

**FOOD IN NEED OF DISTRIBUTION, INC.
dba FIND FOOD BANK**

**REPORT ON AUDITED FINANCIAL STATEMENTS AND
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE
WITH OMB UNIFORM GUIDANCE
YEAR ENDED JUNE 30, 2019**

EIN# 33-0006007

**OSBORNE · RINCON
CERTIFIED PUBLIC ACCOUNTANTS
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LA QUINTA, CA 92253**

FOOD IN NEED OF DISTRIBUTION, INC.
dba FIND FOOD BANK
YEAR ENDED JUNE 30, 2019

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"A PROVEN INVESTMENT FOR YOUR BUSINESS."

Independent Auditors' Report

To the Board of Directors
Food in Need of Distribution, Inc.
dba FIND Food Bank
Indio, California

Report on the Financial Statements

We have audited the accompanying financial statements of Food in Need of Distribution, Inc. dba FIND Food Bank (FIND), which comprise the statement of financial position as of June 30, 2019, and the related statements 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 Food in Need of Distribution, Inc. dba FIND Food Bank as of June 30, 2019, 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 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 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 is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited FIND's 2018 financial statements, and an unmodified audit opinion on those audited financial statements in our report dated October 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2019 on our consideration of FIND'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 FIND'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 FIND's internal control over financial reporting and compliance.

Osborne Rincon

November 11, 2019
La Quinta, California

FOOD IN NEED OF DISTRIBUTION, INC.
dba FIND FOOD BANK
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(Summarized totals for 2018)

	Net Assets Without	Net Assets With Donor Restriction		Total Net Assets	
		Temporarily			
	Donor Restriction	Temporarily Restricted	Restricted In-kind	2019	2018
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,916,035	\$ 453,046	\$ -	\$ 2,369,081	\$ 1,986,275
Agency receivables	45,353	-	-	45,353	28,334
Grants and donations receivable	21,865	-	-	21,865	346,148
Food inventories - Note 4	-	-	1,095,595	1,095,595	841,059
Prepaid expenses	4,193	-	-	4,193	29,186
Cal Food inventories	-	-	-	-	155,913
Deposits on equipment	62,994	-	-	62,994	-
Certificates of deposit	-	-	-	-	17,831
Certificates of deposit - securing mortgage	-	-	-	-	1,005
Total current assets	2,050,440	453,046	1,095,595	3,599,081	3,405,751
PROPERTY AND EQUIPMENT					
Land	560,778	-	-	560,778	560,778
Building	4,681,893	-	-	4,681,893	4,698,294
Building improvements - securing mortgage	99,783	-	-	99,783	69,652
Equipment - securing mortgage	920,994	-	-	920,994	858,220
Computers and software	98,814	-	-	98,814	92,872
Vehicles	1,012,548	-	-	1,012,548	1,089,800
	7,374,810	-	-	7,374,810	7,369,616
Less: accumulated depreciation	(2,915,896)	-	-	(2,915,896)	(2,722,281)
Total property and equipment	4,458,914	-	-	4,458,914	4,647,335
OTHER ASSETS					
Security deposit	1,500	-	-	1,500	1,500
Total other assets	1,500	-	-	1,500	1,500
TOTAL ASSETS	\$ 6,510,854	\$ 453,046	\$ 1,095,595	\$ 8,059,495	\$ 8,054,586
CURRENT LIABILITIES					
Accounts payable	\$ 55,220	\$ -	\$ -	\$ 55,220	\$ 419,789
Accrued employee expenses	61,522	-	-	61,522	30,063
Lift to Rise	-	-	-	-	132,465
Notes payable	64,236	-	-	64,236	61,483
Total current liabilities	180,978	-	-	180,978	643,800
LONG-TERM LIABILITIES					
Notes payable, net of current portion	1,118,463	-	-	1,118,463	1,182,809
Total liabilities	1,299,441	-	-	1,299,441	1,826,609
NET ASSETS:					
Net assets without donor restriction	5,211,413	-	-	5,211,413	5,266,170
Net assets with donor restriction					
Temporarily restricted	-	453,046	-	453,046	120,748
Temporarily restricted - in-kind	-	-	1,095,595	1,095,595	841,059
Total net assets with donor restriction	-	453,046	1,095,595	1,548,641	961,807
Total net assets	5,211,413	453,046	1,095,595	6,760,054	6,227,977
TOTAL LIABILITIES AND NET ASSETS	\$ 6,510,854	\$ 453,046	\$ 1,095,595	\$ 8,059,495	\$ 8,054,586

The accompanying notes are an integral part of these financial statements.

FOOD IN NEED OF DISTRIBUTION, INC.
dba FIND FOOD BANK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019
(Summarized totals for 2018)

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction		Total Net Assets	
		Temporarily Restricted	In-kind	2019	2018
PUBLIC SUPPORT AND REVENUES					
Public support					
Donations from individuals	\$ 803,188	\$ -	\$ -	\$ 803,188	\$ 796,835
Grants and contributions	1,543,810	453,046	-	1,996,856	2,104,829
Total public support	2,346,998	453,046	-	2,800,044	2,901,664
In-kind					
In-kind food contribution - Note 4	-	-	19,712,270	19,712,270	14,260,229
Total in-kind	-	-	19,712,270	19,712,270	14,260,229
Revenues					
Shared maintenance	179,637	-	-	179,637	152,471
Other revenues	107,554	-	-	107,554	145,594
Interest income	6,725	-	-	6,725	1,613
Total revenues	293,916	-	-	293,916	299,678
Total support, in-kind and revenues	2,640,914	453,046	19,712,270	22,806,230	17,461,571
Revenues released from restrictions	120,748	(120,748)	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUES	2,761,662	332,298	19,712,270	22,806,230	17,461,571
EXPENSES					
Program services - Note 4	2,091,072	-	19,457,734	21,548,806	16,116,774
Supporting services	725,347	-	-	725,347	1,304,261
TOTAL EXPENSES	2,816,419	-	19,457,734	22,274,153	17,421,035
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTION	(54,757)	-	-	(54,757)	195,590
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTION	-	332,298	254,536	586,834	(155,054)
(DECREASE) INCREASE IN NET ASSETS	(54,757)	332,298	254,536	532,077	40,536
NET ASSETS, beginning of year	5,266,170	120,748	841,059	6,227,977	6,187,441
NET ASSETS, end of year	\$ 5,211,413	\$ 453,046	\$ 1,095,595	\$ 6,760,054	\$ 6,227,977

The accompanying notes are an integral part of these financial statements.

FOOD IN NEED OF DISTRIBUTION, INC.
dba FIND FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services			Total
	Food Distribution	Fresh Produce	CalFresh	Children's Summer Feeding	Fund-Raising	General & Administrative	Lift to Rise	
Salaries and wages	\$ 196,608	\$ 152,918	\$ 149,599	\$ 89,902	\$ 193,604	\$ 209,159	\$ (3,308)	\$ 988,482
Payroll taxes	18,094	14,073	13,225	8,239	16,652	17,171	(313)	87,141
Employee benefits & other	38,442	29,574	18,204	17,122	16,732	30,325	165	150,564
Contract labor	1,511	756	756	378	8,163	189	-	11,753
C4C expenses	-	-	-	-	-	-	10,090	10,090
Food purchases	297,282	122,419	-	114,427	-	-	-	534,128
Shipping & freight	48,150	73,912	-	24,737	-	-	-	146,799
Bank charges & other fees	3,044	-	-	-	6,798	275	-	10,117
Direct mail & advertising	-	-	-	-	114,399	99	-	114,498
Insurance	13,967	6,983	5,238	2,793	5,238	4,166	-	38,385
Member fees	8,437	8,852	18	2,213	3,381	529	-	23,430
Mortgage interest	22,446	11,223	8,417	4,489	8,417	1,122	-	56,114
Occupancy costs	32,527	16,264	12,198	6,505	12,198	1,626	-	81,318
Office expenses	6,883	2,405	1,960	3,239	5,268	867	-	20,622
Professional fees	8,430	3,747	3,747	937	937	972	-	18,770
Repairs & maintenance	31,196	18,522	3,400	5,182	890	770	-	59,960
Supplies & materials	7,142	5,935	5,603	390	1,481	283	-	20,834
Telephone & computers	11,902	8,732	8,003	1,522	14,236	1,235	-	45,630
Travel & meeting expenses	4,646	1,388	21,124	1,094	5,881	11,496	-	45,629
Transportation & vehicles	58,286	46,604	-	5,731	-	-	-	110,621
Total expenses before in-kind and depreciation	808,993	524,307	251,492	288,900	414,275	280,284	6,634	2,574,885
In-kind food distributions	12,071,135	7,386,599	-	-	-	-	-	19,457,734
Depreciation	108,689	48,307	48,307	12,077	12,077	12,077	-	241,534
Total functional expenses	<u>\$ 12,988,817</u>	<u>\$ 7,959,213</u>	<u>\$ 299,799</u>	<u>\$ 300,977</u>	<u>\$ 426,352</u>	<u>\$ 292,361</u>	<u>\$ 6,634</u>	<u>\$ 22,274,153</u>

The accompanying notes are an integral part of these financial statements.

FOOD IN NEED OF DISTRIBUTION, INC.
dba FIND FOOD BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(Summarized totals for 2018)

	Total All Funds	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 532,077	\$ 40,536
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	241,534	227,101
(Increase) decrease in assets:		
Agency receivables	(17,019)	10,957
Grants and donations receivable	324,283	(346,178)
Food inventories	(254,536)	(213,038)
Prepaid expenses	24,993	15,068
Cal Food inventories	155,913	(155,913)
Increase (decrease) in liabilities:		
Accounts payable	(364,569)	405,387
Accrued employee expenses	31,459	5,512
Lift to Rise	(132,465)	132,465
NET CASH PROVIDED BY OPERATING ACTIVITIES	541,670	121,897
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in certificates of deposit	-	27
Receipts from maturity of certificates of deposit	18,836	-
Purchase of property and equipment	(116,217)	(80,187)
NET CASH USED BY INVESTING ACTIVITIES	(97,381)	(80,160)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(61,483)	(42,228)
Proceeds from debt refinance	-	1,272,360
Cash paid for debt refinance	-	(1,269,369)
NET CASH USED BY FINANCING ACTIVITIES	(61,483)	(39,237)
NET INCREASE IN CASH AND CASH EQUIVALENTS	382,806	2,500
CASH AND CASH EQUIVALENTS, Beginning of year	1,986,275	1,983,775
CASH AND CASH EQUIVALENTS, End of year	\$ 2,369,081	\$ 1,986,275
SUPPLEMENTARY INFORMATION:		
Cash paid during the year for interest	\$ 56,224	\$ 47,490

The accompanying notes are an integral part of these financial statements.

FOOD IN NEED OF DISTRIBUTION, INC.
dba FIND FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review

Management has evaluated the subsequent events through November 11, 2019, the date on which the financial statements were available to be issued.

Nature of Organization

Food In Need of Distribution, Inc. dba FIND Food Bank ("FIND") is a non-profit organization that was incorporated June 29, 1983 under the laws of the State of California. FIND Food Bank is an organization with a mission dedicated to relieving hunger, the causes of hunger, and the problems associated with hunger through awareness, education, and mobilization of resources and community involvement. The core work of FIND is the collection and distribution of donated food and other grocery products to charitable agencies in the Eastern Riverside and Southern San Bernardino County who serve low-income and needy people. Through its Distribution program, FIND also operates a smaller Mobile Pantry service which delivers fresh produce, bread, dairy products, and other food and grocery items directly to those who need it most. Emphasis is placed on serving rural communities and filling service gaps created by limited accessibility to wholesome food. FIND supplements donated food and products with the purchase of specific food and hunger awareness campaigns in order to educate and inform the public regarding the problem of hunger. FIND is an affiliate member of Feeding America, the nation's largest hunger-relief organization and California Association of Food Banks.

Other Major Programs

CalFresh Food Stamp Outreach Program and Nutritional Educations (CalFresh) – This program is to create awareness of qualification, assistance with applications and follow up for approval for people who are served by FIND and our partnering agencies.

Fresh Produce – Distributes a variety of fresh, nutritious and healthy produce donated through local and regional produce distributors and growers to FIND agencies year-round and at no cost to our partnering agencies.

Children's Summer Feeding – Provides nutritious meals and snacks to needy children in a safe and nurturing environment throughout the summer months when schools are out.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which the corresponding liability is incurred or commitment is made.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

FIND maintained cash accounts in excess of federally insured limits of \$250,000 periodically throughout the year. It is not unusual for this limit to be exceeded on a periodic basis. Management is aware of this matter and evaluates alternatives for safeguarding cash and at the same time maximizing operational performance. Potential risk also arises from significant customers and growers.

Continued

FOOD IN NEED OF DISTRIBUTION, INC.
dba FIND FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. FIND is required to measure accounts receivable and related revenues at fair value.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Cash and Cash Equivalents

For purposes of the statement of cash flows, FIND considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Food Inventories

Due to the agent pass-through nature of the food products received, inventories cost of goods sold is not recorded in the financial statements except as in-kind expense items. The donated inventory is valued at fair market value and is reflected as an increase to inventory and donation in-kind when received. The disbursed inventory is recorded as a reduction of inventory and an in-kind expense when acquired by local non-profit or other qualified agencies.

Income Taxes

FIND is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar California statutes, and therefore has made no provision for income taxes in the accompanying financial statements.

Property and Equipment

Property and equipment are recorded at cost, or fair market value when donated. Betterments which materially add to the value of related assets or materially extend the useful life of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses. Property and equipment with a cost below \$1,000 are expensed in the period purchased. Depreciation of equipment is provided on a straight-line method based on estimated useful lives as follows:

<u>Depreciable Assets</u>	<u>Useful Lives</u>
Equipment	5 to 7 years
Computers and software	3 years
Vehicles	5 years
Building and improvements	39 years

Support and Revenue

Annual contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor. Conditional promises to give are not included as support until the conditions are substantially met. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end.

Continued

FOOD IN NEED OF DISTRIBUTION, INC.
dba FIND FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Support and Revenue (continued)

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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.

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that creates or enhances nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been reflected in the financial statements for donated services provided by volunteers inasmuch as no objective basis is available to measure the value of such services; however, management estimates that approximately 5,000 volunteers have donated over 14,600 hours to FIND's operations.

Reclassifications

In order to conform the current year financial statement presentation, certain reclassifications were made to conform to the current year financial statement distribution. The following changes have no effect on net asset balances.

Accounts Receivable – Accounts receivable was reclassified to agency receivables and grants & donations receivable to separately state the balances of the different classes of receivables. There was no change to the total of current assets.

Prepaid Expenses – A balance of \$29,186 was reclassified out of deposits on equipment into prepaid expenses as this better represents the prepaid expense balance as these amounts are related to prepaid services rather than equipment. There was no change to the total of current assets.

Accrued Employee Expenses – The balance of accrued employee expenses of \$30,063 was reclassified out of the prior year accounts payable and accrued expense balance to present proper comparative balances given the increase in the employee accruals in the current year. There was no change to the total of current liabilities.

Property and Equipment – A total of \$57,202 was reclassified between financial statement categories to better reflect the classification of assets. There was no change in total fixed assets.

Memorandum Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with FIND's financial statements for the prior year, from which the summarized information was derived.

Basis of Accounting & New Accounting Pronouncement

FIND has adopted Generally Accepted Accounting Principles applicable to external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions.

Continued

FOOD IN NEED OF DISTRIBUTION, INC.
dba FIND FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Basis of Accounting & New Accounting Pronouncement (continued)

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14 (ASU 2016-14): Presentation of Financial Statements of Not-For-Profit Entities. ASU 2016-14 is effective for FIND for the period beginning July 1, 2018 and requires FIND to make changes to the presentation of the financial statements and increase disclosures related to liquidity. The financial statements have been reformatted to conform to the new presentation for comparability purposes. There is no effect on the change in net assets due to these changes.

ASU 2016-14 requires that all not-for-profit entities use at a minimum two new asset classifications: net assets with donor restrictions and net assets without donor restrictions. Net assets with donor restrictions are those parts which are subject to donor-imposed restrictions whether it is permanently or due to time. This category replaces the temporarily restricted and permanently restricted net assets. The update permits the assets without donor restrictions to be further segregated into categories which are useful for the financial statement users. Consistent with previous years' presentation – FIND uses the following subcategories: temporarily restricted and temporarily restricted in-kind. Temporarily restricted net assets represent contributions or grants wherein the donor has specified the use of the funds and for which donor-imposed restrictions have not been met. When such stipulations have been met, the net assets are reclassified to unrestricted net assets and reported in the statement of activities as "revenue released from restrictions." Temporarily restricted in-kind net assets – represent the balances associated with food inventories. At this time, FIND has net assets whose use is permanently restricted, as such, no such subcategory is included on the financial statements. There was no effect on these balances as a result of the changes associated with ASU 2016-14. The statement of changes in net assets has been updated to conform to the new presentation. There is no net effect on total net assets. The statement of financial position also now displays the subtotal of the temporarily restricted in-kind net assets within the net asset section.

ASU 2016-14 further requires that expenses be categorized by nature and function in the in the current year this requirement is met through the presentation of a statement of functional expenses for the year ending June 30, 2019. FIND has elected not to present a comparative statement in the current year as permitted by ASU 2016-14.

Those expenses which are not specifically identifiable with a program or activity are required to be classified as support expenses, while all those identifiable with a program or activity are program activities. FIND has four programs which are listed above: food distribution, fresh produce, CalFresh and children's feeding program. These classifications are consistent with the financial statement presentation which was used in previous years. The following expense classifications are designated as support expenses: fundraising, general & administrative and Lift to Rise. There is no change in total expenses from the prior year due to this change.

The final requirement of ASU 2016-14 which is applicable to FIND is expanded disclosure requirements related to the liquidity of FIND's resources including any requirements related to special borrowing arrangements. For the year ended June 30, 2019, there was only a single requirement related to cash balances, related to holding cash as a part of the note payable agreement discussed in Note 7.

Continued

FOOD IN NEED OF DISTRIBUTION, INC.
dba FIND FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Basis of Accounting & New Accounting Pronouncement (continued)

FIND has \$1,983,253 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year.

	<u>2019</u>
Cash and cash equivalents	\$ 1,916,035
Agency receivables	45,353
Grants and donations receivable	<u>21,865</u>
Cash for general expenditure	<u>\$ 1,983,253</u>

The cash which is designated as temporarily restricted is not included as this amount is restricted for use by the grantors and is not available for general expenditure. Of this amount approximately \$421,00 would be expected to be used within one year of the balance sheet date. The remaining balance is restricted by the grantor for use during the fiscal year ending June 30, 2021.

FIND has a goal to maintain financial assets which consist primarily of cash and some short-term investments, on hand to meet 90 days of normal operating expenses. Cash balances fluctuate based on the timing of the receipts of grants and donations throughout the year. FIND has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, FIND invests cash held for other purposes in a money market account. At this time, FIND has no line of credit or similar agreements upon which funds can be drawn as necessary.

NOTE 2: RECEIVABLES

Accounts receivable consists of uncollected Shared Maintenance Fees from participating member agencies amounting to \$45,353 and \$28,334 at June 30, 2019 and 2018, respectively. FIND uses the direct write-off method for bad debts. Management believes that all of the receivables are fully collectible. Therefore, no allowance for doubtful accounts has been established.

During the current year ending June 30, 2019, FIND accrued for grant funds and credit card donations receivable totaling \$21,865. Of this amount \$20,519 was related to a request for reimbursement from the California Department of Social Services relating to expenditures in the current year.

During the prior year ending June 30, 2018, FIND accrued for grant funds related to Cal Foods. Of the amount recorded as accounts receivable, \$346,148 is related to the single grant. The food purchase commitments related to this grant, for which purchases had been made but not delivered are recorded as Cal Food Inventory on the statement of financial position.

NOTE 3: INCOME TAXES

FIND is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23401 of the California Tax Code. FIND is, however, liable for certain income taxes on unrelated business taxable income to both the Internal Revenue Service and Franchise Tax Board. In previous years ended, FIND adopted accounting standards for the accounting for uncertainty in income taxes.

Continued

FOOD IN NEED OF DISTRIBUTION, INC.
dba FIND FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3: INCOME TAXES (continued)

These standards provide guidance for the accounting and disclosure about uncertain tax positions taken by an organization. Management believes that all of the positions taken by FIND in its federal and state income tax returns are more likely than not to be sustained upon examination. FIND's tax returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively, after they are filed.

NOTE 4: FOODS HELD FOR DISTRIBUTION & CHANGE IN ESTIMATE

FIND, functioning as an intermediary, reports the fair value of donated food and grocery products as temporarily restricted in-kind. The related temporarily restricted in-kind revenues and expenses are also reported at fair value.

Change in Estimate

In the current year, FIND elected to change the estimate related to the valuation of donated product which will affect the current and future years. During previous years, the receipts, distributions and inventory were all valued using the same average balance per pound. In the current year, FIND was able to specifically identify the values of products within the purchased and USDA categories. As such, the per pound values for receipts, distributions and inventory-on-hand at year-end will vary. This change represents a change in estimate and is accounted for prospectively within the financial statements with no change to the previous year's balances. This change was made as this represents a more accurate balance of receipts and the food value on hand. Using this method, the value of food distributed is calculated using the periodic inventory method cost of goods sold calculation – ending inventory plus the value of food received less the ending inventory balances. This food distribution calculation is similar to that used during the previous years for all three categories of food.

The current year effect on the change in net assets if all food on-hand were to be valued at the received rate as in prior years, the food distributed balances would decrease by \$23,468 with a corresponding increase in temporarily restricted in-kind net assets of \$23,468. If all food on-hand were to be valued at the received rate as in prior years, the value of inventory would increase by \$23,468. The net change is a \$3,936 decrease to the inventory value associated with purchased food and a \$27,404 increase to the USDA commodity inventory value. In the current year, the effect of the change is not material. The exact effect on future years cannot be determined as this is determined by the number of pounds of food distributed in the purchased and USDA commodity categories. However, the effect of the change can be predicted as there is an inverse relationship between the average values for ending inventory. If the average value used for ending inventory is higher than the receipts average value, the effect would be an overall increase to net assets. If the average value used for ending inventory is lower than the receipts average value, the effect would be an overall decrease to net assets.

Food Receipts Value

The approximate average wholesale value of one pound of donated product at the national level received, which was determined to be \$1.62 during 2019, was based upon a study performed by Feeding America, and was used to value all donated product received during the fiscal year ended June 30, 2019. Product purchased during the fiscal year ended June 30, 2019 was valued at cost and averaged \$0.59 per pound. USDA commodities received during the fiscal year ended June 30, 2019 was valued at \$0.81 per pound.

Continued

FOOD IN NEED OF DISTRIBUTION, INC.
dba FIND FOOD BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4: FOODS HELD FOR DISTRIBUTION & CHANGE IN ESTIMATE (continued)

Food Receipts Value (continued)

During the year ended June 30, 2019, FIND received approximately 10,217,000 pounds in donated product (valued at approximately \$16,552,000), 3,897,000 pounds of United States Department of Agriculture (USDA) commodities (valued at approximately \$3,161,000) and purchased approximately 623,000 pounds of food products (valued at approximately \$370,000).

Food Inventory Value

The approximate average wholesale value of one pound of donated product was determined to be \$1.62 consistent with above and was used to value all donated product on-hand at June 30, 2019. Product purchased during the fiscal year and on-hand at June 30, 2019 was valued at cost and averaged \$0.61 per pound. USDA commodities received during the fiscal year and on-hand at June 30, 2019 was valued at \$0.78 per pound.

All donated food inventory held at June 30, 2018 and distributed during the fiscal year ended June 30, 2019 was valued at the approximate average wholesale value of one pound of donated product at the national level, which was determined to be \$1.68 during 2018 based on the Feeding America annual study. The purchased product on hand at June 30, 2018 was valued at \$0.87 per pound. All USDA commodity product on hand at June 30, 2018 was valued at \$0.94 per pound.

Food Distribution

FIND distributed approximately 8,169,000 pounds of donated product received, 473,000 pounds of purchased product and 3,417,000 pounds of USDA commodities.

NOTE 5: OPERATING LEASE

FIND leases a printer/copier for general office use. The monthly base lease payment for the printer/copier is \$380. An additional fee for excess usage is assessed each month. Minimum lease expense for the year ended June 30, 2019 was \$4,560. Future lease payments will be as follows:

2020	\$ 4,560
2021	<u>760</u>
Total	<u>\$ 5,320</u>

NOTE 6: LAND AND BUILDING

FIND entered into grant agreements with various local governments to acquire the land and building from which FIND currently operates, 83-775 Citrus Avenue, Indio, California, 92201. Grant restrictions included a requirement that the building be used to distribute food for a minimum of 5 years from October 1, 2009, through September 30, 2014. The grants also include provisions that, in the event the land and building are sold before a specific date, the grants require that a portion of the original grant funding be returned to the grantors on a sliding scale, ending March 31, 2023. Management currently has no intentions of selling the land and building.

The City of Indian Wells (IW) granted FIND \$250,000 for this project. The IW grant allows FIND to lease up to 50% of the building with the lease proceeds restricted for use for FIND's charitable purpose. FIND is restricted from selling or otherwise disposing of the project at any time prior to April 1, 2018, without the prior written consent of IW.

Continued

FOOD IN NEED OF DISTRIBUTION, INC.
 dba FIND FOOD BANK
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 7: NOTES PAYABLE (continued)

Additionally, if the land and building were sold, the grant funds to be returned to IW are as follows as of June 30, 2019:

Sale date prior to April 1, 2018	Return \$250,000 (100% of original grant)
Sale date April 1, 2018 – March 31, 2019	Return \$225,000 (90% of original grant)
Sale date April 1, 2019 – March 31, 2020	Return \$200,000 (80% of original grant)
Sale date April 1, 2020 – March 31, 2021	Return \$150,000 (60% of original grant)
Sale date April 1, 2021 – March 31, 2022	Return \$125,000 (50% of original grant)
Sale date April 1, 2022 – March 31, 2023	Return \$100,000 (40% of original grant)

In November 2017, FIND refinanced the note payable with Bank of America in order to obtain more favorable financing and remove the balloon payment which was due in January 2019. The new loan terms consist of an interest rate of 4.55% computed on a 360-day year, a seven-year life, and requires equal monthly payments of \$9,808.96 with the remaining principal due with the last payment which is due December 10, 2024. The total fees paid in connection with the refinance transaction of \$5,500 were expensed in the year ending June 30, 2018.

The new note is collateralized by the real property located at 83775 Citrus Avenue, Indio, California. The estimated principal payable over each of the next five years and thereafter is as follows:

2020	\$ 64,236
2021	67,419
2022	70,602
2023	73,935
2024	77,315
Thereafter	<u>829,192</u>
	<u>\$ 1,182,699</u>

NOTE 8: LIFT TO RISE FORMERLY COLLABORATING FOR CLIENTS

Beginning fiscal year ended June 30, 2016 and based on multi-year grants secured by FIND to support such emerging work in the community, FIND served as the original fiscal agent for a local, community-based, community-driven initiative known as "Collaborating for Client" (C4C). In addition to serving as fiscal agent to administer and report on the use of multi-year C4C grant funding, FIND's CEO and other key staff serve on the "Leadership Table" of this local initiative, whose work includes other community-based organizations and technical assistance partners working toward the outcome that "All Coachella Valley families are healthy, stable and thriving." The nature of this work benefits from fiscal agency in the early stages while work is mapped out and divided among partners. Work and governance in future years will be determined by the C4C Leadership Table as this initiative evolves. The purpose of this initiative is ultimately to create an independent organization to bring together entities in both the public and private sector to achieve the stated goal. During the prior year ending June 30, 2018, the decision was made to make the Regional Access Project the new fiscal agent for C4C and to rename the project to Lift to Rise. As of July 1, 2018, FIND is no longer the fiscal agent. The assets related to Lift to Rise were given to the new entity the first week of July 2018.

FOOD IN NEED OF DISTRIBUTION, INC.
 dba FIND FOOD BANK
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDING JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Expenditures of Federal Awards			
United States Department of Agriculture			
Passed through			
California Department of Social Services			
Emergency Food Assistance Program – Administrative Costs	10.568	18-MOU-06006	\$ 232,426
Emergency Food Assistance Program – Food Commodities	10.569	18-MOU-06006	<u>2,902,272</u>
Total Food Distribution Cluster			<u>3,134,698</u>
United States Department of Agriculture			
Passed through			
California Department of Social Services			
California Association of Food Banks			
CalFresh Outreach	10.561	16-SUB-00965	22,789
CalFresh Outreach	10.561	18-7013	<u>69,782</u>
Total Supplemental Nutrition Assistance Program Cluster			<u>92,571</u>
Total United States Department of Agriculture			3,227,269
United States Department of Homeland Security			
Federal Emergency Management Agency			
Passed through			
Riverside County Department of Social Services			
Homelessness Program Unit			
Emergency Food And Shelter Program – Administrative Costs	97.024	Phase 35 LRO 82000-009	12,047
Emergency Food and Shelter Program – Administrative Costs	97.024	Phase 36	<u>24,549</u>
Total United States Department of Homeland Security			<u>36,596</u>
United States Department of Housing and Urban Development			
Passed through			
The City of Indio			
Community Development Block Grant Program			
CalFresh Outreach Services	14.218	N/A	<u>19,000</u>
Total United States Department of Housing and Urban Development			<u>19,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,282,865</u></u>

The accompanying notes to the Schedule of Expenditures of Federal Governmental Awards are an integral part of this schedule.

FOOD IN NEED OF DISTRIBUTION, INC.
dba FIND FOOD BANK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal governmental awards (the "Schedule") includes the federal governmental award activity of Food In Need of Distribution, Inc. dba FIND Food Bank (FIND) under programs of the federal, state and local governments for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR), 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 FIND, it is not intended to and does not present the financial position, changes in net assets, or cash flows of FIND.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This Schedule is presented on the accrual accounting 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 limited as to reimbursement.

NOTE 3: FOOD DISTRIBUTION

The amounts reported for "Food Commodities" programs represent the dollar value of the U.S. Department of Agriculture (USDA) food commodities distributed to FIND during the year. The USDA and other distributors provide the current value of the commodities to compute the amounts reported.

NOTE 4: INDIRECT COSTS

FIND has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

LEE M. OSBORNE, CPA, CFE, PRESIDENT
PEDRO T. RINCON, CPA, CVA, PARTNER



BRUCE J. LEGAWIEC, CPA, PARTNER
JASON A. SCHNEIDER, CPA, PARTNER

"A PROVEN INVESTMENT FOR YOUR BUSINESS."

Independent Auditors' 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*

To the Board of Directors
Food in Need of Distribution, Inc.
dba FIND Food Bank
Indio, California

We have audited, 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, the financial statements of Food in Need of Distribution, Inc. dba FIND Food Bank (FIND), which comprise the statement of financial position as of June 30, 2019, and the related statements 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 November 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered FIND'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FIND's internal control. Accordingly, we do not express an opinion on the effectiveness of FIND's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify any deficiencies in internal control that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of

findings and questioned costs as item 2019-001, 2019-002, 2019-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FIND'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*.

FIND's Response to Findings

FIND's response to the findings identified in our audit is described in the accompanying management's views and corrective action plan. FIND's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Osborne Rincoñ

November 11, 2019
La Quinta, California



LEE M. OSBORNE, CPA, CFE, PRESIDENT
PEDRO T. RINCON, CPA, CVA, PARTNER



BRUCE J. LEGAWIEC, CPA, PARTNER
JASON A. SCHNEIDER, CPA, PARTNER

"A PROVEN INVESTMENT FOR YOUR BUSINESS."

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the OMB Uniform Guidance

To the Board of Directors
Food in Need of Distribution, Inc.
dba FIND Food Bank
Indio, California

Report on Compliance for Each Major Federal Program

We have audited Food in Need of Distribution, Inc. dba FIND Food Bank (FIND)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of FIND's major federal programs for the year ended June 30, 2019. FIND's major federal programs are 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 terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of FIND's major federal programs 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* (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 FIND'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 each major federal program. However, our audit does not provide a legal determination of FIND's compliance.

Opinion on Each Major Federal Program

In our opinion, FIND complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-004, 2019-005, 2019-006, 2019-007, 2019-008 and 2019-009. Our opinion on each major federal program is not modified with respect to these matters.

FIND's response to the noncompliance findings identified in our audit are described in the accompanying management's views and corrective action plan. FIND's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of FIND 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 FIND's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 FIND'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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or 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 certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-007, 2019-010, 2019-011, 2019-012, that we consider to be significant deficiencies.

FIND's response to the internal control over compliance findings identified in our audit is described in the accompanying management's views and corrective action plan. FIND'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.

Osborne Rincón

March 31, 2020
La Quinta, California

FOOD IN NEED OF DISTRIBUTION
 dba FIND FOOD BANK
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2019

Section I: Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: ***Unmodified***

Internal control over financial reporting:		
• Material weakness(es) identified?	_____ Yes	__X__ No
• Significant deficiency(ies) identified?	__X__ Yes	_____ None Reported
Noncompliance material to financial statements noted?	_____ Yes	__X__ No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	_____ Yes	__X__ No
• Significant deficiency(ies) identified?	__X__ Yes	_____ None reported
Type of auditor's report issued on compliance for major federal programs <i>Unmodified</i> :		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	__X__ Yes	_____ No
Identification of major federal programs:		
CFDA Numbers	Name of Federal Program or Cluster	
10.568 and 10.569	Food Distribution Cluster – Emergency Food Assistance Program	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000	
Auditee qualified as a low-risk auditee?	_____ Yes	__X__ No

FOOD IN NEED OF DISTRIBUTION
dba FIND FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

SECTION II: FINANCIAL STATEMENT FINDINGS

Finding 2019-001: Net Asset Reconciliation

Criteria: Accurate and reliable financial records of many kinds are necessary to meet ongoing financial reporting requirements.

Condition and Context: In testing the balances of the net asset classifications, it was determined that the amounts within the three categories of net assets did not agree to the balances per the prior year audited financial statements. Management uses three net asset classifications assets without donor restriction, assets with donor restriction and assets with donor restriction in-kind. Adjustments were necessary to correct these balances including a reduction to assets with donor restriction of \$368,092, an increase to unrestricted net assets of \$155,023 and assets without donor restriction in-kind of \$213,039. There was no effect to net changes in net assets as a result of this adjustment as net assets in total were accurate. Management uses QuickBooks which requires manual adjustment of equity balances after the fiscal year has been closed in order to match the audited financial statements. The manual adjustment was not performed as part of management's accounting procedures.

Cause: A reconciliation of the opening net assets per QuickBooks to the audited financial statements was not performed.

Effect or Potential Effect: QuickBooks financial statements reviewed during the year contained errors in the net asset balances.

Repeat Finding: This is not a repeat finding.

Recommendation: The entity should include in its accounting procedures a process for reconciliation of the net asset categories.

Management's Views and Corrective Action Plan: See the accompanying Management's Views and Corrective Action Plan, which are considered a part of this report.

Finding 2019-002: Ending Inventory Adjustment

Criteria: Accurate and reliable financial records of many kinds are necessary to meet ongoing financial reporting requirements.

Condition and Context: In testing the final inventory balances, it was determined that management had included costs of food purchases in both the in-kind expenses and those expenses which were not in-kind. As such, management had recorded the cost of the inventory purchases as both an in-kind revenue and an in-kind expense in the final inventory journal entry. As changes to the inventory asset as well as donated in-kind revenues and donated in-kind expenses are recorded only one time annually, the calculation must ensure that the costs of food purchases are properly accounted for to prevent overstatement of the donated goods and distributed goods. The total adjustment to inventory recorded by management was \$20,076,230 in food donations and \$19,821,762 in food distributed. The adjustment required to remove the duplication of costs was a decrease of \$363,960 to food revenues and food expenses.

The ending inventory balances was recorded correctly.

Cause: A detailed review of the calculation was not performed by a third-party.

Continued

FOOD IN NEED OF DISTRIBUTION
dba FIND FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Finding 2019-002: Ending Inventory Adjustment (continued)

Effect or Potential Effect: The unaudited ending financial statements contained material errors.

Repeat Finding: This is not a repeat finding.

Recommendation: The entity should include in its accounting procedures a process for review of the calculation including ensuring that the food purchase balances are appropriately adjusted prior to making the journal entry.

Management's Views and Corrective Action Plan: See the accompanying Management's Views and Corrective Action Plan, which are considered a part of this report.

Finding 2019-003: Deferred Revenue

Criteria: Accurate and reliable financial records of many kinds are necessary to meet ongoing financial reporting requirements.

Condition and Context: In testing the entity's balance sheet, it was noted that in the current year, management had recorded deferred revenue unrestricted net assets. Upon investigation, it was concluded that these balances were in-fact representative of assets with donor restrictions related to the timing and purpose of the balances. Due to limitations of QuickBooks which is not able to automatically record multiple net asset classes and a change in management's process for recording and accounting for assets whose use is restricted, management recorded these balances within deferred revenue. The purpose of this transaction was to ensure that operating revenues would be indicative of actual revenue and funds available for general expenditure. A total of \$183,571 was removed from deferred revenue and recorded as assets with donor restrictions.

Cause: Management had not considered the presentation requirements associated with the receipt of funds whose use is restricted and had focused on reporting the accurate change in unrestricted net assets within the QuickBooks financial statements.

Effect or Potential Effect: The unaudited ending financial statements contained errors in the presentation of revenue.

Repeat Finding: This is not a repeat finding.

Recommendation: The entity should design an accounting procedure which will enable appropriate recording of the restricted fund that also meets management's needs for assessing the financial needs of the entity.

Management's Views and Corrective Action Plan: See the accompanying Management's Views and Corrective Action Plan, which are considered a part of this report.

FOOD IN NEED OF DISTRIBUTION
dba FIND FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

SECTION III: FEDERAL AWARD FINDINGS

Finding 2019-004: Allowable Costs – Personal Services Charges

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.568

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Type of Finding: Non-compliance

Criteria: Per 2 CFR 200.430(i)(i-ii) charges to Federal awards must be based on records that accurately reflect the work performed, ensure that the charges are accurate and properly allocated and be incorporated into the official records of the entity.

Condition: In testing the entity's compliance with Federal allowable cost regulations, we tested 60 direct cost transactions from the reimbursement request pool totaling \$182,351 of which \$108,681 were related to cash compensation. We identified one transaction related to compensation which could not be properly supported by the entity's records. The compensation amount could not be agreed to the human resources records nor the board approved salary for the individual. The transaction in question was related to a pay increase for an administrative staff member which was determined by the board of directors to be effective in the middle of the pay period. Implementation of the pay rate in the middle of a pay period required a manual calculation to be performed in order to calculate the amount of the employee's paycheck for the period. A calculation error was made which resulted in an additional \$308 to be paid to the employee and subsequently included in the population of costs submitted for reimbursement. This error was not identified by management. There were no other similar transactions.

Cause: A detailed review of the calculation worksheet by a second individual was not performed as such, the calculation error was not identified.

Effect or Potential Effect: As a result, the entity requested reimbursement for costs which were determined to be unallowable per the Federal regulations.

Questioned Costs: \$308.

Context: Of the \$349,567 requested for reimbursement for the award year, \$232,426 was provided to management for reimbursement of the administrative expenses as per the availability of the Federal funds. The population of costs from which reimbursement was requested was \$1,242,595 of this \$698,719 is related to cash compensation. This reimbursement request included \$308 of questioned costs.

Repeat Finding: This is not a repeat finding.

Recommendation: The entity should not implement pay increases in the middle of pay periods as this increases the complexity of the payroll processes. Alternatively, in similar instances, a secondary review of the calculation by a third-party should be obtained.

Management's Views and Corrective Action Plan: See the accompanying Management's Views and Corrective Action Plan, which are considered a part of this report.

FOOD IN NEED OF DISTRIBUTION
dba FIND FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Finding 2019-005: Allowable Costs – Penalties and Fines Charges

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.568

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Type of Finding: Non-compliance

Criteria: Per 2 CFR 200.441 costs including fines, penalties, damages and other settlements resulting from violations of laws and regulations are unallowable, unless certain conditions are met.

Condition: In testing the entity's compliance with Federal allowable cost regulations, we tested 60 direct cost transactions from the reimbursement request pool totaling \$182,351 of which \$31,564 were related to other direct costs. We identified one transaction related to a fine from the City of Indio for \$93. This fine was related to a response to a faulty alarm. This amount was included in management's population of costs for which reimbursement the administrative reimbursement would be made. Upon investigation, four other fines were identified within costs submitted for reimbursement.

Cause: This is a new program and program administrative staff are not familiar with Federal allowable cost requirements. Program staff submitted this cost for reimbursement as part of the regular request for funds as they had not been advised otherwise by the program administrator at the California Department of Social Services.

Effect or Potential Effect: As a result, the entity requested reimbursement for costs which were determined to be unallowable per the Federal regulations.

Questioned Costs: \$407.

Context: Of the \$349,567 requested for reimbursement for the award year, \$232,426 was provided to management for reimbursement of the administrative expenses as per the availability of the Federal funds. The population of costs from which reimbursement was requested was \$1,242,595 of this \$258,742 is related to other costs. The total \$407 of questioned costs was identified through review of the transaction detail to identify similar transactions.

Repeat Finding: This is not a repeat finding.

Recommendation: The entity program staff and management should review the allowable cost guidance available. The entity could further invest in the resources required to develop the administrative staff knowledge through additional education in the area of Federal awards compliance.

Management's Views and Corrective Action Plan: See the accompanying Management's Views and Corrective Action Plan, which are considered a part of this report.

FOOD IN NEED OF DISTRIBUTION
dba FIND FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Finding 2019-006: Cash Management Reimbursement Request

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.568

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Type of Finding: Non-compliance

Criteria: Per 2 CFR 205.12(b)(5) when the reimbursement method of funding is used requests for reimbursement should not be made until after payment has been made by the requesting entity.

Condition: In testing the entity's compliance with Federal cash management regulations, we tested 60 transactions totaling \$125,915. We identified three transactions for which the check was not written prior to the submitting the request for reimbursement totaling \$1,981. Management uses accrual accounting to maintain the general ledger and to prepare the reports, as such, transactions (which had been incurred and therefore accrued at the end of the quarterly request period, but for which no payment had been made) were included in the population of costs for which reimbursement the administrative reimbursement would be made. Of these costs identified – one was related to the Finding 2019-005. There was no other indication that the costs were not allowable.

Cause: This is a new program and program administrative staff are not familiar with cash management requirements of Federal grants and contracts. Program staff submitted this cost for reimbursement as part of the regular request for funds.

Effect or Potential Effect: As a result, the entity requested reimbursement for costs which were not yet eligible for reimbursement under the administration requirements.

Questioned Costs: None.

Context: The population of costs from which reimbursement was requested was \$1,242,595 of this \$516,407 is related to transactions which are not related to transactions with the payroll processor. Of the \$516,407 only those amounts which occurred near the end of the quarter would be at risk of being requested for reimbursement prior to payment. The total pool of costs related to the last month of each fiscal quarter within the \$516,407 is \$176,071.

Repeat Finding: This is not a repeat finding.

Recommendation: The entity program staff and management should prepare the reimbursement requests on the cash basis of accounting to ensure that only transactions for which payment has been made will be included in the request.

Management's Views and Corrective Action Plan: See the accompanying Management's Views and Corrective Action Plan, which are considered a part of this report.

FOOD IN NEED OF DISTRIBUTION
dba FIND FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Finding 2019-007: Procurement Policy

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.568

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Type of Finding: Significant Deficiency in Internal Controls Over Compliance over a compliance requirement that is not direct and material

Criteria: Per 2 CFR 200.318-.326 the entity must use its own documented procurement procedures and these procedures must be in conformity to the applicable Federal law and other standards.

Condition: In attempting to test the entity's compliance with its documented policy and the procurement standards, it was determined that the entity does not have a documented policy. Management has a process for procurement which has not been documented.

Cause: This is a new program and program administrative staff have not yet documented the procedures in place to ensure conformity to the procurement standards.

Effect or Potential Effect: As a result, the entity may have inadvertently engaged in a procurement transaction for which the appropriate standards were not followed.

Questioned Costs: None.

Context: \$232,426 was provided to management for reimbursement of the administrative expenses as per the availability of the Federal funds. Of the amount requested, \$110,285 was related to non-salary costs which could be at risk through the lack of a documented policy. There was only one procurement item during the year which was applicable to management's process or the Federal guidelines. This is not a direct and material compliance area in the current year.

Repeat Finding: This is not a repeat finding.

Recommendation: The entity program staff and management should complete the process of documenting and implementing the procurement standards.

Management's Views and Corrective Action Plan: See the accompanying Management's Views and Corrective Action Plan, which are considered a part of this report.

Finding 2019-008: Special Provisions – Time Study

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.568

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Continued

FOOD IN NEED OF DISTRIBUTION
dba FIND FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Finding 2019-008: Special Provisions – Time Study (continued)

Type of Finding: Non-compliance

Criteria: Per The Emergency Food Assistance Program (TEFAP) Policy and Procedures Manual Section 17.4 – Allowable and Restricted Costs management should allocate the costs of non-warehouse to the program using a different methodology than is used for warehouse-program staff. The allocation is to be performed based on the results of a time study that is required to be performed during a one-week period during the first month of each quarter.

Condition: In testing the entity's compliance the time study requirement, it was determined that FIND has not performed such a study. An independent allocation by FIND for the purpose of a separate government program has been performed for the non-warehouse staff and has been applied during the year in order to allocate the costs of the staff salaries into the pool from which reimbursement will be requested. This time study did not meet the requirements of the TEFAP study.

Cause: This is a new program and program administrative staff were not aware of this requirement.

Effect or Potential Effect: As a result, the entity may have requested reimbursement for costs which were determined to be unallowable per the Federal regulations as they do not represent an accurate allocation of the staff time to the program.

Questioned Costs: None.

Context: Of the \$349,567 requested for reimbursement for the award year, \$232,426 was provided to management for reimbursement of the administrative expenses as per the availability of the Federal funds. The population of costs from which reimbursement was requested was \$1,242,595 of this \$454,341 is related to cash compensation for non-warehouse program staff.

Repeat Finding: This is not a repeat finding.

Recommendation: The entity program staff and management should review the allowable cost guidance available and integrate the time studies required by the programs to the extent possible.

Management's Views and Corrective Action Plan: See the accompanying Management's Views and Corrective Action Plan, which are considered a part of this report.

Finding 2019-009: Documentation of Eligibility for Clients

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.569

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Type of Finding: Non-compliance

Continued

FOOD IN NEED OF DISTRIBUTION
dba FIND FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Finding 2019-009: Documentation of Eligibility for Clients (continued)

Criteria: Per The Emergency Food Assistance Program (TEFAP) Policy and Procedures Manual Section 6.3 – Recipient Income-Eligibility Criteria and Section 7.5 Required Documents at Distribution Sites, all recipients must be eligible to receive the items and eligibility is determined by the applicant’s willingness to self-certify the EFA-7 form. Additionally, Per The Emergency Food Assistance Program (TEFAP) Policy and Procedures Manual Section 7.6 – The Emergency Food Assistance Program (TEFAP) Eligibility Certification Form must be collected and maintained for 3 years plus the current year either by the ERA (FIND) or Sub-ERA (FIND’s agencies). Per FIND’s TEFAP Reporting Guidelines Policy – copies of EFA-7 reports must be sent to a FIND Agency Representative.

Condition: In testing the entity’s compliance the requirement to retain EFA-7 forms from FIND’s distributions and to obtain these forms from member agencies, we tested 60 distribution dates. Of these dates, we identified three instances where the proper forms had not been sent to FIND, and which FIND had not detected the failure of the entity to provide the forms. For each of these instances, the agency had provided the monthly reporting cover page with the summary data, but did not provide the detailed EFA-7 forms in the email. The three instances are related to forms from two member agencies. To ensure that member agencies are in compliance with all requirements, FIND’s policy is that the completed EFA-7 forms need to be provided in addition to being maintained by the agency.

Cause: This is a new program and program administrative staff had not fully implemented the review of the agency reporting packets.

Effect or Potential Effect: As a result, FIND did not have on-hand all the documents required by the TEFAP manual in compliance with the regulation.

Questioned Costs: None.

Context: The dates tested cover distribution at FIND’s warehouse and 16 other distribution sites and agencies from a total population of 25 TEFAP eligible distribution sites. Food distribution at FIND and other member agencies occurs almost daily through out the fiscal year for a testing population of more than 250.

Repeat Finding: This is not a repeat finding.

Recommendation: The entity program staff should implement a system of tracking, validating and reviewing the required and submissions and ensure the reviews are conducted on all agencies on a regular basis.

Management’s Views and Corrective Action Plan: See the accompanying Management’s Views and Corrective Action Plan, which are considered a part of this report.

Finding 2019-010: Time Sheet Approval Control

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.568

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Type of Finding: Significant Deficiency in Internal Controls

Continued

FOOD IN NEED OF DISTRIBUTION
dba FIND FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Finding 2019-010: Time Sheet Approval Control (continued)

Criteria: Per 2 CFR 200.430(i)(i-v) charges to Federal awards must be based on records that accurately reflect the work performed, ensure that the charges are accurate and properly allocated and be incorporated into the official records of the entity and that the costs comply with the established accounting policies and practices of the entity. Controls must be in place to ensure the accuracy of the records.

Condition and Context: In testing the entity's control over timesheets, we tested 60 timesheets for hourly employees whose salaries are included in the population of costs submitted for approval.

We identified three timesheets who were not approved by the individual's supervisor and which were not identified as unapproved by the director of finance who is responsible for processing payroll. Two of these timesheets were to be approved by the director of finance and one was to be approved by the director of operations. No evidence was noted that indicated the costs were not appropriate to the award.

Cause: The director of human resources did not perform a proper review of the timesheets for these employees and during these pay periods.

Effect or Potential Effect: As a result, the entity may have submitted payroll records which were not accurate as they were not approved and validated by a supervisor prior to being accounted for.

Questioned Costs: None.

Repeat Finding: This is not a repeat finding.

Recommendation: The entity should implement a system through which all timesheets will be approved for each pay period and for which there is less chance of human error.

Management's Views and Corrective Action Plan: See the accompanying Management's Views and Corrective Action Plan, which are considered a part of this report.

Finding 2019-011: Controls Over Distributions of USDA Foodstuffs

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.569

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Type of Finding: Significant Deficiency in Internal Controls over Compliance

Criteria: Per 7 CFR 250.19 distributing agencies must maintain records of the value of foods distributed and other documents necessary to evidence the proper handling and distribution of food. Controls must be in place to ensure the accuracy of the records.

Condition and Context: In testing the entity's control over distributions of USDA foods, we tested 50 distribution transactions to obtain the evidence that the agency approved the items distributed which helps FIND to ensure the accuracy of its records. We identified four invoices for which no approval had been obtained.

Continued

FOOD IN NEED OF DISTRIBUTION
dba FIND FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Finding 2019-011: Controls Over Distributions of USDA Foodstuffs (continued)

The invoices are obtained by the warehouse staff and entered into QuickBooks by an administrative staff member. No evidence was noted that indicated the distributions were inaccurate or objected to by the recipient agencies.

Cause: No review of the invoices retained was performed to ensure that the proper documentation and approval was obtained.

Effect or Potential Effect: As a result, the entity has not retained records to support compliance with its policies and ensure accuracy of its records.

Questioned Costs: None.

Repeat Finding: This is not a repeat finding.

Recommendation: The entity should implement a secondary review to ensure that the invoices approved by the agencies are obtained.

Management's Views and Corrective Action Plan: See the accompanying Management's Views and Corrective Action Plan, which are considered a part of this report.

Finding 2019-012: Controls Over Receipts of USDA Foodstuffs

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.569

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Type of Finding: Significant Deficiency in Internal Controls over Compliance

Criteria: Per 7 CFR 250.19 distributing agencies must maintain records of the value of foods received and other documents necessary to evidence the proper handling and receipt of food. Controls must be in place to ensure the accuracy of the records.

Condition and Context: In testing the entity's control over receipts of USDA foods, we tested 17 receipt transactions to obtain the evidence that FIND completed the product inspection sheets as required by the inventory procedures. We identified 10 sheets which were either not completed accurately or not fully completed. The inspection sheets are expected to be completed by warehouse staff as record of the review and acceptance of the food stuffs received by FIND.

Cause: No review of the inspection sheets is performed to ensure that these are completed in accordance with the policy.

Effect or Potential Effect: As a result, the entity has not retained records to support compliance with its policies and ensure accuracy of its records.

Questioned Costs: None.

Continued

FOOD IN NEED OF DISTRIBUTION
dba FIND FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Finding 2019-012: Controls Over Receipts of USDA Foodstuffs (continued)

Repeat Finding: This is not a repeat finding.

Recommendation: The entity should implement a secondary review to ensure that the inspection sheets are completed properly.

Management's Views and Corrective Action Plan: See the accompanying Management's Views and Corrective Action Plan, which are considered a part of this report.



Management's Views and Corrective Action Plan

Fiscal Year 2018/2019

SECTION II: FINANCIAL STATEMENT FINDINGS

Finding 2019-001: Net Asset Reconciliation

Criteria: Accurate and reliable financial records of many kinds are necessary to meet ongoing financial reporting requirements.

Summary of Condition and Context: Annual journal entry required in QuickBooks to match equity accounts to audited statements was not completed.

Cause: A reconciliation of the opening new assets per QuickBooks to the audited financial statements was not performed.

Recommendation: The entity should include in its accounting procedures a process for reconciliation of the net asset categories.

FIND's CAP: FIND concurs with the finding. The accounting staff were not made aware by the auditing firm that this entry, provided in prior years by the auditors, should have been performed by the accounting staff this year. The transaction will be posted by the Director of Finance in the future.

Finding 2019-002: Ending Inventory Adjustment

Criteria: Accurate and reliable financial records of many kinds are necessary to meet ongoing financial reporting requirements.

Summary of Condition and Context: An error was discovered in the calculation for the ending inventory balance, as purchased food was included in the donated value.

Cause: A detailed review of the calculation was not performed by a third-party.

Recommendation: The entity should include in its accounting procedures a process for review of the calculation including ensuring that the food purchase balances are appropriately adjusted prior to making the journal entry.

FIND's CAP: FIND concurs with the finding. The accounting staff believed the auditor was the third-party that would review the calculation based on the procedures between the staff and the auditing firm in the prior 2 years, with corrections being made as a joint entry. FIND was not made aware that the 3rd party review was not conducted for the current audit and assumed the entry was correct based on the procedures from the previous years. Additional staff have been added to the Accounting Department so the review will be done by FIND employees. The template for calculating the ending inventory balance has been edited to separate the purchased inventory from the donated.



Finding 2019-03: Deferred Revenue

Criteria: Accurate and reliable financial records of many kinds are necessary to meet ongoing financial reporting requirements.

Summary of Condition and Context: Entry to defer revenue related to activity that would occur in the next fiscal year was not handled appropriately.

Cause: Management had not considered the presentation requirements associated with the receipt of funds whose use is restricted and had focused on reporting the accurate change in unrestricted net assets within the QuickBooks financial statements.

Recommendation: The entity should design an accounting procedure which will enable appropriate recording of the restricted fund that also meets management’s needs for assessing the financial needs of the entity.

FIND’s CAP: FIND concurs with the finding. Equity accounts have been added that allow restricted funds to be posted as Temporarily Restricted Receipts. At the time the conditions of the restricted funds have been achieved, the transaction to release the funds to the operating account will include a transaction to Release Temporarily Restricted funds into revenue accounts.

SECTION III: FEDERAL AWARD FINDINGS

Finding 2019-004: Allowable Costs – Personal Services Charges

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.568

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Type of Finding: Non Compliance

Criteria: Per 2 CFR 200.430(i)(i-ii) charges to Federal awards must be based on records that accurately reflect the work performed, ensure that the charges are accurate and properly allocated and be incorporated into the official records of the entity.

Summary of Condition: The pay increase for an administrative staff member was miscalculated for an effective date in the middle of a pay period for a \$308 error.



Recommendation: The entity should not implement pay increases in the middle of pay periods as this increases the complexity of the payroll processes. Alternatively, in similar instances, a secondary review of the calculation by a third-party should be obtained.

FIND's CAP: FIND concurs with the finding. The recommendations have been implemented, effective November 2019. If a pay rate adjustment is required in the middle of a pay period, or effects prior periods, a worksheet with the calculations for the change is provided for review and approval by a management level employee. If the adjustment is for the President and CEO, the review and approval will be conducted by the Finance Committee Chair of the Board of Directors.

Finding 2019-005: Allowable Costs – Penalties and Fines Charges

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.568

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Type of Finding: Non Compliance

Criteria: Per 2 CFR 200.441 costs including fines, penalties, damages and other settlements resulting from violations of laws and regulations are unallowable, unless certain conditions are met.

Summary of Condition: The cost of false alarm responses for a total of \$407 were included in reimbursement claims.

Recommendation: The entity program staff and management should review the allowable cost guidance available. The entity could further invest in the recourses required to develop the administrative staff knowledge through education in the area of Federal awards compliance.

FIND's CAP: FIND concurs with the finding. The staff did not consider the charges "violations of laws and regulations" as reviews of our submission to the State allowed them since they were a result of operational equipment failures and not human error. The recommendation for further education on the requirements will be instituted under the guidance of the State program administrator. Effective November 2019, the Director of Finance will review all expenses to verify that fines and penalty expenses are not included in the claim for reimbursement.

Finding 2019-006: Cash Management Reimbursement Request

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.568

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019



Type of Finding: Non Compliance

Criteria: Per 2 CFR 205.12(b)(5) when the reimbursement method of funding is used, requests for reimbursement should not be made until after payment has been made by the requesting entity.

Summary of Condition: Payment had not been issued for three invoices for a total of \$1,981 prior to submission of the claim for reimbursements.

Recommendation: The entity program staff and management prepare the reimbursement requests on the cash basis of accounting to ensure that only transactions for which payment has been made will be included in the request.

FIND's CAP: FIND concurs with the finding. To meet this requirement, similarly to using the cash basis system of accounting, invoices that will be included in the reimbursement requests will be paid upon receipt rather than the terms of the vendor so the payments are processed before the claim is submitted. Effective November 2019, the Director of Finance will confirm payment has been processed on the expenses included on the claims.

Finding 2019-007: Procurement Policy

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.568

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Type of Finding: Material Weakness in Internal Controls Over Compliance over a compliance requirement that is not direct and material

Criteria: Per 2 CFR 205.318 - .326 the entity must use its own documented procurement procedures and these procedures must be in conformity to the applicable Federal law and other standards.

Summary of Condition: A written procurement policy was not prepared.

Recommendation: The entity program staff and management should complete the process of documenting and implementing the procurement standards.

FIND's CAP: FIND concurs with the finding. A policy that conforms with the applicable Federal law and other standards is being utilized. The Director of Finance prepared a written procurement policy that was reviewed and approved by Management on March 6, 2020.

Finding 2019-008: Special Provisions – Time Study

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.568

Pass-Through Entity: California Department of Social Services



Federal or Sponsor Award Number: 18-MOU-06006
Sponsoring Agency: United States Department of Agriculture (USDA)
Award Year: 2018-2019
Type of Finding: Non Compliance

Criteria: Per the Emergency Food Assistance Program (TEFAP) Policy and Procedures Manual, Section 17.4 – Allowable and Restricted Costs, management should allocate the costs of non-warehouse to the program using a different methodology than is used for warehouse-program staff. The allocation is to be performed based on the results of a time study that is required to be performed during a one-week period during the first month of each quarter.

Summary of Condition: Time studies were not performed for the non-warehouse allocation of payroll and benefits reimbursement.

Recommendation: The entity program staff and management should review the allowable cost guidance available and integrate the time studies required by the programs to the extent possible.

FIND's CAP: FIND concurs with the finding. Time studies of program and management staff were conducted utilizing a "percentage of programs delivered" based approach to determine allowable costs. The State Program Administrators will be consulted on the proper time study method for the calculation. Effective January 2020, FIND will implement the program that they recommend.

Finding 2019-009: Documentation of Eligibility for Clients

Information on the Federal Program
Program: Food Distribution Cluster
CFDA Number: 10.569
Pass-Through Entity: California Department of Social Services
Federal or Sponsor Award Number: 18-MOU-06006
Sponsoring Agency: United States Department of Agriculture (USDA)
Award Year: 2018-2019
Type of Finding: Non Compliance

Criteria: Per the Emergency Food Assistance Program (TEFAP) Policy and Procedures Manual, Section 6.3 – Recipient Income-Eligibility Criteria and Section 7.5 Required Documents at Distribution Sites, all recipients must be eligible to receive the items and eligibility is determined by the applicants' willingness to self-certify the EFA-7 form. Additionally, per the Emergency Food Assistance Program (TEFAP) Eligibility Certification Form must be collected and maintained for three (3) years plus the current year either by the ERA (FIND) or sub-ERA (FIND's agencies). Per FIND's TEFAP Reporting Guidelines Policy – copies of EFA-7 reports must be sent to a FIND Agency Representative.

Summary of Condition: During testing it was discovered that 3 agencies had not submitted their EFA-7 forms.



Recommendation: The entity program staff should Implement a system of tracking, validating, and reviewing the required submissions and ensure the reviews are conducted on all agencies on a regular basis.

FIND's CAP: FIND concurs with the finding. Effective November 2019, the Director of Community Impact implemented a review process to ensure the collection of the EFA-7 reports from the USDA certified distributions.

Finding 2019-010: Time Sheet Approval Control

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.568

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Type of Finding: Significant Deficiency in Internal Controls

Criteria: Per 2 CFR 200.430(i)(i-v) charges to Federal awards must be based on records that accurately reflect the work performed, ensure that the charges are accurate and properly allocated and be incorporated into the official records of the entity and that the cost comply with the established accounting policies and practices for the entity. Controls must be in place to ensure the accuracy of the records.

Summary of Condition and Context: During testing, 3 timesheets were discovered that did not have an approval signature.

Recommendation: The entity should implement a system through which all timesheets will be approved for each pay period and for which there is less chance of human error.

FIND's CAP: FIND concurs with the finding. An electronic time keeping system was installed in July 2019. The system includes an electronic approval system. Department Directors electronically approve time sheet entries prior to payroll processing. An approval report is attached to the payroll packet and approved by the President and CEO along with the payroll reports.

Finding 2019-011: Controls over Distributions of USDA Foodstuffs

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.569

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Type of Finding: Significant Deficiency in Internal Controls over Compliance



Criteria: Per 7 CFR 250.19 distributing agencies must maintain records of the value of foods distributed and other documents necessary to evidence the proper handling and distribution of food. Controls must be in place to ensure the accuracy of the records.

Summary of Condition and Context: Four (4) invoices were identified without signatures from the receiving agency.

Recommendations: The entity should implement a secondary review to ensure that the invoices approved by the agencies are obtained.

FIND's CAP: FIND concurs with the finding. Effective November 2019, during the process of inputting the orders into the accounting system, the accounting staff reviews the invoices for signature. If the order is not signed, the document is forwarded to the Agency Relations Coordinator for corrective action.

Finding 2019-012: Controls over Receipt of USDA Foodstuffs

Information on the Federal Program

Program: Food Distribution Cluster

CFDA Number: 10.569

Pass-Through Entity: California Department of Social Services

Federal or Sponsor Award Number: 18-MOU-06006

Sponsoring Agency: United States Department of Agriculture (USDA)

Award Year: 2018-2019

Type of Finding: Significant Deficiency in Internal Controls over Compliance

Criteria: Per 7 CFR 250.19 receiving agencies must maintain records of the value of foods distributed and other documents necessary to evidence the proper handling and receipt of food. Controls must be in place to ensure the accuracy of the records.

Summary of Condition and Context: 10 receiving inspection sheets were not completed accurately or were not fully completed.

Recommendations: The entity should implement a secondary review to ensure that the inspection sheets are completed properly.

FIND's CAP: FIND concurs with the finding. In November 2019, the receiving inspection form was redesigned to support accurate and full completion by the receiving staff. The Director of Operations implemented a secondary review process to confirm the incoming inventory has been properly inspected and the information recorded.