as follows:

- The three existing classes of net assets will become two. The new categories of Net Assets without Donor Restrictions, which is not substantively different than current Unrestricted Net Assets, and Net Assets with Donor Restrictions, which includes all net assets subject to a donor restriction, will replace unrestricted, temporarily restricted, and permanently restricted net assets.
- Quantitative and qualitative information about liquidity will be required to provide financial statement users with an understanding of a NFP's exposure to risk, management of liquidity risks, and availability of assets to meet cash needs for general expenditures.
- NFPs presenting an intermediate measure of operations will need to provide additional information about items included or excluded from the operating measure.
- Investment returns presented in the statement of activities will be recorded net of both external and direct internal investment expenses.
- NFPs will be required to report expenses both by function and natural classification in a single location (this can be accomplished in several different ways).
- NFPs presenting a direct method statement of cash flows no longer need to present or disclose a reconciliation to the indirect method.

The second phase of the FASB's financial reporting project will consider additional operating measure and cash flow considerations that were not addressed in the first phase. There is no estimated timeframe for the completion of the second phase.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the valuation of inventory and the cost of donated food distributed using the price per pound provided by Feeding America as stated in the most recently completed *Product Valuation Survey, Agreed-Upon Procedures* and a communication from KPMG, LLP for calendar year ended December 31, 2017.

The value of non-food donations, namely legal expenses. All legal expenses are donated to the Foodbank, and are based on the hourly rates that would be charged in the market.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. No such misstatements were noted.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Organization's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

#### **Representations Requested from Management**

We have requested certain written representations from management that are included in the management representation letter dated September 17, 2018.

#### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

#### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Organization's auditors.

This report is intended solely for the information and use of the Board of Directors, and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Eide Bailly LLP*

Boise, Idaho

Financial Statements

April 30, 2018

**Idaho Foodbank Warehouse, Inc.**

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## **Independent Auditor's Report**

To the Board of Directors  
Idaho Foodbank Warehouse, Inc.  
Boise, Idaho

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Idaho Foodbank Warehouse, Inc. (the Organization), an Idaho nonprofit organization, which comprise the statement of financial position as of April 30, 2018, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Idaho Foodbank Warehouse, Inc. as of April 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated September 17, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Boise, Idaho  
September 17, 2018



Idaho Foodbank Warehouse, Inc.  
Statement of Financial Position  
April 30, 2018

Assets		
Current Assets		
Cash and cash equivalents		\$ 2,192,484
Investments		3,566,627
Accounts receivable		42,325
Promises to give, net		647,339
Food inventory		1,770,106
Milk vouchers		9,548
Prepaid expenses and other assets		85,329
Total current assets		<u>8,313,758</u>
Property and Equipment		
Land and land improvements		694,754
Buildings and leasehold improvements	D	6,336,464
Furniture, fixtures and equipment		628,062
Vehicles		1,083,068
		<u>8,742,348</u>
Accumulated depreciation		<u>(2,526,925)</u>
Total property and equipment		<u>6,215,423</u>
Promises to Give - Long-Term, net		<u>145,494</u>
		<u>\$ 14,674,675</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable		\$ 105,079
Current portion of capital leases		7,930
Milk vouchers liability		9,548
Accrued expenses and compensated absences		252,925
Total current liabilities		<u>375,482</u>
Long-Term Liabilities		
Long-term debt		60,803
Capital leases - long-term portion		10,371
Total long-term liabilities		<u>71,174</u>
Total liabilities		<u>446,656</u>
Net Assets		
Unrestricted		
Board designated endowment fund		1,329,810
Undesignated		10,245,397
Temporarily restricted		2,652,811
Total net assets		<u>14,228,018</u>
		<u>\$ 14,674,675</u>

Idaho Foodbank Warehouse, Inc.  
Statement of Activities  
Year Ended April 30, 2018

Monetary Transactions	Unrestricted	Temporarily Restricted			Total
		Contributed			
		Food	Other	Total	
Revenue and Support					
Contributions	\$ 4,124,625	\$ -	\$ 1,581,298	\$ 1,581,298	\$ 5,705,923
Federal/State grants	-	-	393,576	393,576	393,576
Program services	300,450	-	-	-	300,450
Special events	531,977	-	323,213	323,213	855,190
Investment earnings	72,352	-	-	-	72,352
Investment realized and unrealized gain	174,063	-	-	-	174,063
Other sources	43,264	-	-	-	43,264
Total revenues and support	5,246,731	-	2,298,087	2,298,087	7,544,818
Net Assets Released from Restriction					
Program Restriction	4,348,187	-	(4,348,187)	(4,348,187)	-
Total Monetary Revenues, Support and Release of Restrictions	9,594,918	-	(2,050,100)	(2,050,100)	7,544,818
Expenses					
Administration	692,599	-	-	-	692,599
Fundraising	1,395,605	-	-	-	1,395,605
Program	4,334,174	-	-	-	4,334,174
Total expenses	6,422,378	-	-	-	6,422,378
Change in Monetary Net Assets	3,172,540	-	(2,050,100)	(2,050,100)	1,122,440
<b>In-Kind Transactions</b>					
Revenues and Support					
Contributions - in-kind	308,892	-	1,348	1,348	310,240
Food contributions	-	30,589,639	-	30,589,639	30,589,639
Total revenues and support	308,892	30,589,639	1,348	30,590,987	30,899,879
Net Assets Released from Restriction					
In-Kind	30,585,433	(30,526,703)	(58,730)	(30,585,433)	-
Total In-kind Revenues, Support and Release of Restrictions	30,894,325	62,936	(57,382)	5,554	30,899,879
Expenses					
Administration	3,506	-	-	-	3,506
Fundraising	113,410	-	-	-	113,410
Program	30,774,216	-	-	-	30,774,216
Total expenses	30,891,132	-	-	-	30,891,132
Change in In-Kind Net Assets	3,193	62,936	(57,382)	5,554	8,747
Total Change in Net Assets	3,175,733	62,936	(2,107,482)	(2,044,546)	1,131,187
Net Assets, Beginning of Year	8,399,474	1,559,206	3,138,151	4,697,357	13,096,831
Net Assets, End of Year	\$11,575,207	\$ 1,622,142	\$ 1,030,669	\$ 2,652,811	\$ 14,228,018

See Notes to Financial Statements

Idaho Foodbank Warehouse, Inc.  
Statement of Functional Expenses  
Year Ended April 30, 2018

	Administration	Fundraising	Program	Total All Funds
Food purchased/donated and distributed	\$ -	\$ -	\$ 31,618,008	\$ 31,618,008
Salary and fringe benefits	558,386	707,863	2,109,784	3,376,033
Professional fees	47,431	122,930	127,702	298,063
Direct mail costs	-	391,779	-	391,779
Supplies	17,062	100,288	197,570	314,920
Depreciation and amortization	1,154	-	295,942	297,096
Vehicle and equipment maintenance	696	452	318,010	319,158
Occupancy	4,797	31,653	196,600	233,050
Other operating expenses	57,540	103,162	113,571	274,273
Grant and contract expenses	-	43,724	106,500	150,224
Travel and training	9,039	7,164	24,703	40,906
Total Expenses	<u>\$ 696,105</u>	<u>\$ 1,509,015</u>	<u>\$ 35,108,390</u>	<u>\$ 37,313,510</u>

Idaho Foodbank Warehouse, Inc.  
Statement of Cash Flows  
Year Ended April 30, 2018

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Operating Activities	
Change in net assets	\$ 1,131,187
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	297,096
Contributed food distributed	30,526,703
Contributed food	(30,589,639)
(Gain) Loss on disposal of fixed assets	-
Realized and unrealized gain on investments	(174,063)
Contributed investments	(55,369)
Contributed property and equipment	-
Contributions received, restricted for long-term purposes	(76,293)
Change in assets and liabilities	
Accounts receivable	13,167
Promised to give, net	203,698
Purchased food inventory	60,110
Prepaid expenses and other assets	6,135
Accounts payable	(77,199)
Accrued expenses and compensated absences	(7,632)
Net Cash from Operating Activities	<u>1,257,901</u>
Investing Activities	
Proceeds from sale of fixed assets	-
Purchase of property and equipment	(83,633)
Contributions received for long-term purposes	76,293
Sale of investments	128,885
Purchase of investments	(985,961)
Net Cash used for Investing Activities	<u>(864,416)</u>
Financing Activities	
Principal payments on capital leases	(7,544)
Principal payments on line of credit	(1,232,000)
Net Cash used for Financing Activities	<u>(1,239,544)</u>
Net Change in Cash and Cash Equivalents	(846,059)
Cash and Cash Equivalents, Beginning of Year	<u>3,038,543</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,192,484</u>
Supplemental Disclosure of Cash Flow Information	
Interest paid	<u>\$ 27,188</u>

## **Note 1 - Principal Business Activity and Significant Accounting Policies**

### **Activity**

The Idaho Foodbank Warehouse, Inc. (the Organization) is a nonprofit established to collaborate with the food industry and partnership agencies to feed the hungry throughout the State of Idaho. The Organization operates warehouse facilities in Boise, Lewiston and Pocatello through which it distributes donated and purchased food to a statewide network of community partners. In addition, the Organization operates direct service programs which include Mobile Pantry, Backpack, School Pantry, Picnic in the Park, Cooking Matters, Commodity Supplemental Food Program and the Temporary Emergency Food Assistance Program.

### **Cash and Cash Equivalents**

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturities of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short-term maturities.

### **Receivables**

Receivables represent amounts due from various agencies and organizations for payment of handling fees. All amounts are current and no provision for doubtful accounts is considered necessary. Purchased food and other products are generally distributed at a nominal handling fee per pound, which generates handling fee revenue and accounts receivable. The Organization does not charge interest on overdue customer account balances. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

### **Promises to Give**

Promises to give expected to be collected within one year are recorded at net realizable value. Promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At April 30, 2018, the allowance was \$812.

### **Food Inventory**

Donated food inventory consists of donated food and other products that are valued at an average donated value per pound. In accordance with Feeding America's Valuation Survey, which is performed annually by KPMG, the average value of donated food and other products was \$1.68 per pound as of April 30, 2018. Donated food and other products at April 30, 2018, was 625,966 pounds totaling \$1,051,623.

United States Department of Agriculture (USDA) donated food inventory represent commodities (bulk food products) received under government programs for distribution. In accordance with USDA Food Distribution Policy FD-104, USDA donated food is valued at the food only price per pound value of \$1.57 contained in Feeding America's Valuation Survey. Donated USDA food at April 30, 2018 was 363,375 pounds totaling \$570,499.

Purchased food inventory consists of food purchased by the Idaho Foodbank Warehouse, Inc. and is valued the lower of actual cost or net realizable value. At April 30, 2018, purchased food inventory totaled 330,948 pounds with a value of \$147,984.

### Property and Equipment

Property and equipment acquired with a value over \$5,000 are capitalized and stated at cost or fair market value at time of purchase or donation and are being depreciated using the straight-line method of depreciation over the estimated useful lives as shown in the table below. In the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term is used.

	Life in years
Building and leasehold improvements	3-39
Furniture, fixtures and equipment	3-10
Vehicles	7

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The Organization has determined that no long-lived assets were impaired during the year ended April 30, 2018.

### Investments

Investment purchases are recorded at cost, or if donated, at fair value at the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Investment realized and unrealized gains and losses are reported in the statement of activities and consists of, realized and unrealized capital gains and losses, less investment management and custodial fees. Investment earnings are reported in the statement of activities and consists of interest and dividend income.

### Net Assets

The net assets of the Organization are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Board designated endowment fund net assets – Net assets that the Board of Directors has designated to function as an endowment. The Board can authorize the use of these amounts at their discretion.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of Idaho Foodbank Warehouse, Inc. and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Idaho Foodbank Warehouse, Inc. Generally, the donors of these assets permit Idaho Foodbank Warehouse, Inc. to use all or part of the income earned on related investments for general or specific purposes. Idaho Foodbank Warehouse, Inc. had no permanently restricted net assets at April 30, 2018.

### **Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

### **Contributed Support**

Idaho Foodbank Warehouse, Inc. recognizes all contributed support received as income in the period pledged or received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Idaho Foodbank Warehouse, Inc. records various types of in-kind support including contributed property and equipment, professional services and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value at the date of the donation. The total amount contributed related to professional services is \$65,163, use of facilities is \$13,011, gift cards is \$6,088 and all other in-kind contributions is \$225,978 as of April 30, 2018. Cash donations, purchased goods and services are reflected as monetary contributions and corresponding expenses on the accompanying statement of activities in accordance with current accounting standards.

Additionally, Idaho Foodbank Warehouse, Inc. receives a significant amount of contributed time which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

### **Advertising Costs**

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended April 30, 2018, was \$14,154.

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services.

### **Income Taxes**

The Organization is organized as an Idaho nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3), qualify for the charitable contribution deduction under Sections 170(b)(1)(A)(vi), and have been determined not to be private foundations under Sections 509(a)(1), respectively. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Estimates**

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

### **Recent Accounting Pronouncements**

#### *Presentation of Financial Statements of Not-for-Profit Entities*

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for Profit Entities (Topic 958) and Health Care entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of allocation methods used to allocation costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment returns net of external and direct expenses, and (g) modifying



other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Organization's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their financial statements.

### **Concentrations of Credit Risk**

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. Usually, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, and foundations supportive of the mission. Investments are made by diversified investment managers whose performance is monitored by Management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, Management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

### **Subsequent Events**

The Organization has evaluated subsequent events through September 17, 2018, the date which the financial statements were issued.

### **Note 2 - Fair Value Measurements**

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

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

The investments are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
April 30, 2018			
Investments, at fair value			
Mutual funds			
Taxable fixed income bonds	\$ 987,831	\$ -	\$ -
Commodity funds	42,046	-	-
Emerging markets	329,219	-	-
Large cap stock funds	396,082	-	-
Mid cap funds	236,359	-	-
Small cap funds	158,787	-	-
International funds	579,429	-	-
Growth stock funds	281,646	-	-
Equity income funds	178,370	-	-
Hedged equity funds	195,968	-	-
Real estate funds	180,890	-	-
Total assets	<u>\$ 3,566,627</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 3 - Promises to Give**

Unconditional promises to give are estimated to be collected as follows at April 30, 2018:

Within one year	\$ 648,151
One to 5 years	162,167
	<u>810,318</u>
Less discount to net present value at a 4.75% rate	(16,673)
Less allowance for uncollectible promises to give	(812)
	<u><u>\$ 792,833</u></u>

At April 30, 2018, one donor accounted for 33% of total promises to give.

**Note 4 - Line of Credit**

In 2016, Idaho Foodbank Warehouse, Inc. opened a \$3,000,000 line of credit with Bank of the Cascades, secured by the property and equipment of Idaho Foodbank Warehouse, Inc. The balance on the line of credit is due March 10, 2021. As of April 30, 2018, the line of credit had no amount drawn upon. Interest is paid monthly based on the LIBOR one-month rate plus 2.0%. At April 30, 2018, the rate was 3.6862%.

**Note 5 - Defined Contribution Plan**

Idaho Foodbank Warehouse, Inc. sponsors a 401(k) plan for employees, a defined contribution plan to which it will match employee contributions dollar for dollar up to the maximum of 4.5% of the employee's gross salary figured on a bi-weekly basis. The employee must complete one year of employment from date of hire before eligibility and before the matching contribution is available. Eligible employees include part-time employees as well as full-time employees once a minimum hour requirement of 1,000 hours is met and the employee has worked for the Organization for one full year. The total employer matching for the year ended April 30, 2018, was \$65,441.

## Note 6 - Long-Term Debt

Long-term debt at April 30 consists of the following:

Three notes payable to the City of Pocatello due in full upon sale of the Pocatello warehouse. The interest rate is 0% and the notes are secured by a deed of trust on the Pocatello warehouse.

	\$ 60,803
Less current portion	<u>-</u>
	<u>\$ 60,803</u>

As of

April 30, 2018, the Organization has no intention to sell the building.

## Note 7 - Lease Commitments

The Organization has two capital leases for certain office equipment. The lease expirations range from September 2019 to February 2021 with annual payments ranging from \$8,679 to \$4,054. At April 30, 2018, the minimum lease payments due under these capital leases are as follows:

Year ended April 30,	
2019	\$ 8,679
2020	6,771
2021	<u>4,054</u>
Total minimum lease payments	19,504
Less amount representing interest	<u>(1,203)</u>
Present value of minimum lease payments	18,301
Less current portion	<u>(7,930)</u>
Long-term portion	<u>\$ 10,371</u>

The capitalized cost of the assets under the capital leases is \$39,161 with accumulated amortization of \$20,860, as of April 30, 2018.

The Organization has an office space lease in Boise ending in August 2018. Monthly payments are \$1,515. The lease was renewed for one year, effective September 1, 2017 and extends thru August 31, 2018.

**Note 8 - Endowment**

The Idaho Foodbank Warehouse, Inc.'s endowment includes funds designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The management of the Idaho Foodbank Warehouse, Inc. has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

The composition of endowment net assets by fund type as of April 30, 2018, is as follows:

	<u>Unrestricted</u>
Board Designated Endowment Funds	<u>\$ 1,329,810</u>
	<u>\$ 1,329,810</u>

Changes in endowment net assets for the year ended April 30, 2018, are as follows:

	<u>Unrestricted</u>
Endowment net assets, beginning of the year	\$ 509,776
Legacies and bequests	791,869
Investment return	
Investment income	15,775
Net realized and unrealized appreciation	<u>12,390</u>
Endowment net assets, end of the year	<u>\$ 1,329,810</u>

As of April 30, 2018, there were no temporarily restricted or permanently restricted balances or transactions related to the endowment.

### **Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that obtains a maximum return consistent with a prudent investment style to reduce risk of both principal and income.

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that includes both fixed-income and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Organization has a policy that no distributions of the corpus are to be made unless a declaration of a state of emergency is made and two-thirds of the Board of Directors votes positively to use the funds to address the emergency. Annual income from the funds may be applied as determined by the Organization. Any unspent income becomes part of the corpus.

**Note 9 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for future operations for the following contributions:

Food and other products for distribution	\$ 1,622,142
Restricted programs	239,699
Time restrictions	<u>790,970</u>
 Total temporarily restricted net assets	 <u><u>\$ 2,652,811</u></u>

During the year ended April 30, 2018, net assets released from the expiration of time restrictions, the satisfaction of purpose restrictions, and food distributions were \$842,250, \$3,564,667 and \$30,526,703, respectively.

Supplementary information  
April 30, 2018

**Idaho Foodbank Warehouse, Inc.**



**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***

The Board of Directors  
Idaho Foodbank Warehouse, Inc.  
Boise, Idaho

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 Idaho Foodbank Warehouse, Inc. (the Organization), which comprise the statement of financial position as of April 30, 2018, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2018.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**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.

Boise, Idaho  
September 17, 2018

**Independent Auditor's Report on Compliance for the Major Federal Program; Report Internal Control over Compliance Required by the Uniform Guidance**

The Board of Directors  
Idaho Foodbank Warehouse, Inc.  
Boise, Idaho

**Report on Compliance for the Major Federal Program**

We have audited Idaho Foodbank Warehouse, Inc.'s (the 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 April 30, 2018. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Organization'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 generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the Organization'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 the Organization's compliance.

**Opinion on the Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended April 30, 2018.

### **Report on Internal Control over Compliance**

Management of the Organization 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 the Organization'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 the Organization'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 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001.

The Organization's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Boise, Idaho  
September 17, 2018

Idaho Foodbank Warehouse, Inc.  
Schedule of Expenditures of Federal Awards  
April 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed Through to Subrecipients
<u>U.S. Department of Agriculture</u>				
Food Distribution Cluster				
Passed through Idaho				
Commission on Aging				
Commodities Supplemental Food Program - Administrative Costs	10.565	169130100	\$ 164,807	\$ -
Commodities Supplemental Food Program - Food Commodities	10.565	169130100	1,256,605	1,216,956
Passed through CAPAI - Idaho				
Department of Health and Welfare				
The Emergency Food Assistance Program - Administrative Costs	10.568	TEFAP-1017/18	61,114	-
The Emergency Food Assistance Program - Food Commodities	10.569	TEFAP-1017/18	1,031,765	1,031,765
Total Food Distribution Cluster			2,514,291	2,248,721
Passed through Idaho Department of Education				
Child Nutrition Cluster				
Summer Food Service Program for Children	10.559	4905	152,181	-
Total U.S. Department of Agriculture			2,666,472	2,248,721
<u>U.S. Department of Homeland Security</u>				
United Way				
Emergency Food and Shelter Program	97.024	216400-005	3,474	-
Total U.S. Department of Homeland Security			3,474	-
<u>U.S. Department of Health and Human Services</u>				
Passed through Corporation for National and Community Service				
Volunteers in Service to America - State	94.013	15VSPID007	12,000	-
Total U.S. Department of Health and Human Services			12,000	-
Total Federal Financial Assistance			\$ 2,681,946	\$ 2,248,721

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the Idaho Foodbank Warehouse, Inc. (the Organization) under programs of the federal government from the year ended April 30, 2018. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Idaho Foodbank Warehouse, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**Note 2 - Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has not elected to use the 10% de minimus cost rate.

**Note 3 - Food Donation**

At April 30, 2018, the Idaho Foodbank Warehouse, Inc. had received and disbursed food commodities in the amount of \$2,209,437 and \$2,288,370, respectively. At April 30, 2018, the Idaho Foodbank Warehouse, Inc. had food commodities totaling \$570,499 of food contributed by federal programs included in year-end inventories.

Nonmonetary assistance is reported in the Schedule of Federal Expenditures at the value of its food donated and distributed using the price per pound provided by Feeding America. See Note 1 of the audited financial statements for further detail.

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
<u>Total Food Distribution Cluster</u>	
Commodities Supplemental Food Program - Administrative Costs	10.565
Commodities Supplemental Food Program - Food Commodities	10.565
The Emergency Food Assistance Program - Administrative Costs	10.568
The Emergency Food Assistance Program - Food Commodities	10.569
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

**2018-001**

**U.S. Department of Agriculture**

**Idaho Commission on Aging/CAPAI – Idaho Department of Health and Welfare**

**CFDA: 10.565 and 10.569**

**Food Distribution Cluster**

**Compliance Requirements: Subrecipient Monitoring**

**Significant Deficiency in Internal Control over Compliance**

*Criteria:* Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include contracts for goods and services awarded under a non-procurement transactions (e.g. grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

*Condition:* During our testing over subrecipient monitoring, it was noted that prior to acceptance, the subrecipients have not been reviewed to ensure that they are not suspended or debarred.

*Cause:* The Organization does not have a process in place to determine if subrecipient agencies have been suspended or debarred prior to acceptance.

*Effect:* The Organization could be using subrecipient agencies that have been suspended or debarred.

*Questioned Costs:* None reported.

*Context/Sampling:* A nonstatistical sample of 16 subrecipients out of a population of 103 subrecipients were selected for testing.

*Repeat Finding from the Prior Year:* No

*Recommendation:* The Organization should have a process in place to ensure that prior to acceptance, all subrecipients should be reviewed to ensure that they have not been suspended or debarred.

*Views of Responsible Officials:* Management agrees with the finding.