

**BALLARD FOOD BANK**

Financial Statements  
September 30, 2021 and 2020

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Amanda O'Rourke, CPA  
Matt Smith, CPA  
Claire Chow, CPA  
Jason Mallon, CPA



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Ballard Food Bank  
Seattle, Washington

We have audited the accompanying financial statements of Ballard Food Bank (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ballard Food Bank as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Amanda O'Rourke, CPA  
Matt Smith, CPA  
Claire Chow, CPA  
Jason Mallon, CPA



### **Supplemental 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2022 on our consideration of Ballard Food Bank'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 Ballard Food Bank'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 Ballard Food Bank's internal control over financial reporting and compliance.

*Greenwood Ohlund*

Seattle, Washington  
February 16, 2022

## BALLARD FOOD BANK

### STATEMENTS OF FINANCIAL POSITION

September 30, 2021 and 2020

ASSETS	2021	2020
Current Assets		
Cash and cash equivalents	\$ 6,557,621	\$ 1,704,582
Contributions receivable	501,467	86,309
Food inventory	74,401	70,662
Prepaid expenses and other assets	38,880	32,043
Total current assets	7,172,369	1,893,596
Cash and Cash Equivalents Restricted for Capital Campaign	-	3,319,238
Cash and Cash Equivalents Designated for Capital Campaign	-	177,110
Board-Designated Investments	1,145,148	1,018,109
Capital Campaign Contributions Receivable, net	-	1,122,674
Property and Equipment, net	12,074,085	5,483,611
Total assets	\$ 20,391,602	\$ 13,014,338
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,440,518	\$ 241,605
Accrued payroll and benefits	92,094	69,183
Current portion of loans payable	-	49,430
Total current liabilities	1,532,612	360,218
Loans Payable, net	-	1,064,164
Total liabilities	1,532,612	1,424,382
Net Assets		
Without donor restrictions	18,479,675	6,435,249
With donor restrictions	379,315	5,154,707
Total net assets	18,858,990	11,589,956
Total liabilities and net assets	\$ 20,391,602	\$ 13,014,338

*See accompanying notes to financial statements.*

## BALLARD FOOD BANK

### STATEMENTS OF ACTIVITIES For the Years Ended September 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
In-kind contributions	\$ 4,655,863	\$ -	\$ 4,655,863	\$ 3,595,068	\$ -	\$ 3,595,068
Contributions	3,114,372	250,000	3,364,372	2,715,855	86,309	2,802,164
Government grants	799,666	-	799,666	302,056	-	302,056
Special events	90,676	17,042	107,718	299,708	-	299,708
Special events - cost of direct benefit to donor	(10,959)	-	(10,959)	(46,840)	-	(46,840)
Investment return	143,314	-	143,314	133,855	-	133,855
Other income	-	-	-	20,000	-	20,000
Net assets released from restrictions	86,309	(86,309)	-	42,258	(42,258)	-
Total support and revenue	8,879,241	180,733	9,059,974	7,061,960	44,051	7,106,011
Expenses						
Program services	6,173,805	-	6,173,805	4,633,893	-	4,633,893
Management and general	165,562	-	165,562	157,071	-	157,071
Fundraising	695,419	-	695,419	531,453	-	531,453
Total expenses	7,034,786	-	7,034,786	5,322,417	-	5,322,417
Change in net assets from operating activities	1,844,455	180,733	2,025,188	1,739,543	44,051	1,783,594
Non-Operating Activities						
Contributions and government grants - Capital Campaign	-	5,243,846	5,243,846	-	1,523,015	1,523,015
Net assets released from restriction - Capital Campaign	10,199,971	(10,199,971)	-	-	-	-
<b>Change in net assets</b>	<b>12,044,426</b>	<b>(4,775,392)</b>	<b>7,269,034</b>	<b>1,739,543</b>	<b>1,567,066</b>	<b>3,306,609</b>
Net Assets, beginning of year	6,435,249	5,154,707	11,589,956	4,695,706	3,587,641	8,283,347
Net Assets, end of year	<u>\$ 18,479,675</u>	<u>\$ 379,315</u>	<u>\$ 18,858,990</u>	<u>\$ 6,435,249</u>	<u>\$ 5,154,707</u>	<u>\$ 11,589,956</u>

*See accompanying notes to financial statements.*

## BALLARD FOOD BANK

### STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended September 30, 2021 and 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 532,229	\$ 23,393	\$ 296,012	\$ 851,634	\$ 410,901	\$ 21,609	\$ 240,300	\$ 672,810
Payroll taxes	44,170	1,814	24,091	70,075	34,955	1,795	20,531	57,281
Employee benefits	73,573	85	29,150	102,808	53,283	-	20,616	73,899
Total salaries and related expenses	649,972	25,292	349,253	1,024,517	499,139	23,404	281,447	803,990
In-kind food	4,652,125	-	-	4,652,125	3,587,661	-	-	3,587,661
Food purchases	473,407	-	-	473,407	283,306	-	-	283,306
Professional fees	6,040	55,008	164,091	225,139	430	55,501	105,749	161,680
Emergency financial assistance	219,840	-	-	219,840	128,207	-	-	128,207
Occupancy	108,908	23,584	14,809	147,301	105,946	20,205	43,164	169,315
Office expenses	3,947	18,258	94,313	116,518	2,337	13,242	95,159	110,738
Miscellaneous	48	1,892	69,269	71,209	88	389	393	870
Information technology	19,734	20,710	1,600	42,044	1,881	15,459	2,533	19,873
Supplies	31,325	-	-	31,325	17,586	1,016	-	18,602
Insurance	-	15,377	-	15,377	-	19,144	-	19,144
Event food, entertainment and other	-	-	10,959	10,959	-	-	46,840	46,840
Vehicles, equipment and maintenance	8,459	1,142	263	9,864	7,312	1,677	29	9,018
Depreciation and amortization	-	4,299	1,821	6,120	-	7,034	2,979	10,013
Total expenses	6,173,805	165,562	706,378	7,045,745	4,633,893	157,071	578,293	5,369,257
Less: Special events - cost of direct benefit to donor	-	-	(10,959)	(10,959)	-	-	(46,840)	(46,840)
	<u>\$ 6,173,805</u>	<u>\$ 165,562</u>	<u>\$ 695,419</u>	<u>\$ 7,034,786</u>	<u>\$ 4,633,893</u>	<u>\$ 157,071</u>	<u>\$ 531,453</u>	<u>\$ 5,322,417</u>

*See accompanying notes to financial statements.*

## BALLARD FOOD BANK

### STATEMENTS OF CASH FLOWS For the Years Ended September 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Cash received from:		
Donors and other	\$ 3,736,038	\$ 3,373,569
Interest and dividends	35,234	82,678
Cash paid to:		
Personnel	(828,723)	(639,799)
Suppliers and others	(1,535,046)	(902,524)
Net cash flows from operating activities	1,407,503	1,913,924
Cash Flows from Investing Activities		
Purchase and construction of property and equipment	(5,361,598)	(842,900)
Proceeds from sale of investments	656,014	2,537,797
Purchase of investments	(674,973)	(1,279,103)
Net cash flows from investing activities	(5,380,557)	415,794
Cash Flows from Financing Activities		
Proceeds from contributions restricted for the Capital		
Campaign	6,366,520	2,260,369
Proceeds from issuances of loans	-	146,516
Payments on loans payable	(1,036,775)	
Debt issuance costs	-	(40,408)
Net cash flows from financing activities	5,329,745	2,366,477
<b>Net change in cash and cash equivalents</b>	<b>1,356,691</b>	<b>4,696,195</b>
Cash and Cash Equivalents, beginning of the year	5,200,930	504,735
Cash and Cash Equivalents, end of the year	<u>\$ 6,557,621</u>	<u>\$ 5,200,930</u>
Cash and Cash Equivalents, end of year, as presented on the Statements of Financial Position		
Cash and cash equivalents	\$ 6,557,621	\$ 1,704,582
Cash and cash equivalents designated for the Capital Campaign	-	177,110
Cash and cash equivalents restricted for the Capital Campaign	-	3,319,238
	<u>\$ 6,557,621</u>	<u>\$ 5,200,930</u>

*See accompanying notes to financial statements.*



# BALLARD FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

### **Note 1 – Organization and Summary of Significant Accounting Policies**

The Ballard Food Bank (the Organization) is a non-profit organization established in the 1970s to assist individuals and families in maintaining self-sufficiency by providing assistance for basic needs. The Organization provides free food and personal hygiene items to households in need throughout northwest Seattle across eight zip codes. Anyone living in Seattle may visit the food bank to shop for free groceries in the market-style food bank or hot soup, grilled sandwiches or salads at the Kindness Cafe. The Organization serves as a community resource hub by helping clients navigate resources in the community and connecting them to partner agencies they can see on-site or a warm connection to a partner agency for an off-site visit. In addition, clients can receive vouchers to obtain State of Washington identification cards. Through these collaborative partnerships, the Organization works to reduce barriers clients experience in accessing critical resources and help clients move toward self-sufficiency. For households living in the neighborhoods of Magnolia, Queen Anne, Ballard, Fremont, Phinney Ridge, Greenwood, Greenlake, and Licton Springs and parts of South Lake Union additional services are available, including home delivery, Weekend Food For Kids and emergency financial assistance for utilities and housing.

For the year ended September 30, 2021, the Organization distributed more than 2.8 million pounds of food. With COVID-19 the organization pivoted and moved to distributing food through safer, socially distanced or no-contact methods including a drive-thru in its parking lot, a home delivery program, and a no-cook window for neighbors who are homeless. With this innovation the Organization nearly doubled the number of visits and deliveries from 3,200 in February 2019 to 6,257 in September 2020. Between October 2020 and September 2021, the Organization averaged 6,992 visits per month, and had a total of 83,908 visits and deliveries, 48% more than the 2019-20 fiscal year. The Organization distributed 22,033 bags of food to approximately 600 students in the Seattle area. The Ballard Food Bank partnered with 14 schools and community groups in northwest Seattle, as well as worked with the Seattle Food for Schools Committee to distribute bags to students throughout Seattle in need during the height of the pandemic. The Food Bank also distributed approximately 13,000 of the 22,033 bags through the Home Delivery, Drive Thru and No-Cook programs. The Organization's Community Resource Hub had a total of 837 touchpoints with clients, which included 467 rental assistance to prevent homelessness, 10 move-in deposits, 28 utilities, 229 IDs, and 103 Licenses. In addition, the Organization was able to partner with other agencies for 310 connections to other critical services. The Organization's efforts have been focused on meeting the increased demand due to COVID-19 as well as ensuring the safety of their clients, volunteers and staff during this crisis.

Capital Campaign – In 2018, the Organization embarked on a fundraising campaign with the goal of raising funds to acquire land and build its future home (the Capital Campaign).

After the purchase of the property at 1400 NW Leary Way, Seattle in 2019, just several blocks away from the current facility, the Organization embarked on designing and building a new facility. The Organization hired an architecture firm to design the facility to host its grocery-style food bank, community hub and a café. The move will double the Organization's footprint and expand its capacity to serve more neighbors, who are struggling to keep up with Seattle's cost of living. Despite COVID-19, the Organization is deemed an essential business and the project has been recognized as essential and accordingly has received the permitting necessary to move forward. In September 2020 the Organization broke ground on the new facility. The Organization completed building the new facility and received its Temporary Occupancy Permit on September 17, 2021. As this marked the completion of the capital campaign, all restricted net assets related to the capital campaign were released during the year ended September 30, 2021.

# BALLARD FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

The Organization moved to the new building in the beginning of October 2021 and held its grand opening on October 18, 2021. The Organization was officially out of its prior facility by the end of October 2021 which coincided with its lease-end date.

The Organization achieved its fundraising goals that coincided with the project and construction milestones to reach a total project cost of approximately \$11.8 million. To date the Organization has invested its own funds into the new space and raised funds through foundations, businesses, individuals and public sources. In 2020, the Organization received a construction loan (see Note 3) to facilitate the start of constructing and to bridge funds that are generated through its Capital Campaign. The Organization was able to raise funds and from a cash flow perspective did not draw down on the construction loan. The Organization raised the entire amount of funds required for the project. With equity the Organization paid off the land loan during the year ended September 30, 2021 and no longer required financing. The remaining construction invoices will be paid off through funds raised and pledge payments. It is anticipated remaining project expenses will be fully invoiced and payment completed by the end of December 2021.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

### *Financial Statement Presentation*

The financial statements have been prepared on the accrual basis of accounting and have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization are reported in each of the following two classes: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are available without restriction for support of the Organization's operations. The Board of Directors has designated the following net assets without donor restrictions at September 30:

	2021	2020
Operating reserve	\$ 895,148	\$ 728,101
Capacity building and special projects	150,000	150,000
Capital assets	100,000	100,000
Capital Campaign	-	217,118
	<u>\$ 1,145,148</u>	<u>\$ 1,195,219</u>

# BALLARD FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

Board-designated net assets consist of the following assets at September 30, as recorded on the statements of financial position:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents designated for the Capital Campaign	\$ -	\$ 177,110
Board-designated investments	<u>1,145,148</u>	<u>1,018,109</u>
	<u>\$ 1,145,148</u>	<u>\$ 1,195,219</u>

Some net assets with donor restrictions are temporary in nature and consist of unexpended contributions and grants restricted for particular programs or time periods. Net assets with temporary donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or as the time restrictions are met. Net assets with donor restrictions are as follows at September 30:

	<u>2021</u>	<u>2020</u>
Time restrictions	\$ 362,273	\$ 86,309
Turkey Trot	17,042	-
Capital Campaign	<u>-</u>	<u>5,068,398</u>
	<u>\$ 379,315</u>	<u>\$ 5,154,707</u>

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., land acquisition, building construction and improvements, furniture, fixtures, and equipment) are reported as net assets with donor restrictions. When the long-lived asset is placed into service, the Organization reflects the expiration of the donor-imposed restriction as a reclassification included in net assets released from restrictions.

# BALLARD FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

### *Fair Value Measurements*

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable market inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

### *Cash and Cash Equivalents and Restricted Cash*

The Organization considers all cash accounts and money market funds (including those designated for the Capital Campaign) to be cash equivalents except when such assets are invested within the Organization's investment portfolio. At times, amounts may exceed federally insured limits. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk. Due to the release of all restricted net assets related to the Capital Campaign, the Organization does not have any cash restricted for the Capital Campaign at September 30, 2021.

### *Contributions Receivable and Revenue*

Unconditional promises to give (contributions receivable), including those received at special events, are recognized as revenues in the period the promise to give is received. Contributions receivable that are expected to be collected in one year are recorded at net realizable value. Pledges receivable over periods in excess of one year are initially recorded at fair value, and in arriving at fair value, management has discounted these contributions using donor-specific discount rates. Amortization of the present value discounts is included in contribution revenue.

Contributions receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management does not believe an allowance for uncollectible amounts is necessary at September 30, 2021 or 2020.

At September 30, 2020, contributions from one donor represented 41% of total contributions receivable. No contributions receivable at September 30, 2021 represented a significant concentration.

## BALLARD FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

Contributions receivable consist of the following at September 30:

	2021	2020
Gross receivable due in less than one year	\$ 501,467	\$ 1,138,863
Gross receivable due in one to five years	-	73,464
Total gross contributions receivable	501,467	1,212,327
Less: discount on contributions receivable (2%)	-	(3,344)
Contributions receivable, net	\$ 501,467	\$ 1,208,983

These amounts are recorded in the statements of financial position as follows at September 30:

	2021	2020
Current contributions receivable	\$ 501,467	\$ 86,309
Capital Campaign contributions receivable, net	-	1,122,674
	\$ 501,467	\$ 1,208,983

#### *Food Inventory and In-kind Food Contributions*

Food inventory consists entirely of unused donated food that will be provided to persons in need. Inventory is stated at the lower of cost or net realizable value. Cost is estimated based on the fair value for donated goods at the time of donation, which is recognized based on the dollar value per pound of food established by the State of Washington, Emergency Food Assistance Program. The valuation was \$1.75/lb through June 30, 2021, and \$1.82/lb thereafter. The total value of donated food for the year ended September 30, 2021 and 2020, was \$4,655,863 and \$3,574,042, respectively, and is included in in-kind contribution revenue on the statement of activities.

#### *Investments and Investment Return*

Investments in mutual funds and treasury bonds are stated at fair value using Level 1 inputs in the fair value hierarchy (observable market inputs such as quoted prices in active markets for identical assets). Investment return is reported in the statement of activities and consists of interest and dividend income and realized and unrealized gains and losses.

Investments (held for board-designated purposes) are composed of the following at September 30:

	2021	2020
Cash and cash equivalents	\$ 9,858	\$ 5,799
Equity mutual funds	597,318	535,324
Bond mutual funds	537,972	476,986
	\$ 1,145,148	\$ 1,018,109

## BALLARD FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

#### *Property and Equipment*

The Organization capitalizes assets with a cost greater than \$5,000 and a useful life greater than one year. Purchased property and equipment is carried at cost. Donated property and equipment are recorded at fair value when received. Depreciation of vehicles and equipment is computed using the straight-line method based on estimated useful lives of the assets, ranging from three to seven years. Leasehold improvements have been amortized over the shorter of the useful lives of the assets or the remaining lease term at the time of purchase.

Property and equipment consist of the following at September 30:

	2021	2020
1400 Leary Building	\$ 7,445,971	\$ -
Leasehold improvements	286,448	286,448
Equipment	178,605	48,520
Vehicles	175,189	65,640
	<u>8,086,213</u>	<u>400,608</u>
Less: accumulated depreciation and amortization	<u>(395,512)</u>	<u>(389,392)</u>
	7,690,701	11,216
Construction in progress - 1400 Leary Building	-	1,089,011
Land - 1400 Leary	<u>4,383,384</u>	<u>4,383,384</u>
	<u>\$ 12,074,085</u>	<u>\$ 5,483,611</u>

#### *Impairment of Long-Lived Assets*

Financial Accounting Standards Board Accounting Standards Codification 360, "Property, Plant and Equipment," requires the Organization to review long-lived assets, such as fixed assets and leasehold improvements, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairments recognized in 2021 and 2020.

# **BALLARD FOOD BANK**

## **NOTES TO FINANCIAL STATEMENTS**

### *Government Grant Revenue*

Revenues from government grants (including those received for the Capital Campaign) are recognized when the grant becomes unconditional (generally when the related qualified expenditure is incurred). Revenue from government agencies is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended September 30, 2021 and 2020, no such adjustments were made.

### *In-Kind Contributions (non-food)*

Volunteers have donated substantial amounts of their time to the Organization's programs. In accordance with generally accepted accounting principles, such amounts are not valued unless the services create or enhance a non-financial asset (e.g., property, plant, and equipment) or unless the services would typically need to be purchased by the Organization if they had not been provided by contribution, require specialized skills, and are provided by individuals with those skills. During the year ended September 30, 2020, the Organization received in-kind professional fees of \$21,026 related to services performed in relation to construction in progress. These services were capitalized to construction in progress related to the 1400 Leary building project. No such in-kind services were provided during the year ended September 30, 2021.

### *Operating and Non-Operating Activities*

Operating activities represent support and revenues and expenses solely related to the operations of and fundraising for the Organization's ongoing programs. Non-operating activities relate to contributions received for the Capital Campaign.

### *Income Taxes*

Ballard Food Bank is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

### *Allocation of Functional Expenses*

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation and amortization, which are allocated on a square-footage basis, as well as salaries and related expenses, professional fees, office expenses, and other, which are allocated on the basis of estimates of time and effort.

### *Subsequent Events*

Management of the Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was February 16, 2022.

# BALLARD FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – Liquidity and Availability of Resources

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Organization's financial assets as of September 30, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include board-designated funds that are intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include cash restricted for the Capital Campaign and contributions receivable from donors restricted for the Capital Campaign.

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 6,557,621	\$ 5,200,930
Contributions receivable, net	501,467	1,208,983
Board-designated investments	1,145,148	1,018,109
	<u>8,204,236</u>	<u>7,428,022</u>
Less: Amounts Not Available to be Used Within One Year		
Board-designated cash and cash equivalents and investments	(1,145,148)	(1,195,219)
Cash and cash equivalents restricted for the Capital Campaign	-	(3,319,238)
Capital Campaign contributions receivable, net of discount	-	(1,122,674)
	<u>\$ 7,059,088</u>	<u>\$ 1,790,891</u>

### Note 3 – Loans Payable

In August 2020, the Organization refinanced a previously held loan through the issuance of a loan with a bank (the Loan). The Loan had a maximum borrowing capacity of \$4,756,111, with a draw period through August 31, 2021, and provided financing for any costs of construction of the new building at 1400 Leary not financed by existing reserves or Capital Campaign contributions. During the year ended September 30, 2021, the Organization paid off the entirety of the loan, which accounted for \$1,036,775 of the loan payable balance at September 30, 2020. The remainder of the loan balance was made up of a Paycheck Protection Program Loan that included forgivable conditions which were met during the year ended September 30, 2021 and, therefore, the Paycheck Protection Loan amount was recognized to government grant revenue.



**SUPPLEMENTAL REPORTS AND SCHEDULES IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS* AND REQUIRED BY  
THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Ballard Food Bank  
Seattle, Washington

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of Ballard Food Bank, which comprise the statement of financial position as of September 30, 2021, 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 February 16, 2022.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ballard Food Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ballard Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of Ballard Food Bank's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Amanda O'Rourke, CPA  
Matt Smith, CPA  
Claire Chow, CPA  
Jason Mallon, CPA



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ballard Food Bank'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-002, 2021-003, and 2021-004.

## **Ballard Food Bank's Response to Findings**

Ballard Food Bank's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Ballard Food Bank's response was not subjected to the auditing procedures applied in the audit of 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Greenwood Ohlund*

Seattle, Washington  
February 16, 2022

Amanda O'Rourke, CPA  
Matt Smith, CPA  
Claire Chow, CPA  
Jason Mallon, CPA



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Ballard Food Bank  
Seattle, Washington

We have audited Ballard Food Bank'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 Ballard Food Bank's major federal programs for the year ended September 30, 2021. Ballard Food Bank'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 the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Ballard Food Bank'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 of America; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ballard Food Bank'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 Ballard Food Bank's compliance.

### **Basis for Qualified Opinion on Food Distribution Cluster**

As described in the accompanying schedule of findings and questioned costs, Ballard Food Bank did not comply with requirements regarding CFDA 10.568 Food Distribution Cluster, as described in finding numbers 2021-002 for Eligibility and 2021-003 for Special Tests. Compliance with such requirements is necessary, in our opinion, for Ballard Food Bank to comply with the types of compliance requirements applicable to that program.

### **Qualified Opinion on Food Distribution Cluster**

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion on Food Distribution Cluster" paragraph above, Ballard Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Food Distribution Cluster for the year ended September 30, 2021.

### **Opinion on the Other Major Federal Program**

In our opinion, Ballard Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2021.

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

Management of Ballard Food Bank 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 Ballard Food Bank'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 purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ballard Food Bank'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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-003 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-004 to be a significant deficiency.

Amanda O'Rourke, CPA  
Matt Smith, CPA  
Claire Chow, CPA  
Jason Mallon, CPA



Ballard Food Bank's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Ballard Food Bank's response was not subject to 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.

*Greenwood Ohlund*

Seattle, Washington  
February 16, 2022

**BALLARD FOOD BANK**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2021

Federal Grantor/Program Titles	Award Number	CFDA Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Agriculture</b>				
Food Distribution Cluster				
Passed through Food Lifeline				
Emergency Food Assistance Program	A0103	10.568	\$ 656,646	\$ -
Total Food Distribution Cluster			656,646	-
<b>Total U.S. Department of Agriculture</b>			<b>656,646</b>	<b>-</b>
<b>U.S. Department of the Treasury</b>				
Passed through Solid Ground				
COVID-19 Coronavirus Relief Fund	N/A	21.019	278,265	-
<b>Total U.S. Department of the Treasury</b>			<b>278,265</b>	<b>-</b>
<b>Total Federal Expenditures</b>			<b>\$ 934,911</b>	<b>\$ -</b>

*The accompanying notes are an integral part of this schedule.*

## **BALLARD FOOD BANK**

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

#### **Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Ballard Food Bank under programs of the federal government for the year ended September 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Ballard Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Ballard Food Bank.

#### **Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note 3 – Indirect Cost Rate**

Ballard Food Bank has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.



**BALLARD FOOD BANK**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2021

**A. Summary of Audit Results**

**Financial Statements**

Type of Auditors' report issued: Unmodified

**Internal Control over Financial Reporting**

Material weaknesses identified: Yes  
 Significant deficiencies identified not considered to be material weaknesses: None reported  
 Noncompliance material to financial statements noted: None reported

**Federal Awards:**

Material weaknesses identified: Yes  
 Significant deficiencies identified not considered to be material weaknesses: Yes  
 Type of auditors' report issued on compliance for major programs: Qualified  
 Any audit findings disclosed that are required to be reported: Yes

**Identification of Major Programs:**

<u>Program Title</u>	<u>CFDA Number</u>
Food Distribution Cluster	10.568
Coronavirus Relief Fund	21.019
Dollar threshold used to distinguish between Type A and B programs:	\$ 750,000
Auditee qualified as low-risk auditee:	No

**B. Findings – Financial Statement Audit**

None Reported

**C. Findings and Questioned Costs – Major Federal Award Programs Audit**

**2021-001 – Period of Performance**

Federal Agencies: U.S. Department of the Treasury  
 CFDA Numbers: 21.019  
 Programs: Coronavirus Relief Fund

*Criteria:* According to 2 CFR Section 200.510.b, Ballard Food Bank “must prepare a schedule of expenditures of Federal awards for the period covered by [its] financial statements”.

*Condition:* Ballard Food Bank included items in its schedule of expenditures of Federal awards that were not included in the same period covered by its financial statements.

*Cause:* Ballard Food Bank did not reconcile its schedule of expenditures of Federal awards to its financial statements for the year ended September 30, 2021.

*Effect:* Ballard Food Bank’s schedule of expenditures of federal awards had to be corrected after being initially received as there was \$37,919 of improperly included expenditures.

## BALLARD FOOD BANK

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended September 30, 2021

*Context:* Ballard Food Bank did not perform an adequate reconciliation of its schedule of expenditures of Federal awards to its financial statements for the year ended September 30, 2021.

*Questioned Costs:* N/A

*Recommendation:* We recommend that Ballard Food Bank perform an adequate reconciliation of its schedule of expenditures of Federal awards to its financial statements each year.

*Views of Responsible Officials:* Ballard Food Bank agrees with the finding. See the attached unaudited corrective action plan.

#### **2021-002 – Eligibility**

Federal Agencies: U.S. Department of Agriculture

CFDA Numbers: 10.568

Programs: Food Distribution Cluster

*Criteria:* Per 7 CFR section 251.5 (referenced in the Compliance Supplement of the Uniform Guidance), the type of commodities received by Ballard Food Bank (TEFAP) require certification of households eligible to receive these commodities for household consumption by applying income eligibility criteria established by the state agency (Washington Department of Agriculture, in this case).

*Condition:* Ballard Food Bank did not apply the appropriate income eligibility criteria to any households who received food during the year ended September 30, 2021.

*Cause:* Ballard Food Bank was unable to collect the appropriate income eligibility determinations as it was deemed unsafe due to the effects of COVID-19.

*Effect:* Eligibility determinations did not occur during the year ended September 30, 2021.

*Context:* Ballard Food Bank did not have procedures in place to meet the eligibility requirements outlined in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

*Questioned Costs:* Indeterminable.

*Recommendation:* We recommend that Ballard Food Bank develop and implement written policies and procedures that meet the eligibility requirements of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

*Views of Responsible Officials:* Ballard Food Bank agrees with the finding. See the attached unaudited corrective action plan.

#### **2021-003 – Special Tests**

Federal Agencies: U.S. Department of Agriculture

CFDA Numbers: 10.568

Programs: Food Distribution Cluster

*Criteria:* Per 7 CFR section 250.19 (referenced in the Compliance Supplement of the Uniform Guidance), accurate and complete records must be maintained with respect to the receipt, distribution/use, and inventory of U.S. Department of Agriculture Foods.

## BALLARD FOOD BANK

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2021

*Condition:* Ballard Food Bank does not have the required accurate and complete records, including (1) separate documentation of receipt, distribution, and inventory of U.S. Department of Agriculture commodities, (2) written procedures for completing annual physical inventories, and (3) support for physical inventory for the year ended September 30, 2021.

*Cause:* Ballard Food Bank was unaware of requirements regarding record-keeping outlined in the Uniform Guidance.

*Effect:* Records necessary for non-Federal entities receiving federal commodities were not in place.

*Context:* Ballard Food Bank does not have adequate policies and procedures in place to meet the record-keeping requirements outlined in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

*Questioned Costs:* Indeterminable.

*Recommendation:* We recommend that Ballard Food Bank develop and implement written policies and procedures that meet the record-keeping requirements of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

*Views of Responsible Officials:* Ballard Food Bank agrees with the finding. See the attached unaudited corrective action plan.

#### **2021-004 – Policies and Procedures in Accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards**

Federal Agencies: U.S. Department of the Treasury  
CFDA Numbers: 21.019  
Programs: Coronavirus Relief Fund

*Criteria:* According to 2 CFR Section 200.302.b and 2 CFR Section 200.305 of the Uniform Guidance, Ballard Food Bank is required to have a written financial management policy. Additionally, according to 2 CFR Section 200.317 – 200.326, Ballard Food Bank is required to have a written procurement policy.

*Condition:* Ballard Food Bank does not have written policies related to financial management or procurement.

*Cause:* Ballard Food Bank was unaware of requirements regarding policies and procedures outlined in the Uniform Guidance.

*Effect:* Policies necessary for non-Federal entities receiving federal funds were not in place.

*Context:* Ballard Food Bank does not have adequate policies and procedures in place to meet the requirements outlined in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

*Questioned Costs:* Indeterminable.

*Recommendation:* We recommend that Ballard Food Bank develop written policies and procedures that meet the requirements of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

*Views of Responsible Officials:* Ballard Food Bank agrees with the finding. See the attached unaudited corrective action plan.

## **BALLARD FOOD BANK**

### **CORRECTIVE ACTION PLAN For the Year Ended September 30, 2021**

#### **Finding Reference Number: 2021-001 – Period of Performance (CFDA: 21.019)**

Description of Finding: Ballard Food Bank did not perform an adequate reconciliation of its schedule of expenditures of Federal awards to its financial statements for the year ended September 30, 2021.

Statement of Concurrence or Nonconcurrence: Ballard Food Bank agrees with this finding.

Corrective Action: Procedures will be put into place to ensure there is a reconciliation of revenue and expenditures of Federal Awards when closing out each fiscal-year, in order to ensure that revenue and expenditures of Federal Awards are recorded in the proper period.

Name of Contact Person: Samuel Dahlin, Contract Accountant

Projected Completion Date: Complete as of 12/23/21

#### **Finding Reference Number: 2022-001 – Eligibility (CFDA: 10.568)**

Description of Finding: Ballard Food Bank was unable to collect the appropriate income eligibility determinations as it was deemed unsafe due to the effects of COVID-19.

Statement of Concurrence or Nonconcurrence: Ballard Food Bank agrees with this finding.

Corrective Action: Ballard Food Bank has reinstated the collection of eligibility information from clients to comply with Federal Requirements.

Name of Contact Person: Jen Muzia, Executive Director

Projected Completion Date: Complete as of 12/23/21

## **BALLARD FOOD BANK**

### **CORRECTIVE ACTION PLAN For the Year Ended September 30, 2021**

#### **Finding Reference Number: 2021-003 - Special Tests (CFDA: 10.568)**

Description of Finding: Ballard Food Bank does not have adequate policies and procedures in place to meet the recordkeeping requirements outlined in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Statement of Concurrence or Nonconcurrence: Ballard Food Bank agrees with this finding.

Corrective Action: Ballard Food Bank plans to implement policies & procedures to meet the recordkeeping requirements outlined in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. This includes (1) separate documentation of receipt, distribution, and inventory of U.S. Department of Agriculture commodities, (2) written procedures for completing annual physical inventories, and (3) support for physical inventory for each fiscal year-end.

Name of Contact Person: Jen Muzia, Executive Director

Projected Completion Date: September 30, 2022

#### **Finding Reference Number: 2021-004 - Policies and Procedures in Accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (CFDA: 21.019)**

Description of Finding: Ballard Food Bank does not have adequate policies and procedures in place to meet the requirements outlined in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Statement of Concurrence or Nonconcurrence: Ballard Food Bank agrees with this finding.

Corrective Action: Ballard Food Bank plans to implement a written financial management policy and a written procurement policy.

Name of Contact Person: Samuel Dahlin, Contract Accountant (financial management policy); Jen Muzia, Executive Director (procurement policy)

Projected Completion Date: June 30, 2022