

MOUNTAINEER FOOD BANK, INC.

**Financial and Compliance Report
December 31, 2020**



CONTENTS

SECTION I - FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statement of Functional Expenses - 2020	5
Statement of Functional Expenses - 2019	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 13
Supplementary Information:	
Schedule of Expenditures of Federal Awards	14
Notes to Schedule of Expenditures of Federal Awards	15
Schedule of Expenditures of State Awards	16
Notes to Schedule of Expenditures of State Awards	17

SECTION II - INTERNAL CONTROL AND COMPLIANCE MATTERS

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 <i>Government Auditing Standards</i>	18 - 19
Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	20 - 21
Schedule of Findings and Questioned Costs	22
Summary Schedule of Prior Audit Findings	23

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, 2020 and 2019, 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 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 Mountaineer Food Bank, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 July 20, 2021, 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 Carlisle Toothman LLP

Bridgeport, West Virginia
July 20, 2021

MOUNTAINEER FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 12,927,172	\$ 1,461,124
Accounts receivable	245,715	106,780
Grants receivable	541,394	491,674
Inventories	4,017,083	1,580,767
Prepaid assets	115,749	65,270
Total current assets	17,847,113	3,705,615
PROPERTY AND EQUIPMENT		
Land	338,343	338,343
Building	1,820,038	1,567,664
Equipment	1,939,387	1,320,473
	4,097,768	3,226,480
Less accumulated depreciation	1,836,954	1,647,753
Net property and equipment	2,260,814	1,578,727
Total assets	\$ 20,107,927	\$ 5,284,342
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Leases payable, current portion	\$ 34,870	\$ 32,620
Accounts payable	11,779	85,546
Accrued salaries and benefits	244,719	131,154
Due to subrecipient food pantries	567,946	644,961
Total current liabilities	859,314	894,281
LEASES PAYABLE, less current portion	90,044	124,914
PAYCHECK PROTECTION PROGRAM LOAN	296,400	-
Total liabilities	1,245,758	1,019,195
NET ASSETS	18,862,169	4,265,147
Total liabilities and net assets	\$ 20,107,927	\$ 5,284,342

See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**
Years Ended December 31, 2020 and 2019

	2020	2019
CHANGE IN NET ASSETS		
Revenue and support:		
Donated food items	\$ 36,060,871	\$ 19,961,197
Public support	15,017,481	866,067
Federal and state assistance	3,271,057	2,606,823
Cost sharing	2,163,659	1,518,962
Interest	5,915	5,826
Other	6,041	2,973
Total revenue and support	56,525,024	24,961,848
Cost of revenue:		
Donated food items	37,762,975	21,701,878
Transportation	588,746	357,614
Supplies	105,274	54,797
Utilities	82,214	61,175
Total cost of revenue	38,539,209	22,175,464
Operating income	17,985,815	2,786,384
Operating expense:		
Salaries and wages	1,868,541	1,247,967
Employee benefits	446,495	363,563
Depreciation	230,026	196,541
Repairs and maintenance	103,142	56,998
Fundraising	83,780	64,769
Insurance	83,394	45,231
Rental	79,644	32,125
Supplies	56,876	9,079
Professional fees	42,235	39,130
Interest	9,500	11,601
Travel	5,226	21,156
Membership fees	3,916	15,664
Other	376,018	263,157
Total operating expense	3,388,793	2,366,981
Change in net assets	14,597,022	419,403
Net assets:		
Beginning of year	4,265,147	3,845,744
End of year	\$ 18,862,169	\$ 4,265,147

See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.**STATEMENT OF FUNCTIONAL EXPENSES****Year Ended December 31, 2020**

	Program Activities	Administrative and General	Total Expense
COST OF REVENUE			
Donated food items	\$ 37,762,975	\$ -	\$ 37,762,975
Transportation	574,093	14,653	588,746
Supplies	105,274	-	105,274
Utilities	71,424	10,790	82,214
Total cost of revenue	\$ 38,513,766	\$ 25,443	\$ 38,539,209
OPERATING EXPENSE			
Salaries and wages	\$ 990,327	\$ 878,214	\$ 1,868,541
Employee benefits	236,642	209,853	446,495
Depreciation	228,491	1,535	230,026
Repairs and maintenance	103,142	-	103,142
Fundraising	-	83,780	83,780
Insurance	72,449	10,945	83,394
Rental	69,848	9,796	79,644
Supplies	-	56,876	56,876
Professional fees	20,000	22,235	42,235
Interest	9,500	-	9,500
Travel	-	5,226	5,226
Membership fees	3,916	-	3,916
Other	199,290	176,728	376,018
Total operating expense	\$ 1,933,605	\$ 1,455,188	\$ 3,388,793

See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.**STATEMENT OF FUNCTIONAL EXPENSES**
Year Ended December 31, 2019

	Program Activities	Administrative and General	Total Expense
COST OF REVENUE			
Donated food items	\$ 21,701,878	\$ -	\$ 21,701,878
Transportation	351,229	6,385	357,614
Supplies	43,341	11,456	54,797
Utilities	53,146	8,029	61,175
Total cost of revenue	\$ 22,149,594	\$ 25,870	\$ 22,175,464
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
Repairs and maintenance	56,980	18	56,998
Fundraising	-	64,769	64,769
Insurance	39,295	5,936	45,231
Rental	24,000	8,125	32,125
Supplies	-	9,079	9,079
Professional fees	20,000	19,130	39,130
Interest	11,601	-	11,601
Travel	-	21,156	21,156
Membership fees	15,664	-	15,664
Other	144,736	118,421	263,157
Total operating expense	\$ 1,392,363	\$ 974,618	\$ 2,366,981

See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.**STATEMENTS OF CASH FLOWS****Years Ended December 31, 2020 and 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,597,022	\$ 419,403
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	230,026	196,541
(Increase) decrease in assets:		
Accounts receivable	(138,935)	5,334
Grants receivable	(49,720)	(234,003)
Inventories	(2,436,316)	124,523
Prepaid assets	(50,479)	(31,702)
Increase (decrease) in liabilities:		
Accounts payable	(73,767)	72,270
Accrued salaries and benefits	113,565	53,526
Due to subrecipient food pantries	(77,015)	88,685
Net cash provided by operating activities	12,114,381	694,577
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(912,113)	(266,633)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on leases payable	(32,620)	(30,519)
Proceeds from paycheck protection program loan	296,400	-
Net cash provided by (used in) financing activities	263,780	(30,519)
Net increase in cash	11,466,048	397,425
Cash:		
Beginning	1,461,124	1,063,699
Ending	\$ 12,927,172	\$ 1,461,124
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 9,500	\$ 11,601

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

Accounts receivable: Accounts receivable represent amounts owed to the Organization for food products sold, which were \$0.19 per pound for 2020 and 2019. Transportation for the related products was billed at \$0.08 per mile for 2020 and 2019. 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 \$1.74 per pound as of December 31, 2020 and \$1.62 per pound as of December 31, 2019, 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 \$0.99 and \$0.64 per pound as of December 31, 2020 and 2019.

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, 2020 and 2019, has been recognized and is included in accrued salaries and benefits on the statements of financial position. As of December 31, 2020 and 2019, \$74,140 and \$61,171 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, 2020 or 2019.

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, 2020 and 2019. 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 \$0.99 and \$0.64 per pound as of December 31, 2020 and 2019.

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

Furthermore, in 2020 and 2019, the Organization received approximately 41% and 68%, 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 \$1.74 per pound for 2020 and \$1.62 per pound for 2019.

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, 2020 and 2019. 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, 2017, and thereafter remain subject to examination by the federal and state taxing authorities.

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

Advertising costs: Advertising costs are expensed as incurred. There were no advertising costs for 2020 or 2019. 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 approximately \$78,000 and \$53,200 for the years ended December 31, 2020 and 2019, respectively.

Reclassifications: Certain minor reclassifications have been made to the 2019 financial statements to conform to the presentation used in 2020.

Subsequent events: The Organization's management has evaluated events that occurred through July 20, 2021, which is the date this report is available to be issued for potential recognition or disclosure.

MOUNTAINEER FOOD BANK, INC.**NOTES TO FINANCIAL STATEMENTS****Recent Accounting Pronouncements**

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

Note 2. Capital Leases

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

	2020	2019
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 \$107,265.	\$ 67,121	\$ 85,211
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 \$72,388.	57,793	72,323
	124,914	157,534
Less current portion	34,870	32,620
Total long-term leases payable	\$ 90,044	\$ 124,914

As of December 31, 2020, future payments on capital lease obligations are as follows:

Years Ending December 31:		
2021	\$	42,120
2022		42,120
2023		42,120
2024		13,097
Total minimum lease payments		139,457
Less amounts representing interest		14,543
Present value of minimum lease payments	\$	124,914

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Retirement

The Organization maintains a deferred compensation 401(k) plan (Plan) for eligible employees. Employees can defer a portion of their annual compensation. The Organization has determined it will make a 3% matching contribution as approved by the Board of Directors. Further, the Board of Directors has chosen to set goals that, if met, would increase the match an additional 3%. During 2020 and 2019, the goals were met and an additional 3% contribution was approved. During the fiscal years ended December 31, 2020 and 2019, the Organization made matching contributions of \$26,194 and \$25,427 to the Plan, and accrued an additional \$25,290 and \$23,725, which is included in accrued salaries and benefits on the statements of financial position.

Note 4. Operating Leases

The Organization leases various facilities for food storage and distribution centers under operating agreements. The agreements range from yearly renewals to three year agreements. Future minimum lease payments under these agreements are \$175,000 for December 31, 2021. Further, the National Guard has leased the Organization a facility for \$1. The Organization may use the facility under this arrangement for the next five years. No donation or expense has been recorded on this agreement.

Note 5. Liquidity and Availability

As of December 31, 2020, the Organization has working capital of approximately \$16,990,000. Financial assets available for general expenditures within one year of the statement of financial position consist of the following as of December 31:

	2020
Cash and cash equivalents	\$ 12,927,172
Accounts receivable	245,715
Grants receivable	541,394
	<u>\$ 13,714,281</u>

The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$647,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 6. Commitments and Contingencies

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

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

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

Note 7. COVID-19 Pandemic Funding

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The response to the pandemic has severely impacted the level of economic activity around the world and has had wide ranging effects on the Organization, including lost revenue, changing workforce dynamics, increases in volumes, as well as increased funding sources.

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

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

Paycheck Protection Program Loan

The Organization obtained a loan under the Paycheck Protection Program (PPP) in the amount of \$296,400 from United Bank pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The proceeds from the loan must be spent on qualifying expenses as allowed under the CARES Act and matures two years from the date of the loan.

The allowable costs under the PPP include covered payroll costs, mortgage interest on real or personal property, rental obligations on real or personal property, and covered utility costs. Management believes the Organization has used the loan proceeds in accordance with the requirements of the PPP and received notice of forgiveness on April 8, 2021. The Organization recognized the funds as a liability on the December 31, 2020 statement of financial position and will record the forgiveness as revenue and support on the December 31, 2021 statements of activities and changes in net assets.

Additional TEFAP Recovery Administrative Funding

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

The payments received to date or which the Organization may receive in the future, will be beneficial in addressing the impact of the COVID-19 pandemic on its results of operations and financial position. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's patients, financial markets, employees, and vendors. Given the uncertainty regarding the spread of this coronavirus, the related financial impact on the Organization's results of operations, financial position, and liquidity or capital resources cannot be reasonably estimated at this time and have not been reflected in the financial statements. Additionally, due to the continually changing regulatory guidance, it is possible that management's estimated grant revenue could change in the future by a material amount.

MOUNTAINEER FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2020

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	\$ -	\$ 225,311
Passed through State of West Virginia - Commodity Supplemental Food Program (947,472 Pounds of Food Commodities)	10.565	CSFP	606,382	606,382
Passed through State of West Virginia - The Emergency Food Assistance Program (Administrative Costs)	10.568	TEFAP	-	924,403
Passed through State of West Virginia - The Emergency Food Assistance Program (Administrative Costs) - COVID 19	10.568	TEFAP	-	1,468,800
Passed through State of West Virginia - The Emergency Food Assistance Program (14,911,113 Pounds of Food Commodities)	10.569	TEFAP	9,543,112	9,543,112
Passed through State of West Virginia - Corona Virus Food Assistance Program (387,168 Pounds of Food Commodities)	10.130	CFAP	247,788	247,788
Total expenditures of federal awards			\$ 10,397,282	\$ 13,015,796

See Notes to Schedule of Expenditures of Federal Awards

MOUNTAINEER FOOD BANK, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Mountaineer Food Bank, Inc. (Organization) under programs of the federal government for the year ended December 31, 2020. 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, 2020

State Grantor / Program Title	Grant Number	Award Amount	Grant Receipts	Grant Expenditures
West Virginia Department of Agriculture:				
State of West Virginia - The Emergency Food Assistance Program	TEFAP	\$ 269,868	\$ 152,543	\$ 152,543
Governor's Executive Budget	N/A	500,000	500,000	500,000
Total expenditures of state awards		\$ 769,868	\$ 652,543	\$ 652,543

See Notes to Schedule of Expenditures of State Awards

MOUNTAINEER FOOD BANK, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state awards (Schedule) includes the state award activity of Mountaineer Food Bank, Inc. (Organization) under programs of the state government for the year ended December 31, 2020. 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, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 20, 2021.

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 Carlie Toothman LLP

Bridgeport, West Virginia
July 20, 2021

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, 2020. 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, 2020.

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.

Arnett Carbis Toothman LLP

Bridgeport, West Virginia
July 20, 2021

MOUNTAINEER FOOD BANK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2020

SECTION I – SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

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

Unmodified

Internal control over major program:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None Reported

Any audit findings disclosed that are required to be
reported in accordance with Section 2 CFR-200.516(a)?

_____ Yes X No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

10.565, 10.568, 10.569

Food Distribution Cluster

Dollar threshold used to distinguish between
type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

MOUNTAINEER FOOD BANK, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2020

None reported.