



**Consolidated Financial Statements  
and  
Independent Auditors' Report  
June 30, 2018 and 2017**

**EKS&H**

# FOOD BANK OF THE ROCKIES, INC.

## Table of Contents

### Page

Independent Auditors' Report.....	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities.....	4
Consolidated Statement of Functional Expenses for the Year Ended June 30, 2018.....	5
Consolidated Statement of Functional Expenses for the Year Ended June 30, 2017.....	6
Consolidated Statements of Cash Flows.....	7
Notes to Consolidated Financial Statements.....	8
Supplementary Information	
Schedule of Wyoming Revenue and Expense Activities.....	24
Accompanying Information	
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 <i>Government Auditing Standards</i> .....	26
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	28
Schedule of Expenditures of Federal Awards.....	30
Notes to Schedule of Expenditures of Federal Awards.....	31
Schedule of Findings and Questioned Costs.....	32



8181 East Tufts Avenue, Suite 600  
Denver, Colorado 80237-2579  
P: 303-740-9400  
F: 303-740-9009  
[www.EKSH.com](http://www.EKSH.com)

EKS&H LLLP

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Food Bank of the Rockies, Inc.  
Denver, Colorado

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying consolidated financial statements of Food Bank of the Rockies, Inc. and subsidiary (the "Organization"), which are comprised of the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **AUDITORS' RESPONSIBILITY**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Food Bank of the Rockies, Inc. and subsidiary as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of Wyoming revenue and expense activities and the 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*, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 October 3, 2018 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*EKS+H LLLP*

EKS&H LLLP

# FOOD BANK OF THE ROCKIES, INC.

## Consolidated Statements of Financial Position

	June 30,	
	2018	2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 383,866	\$ 542,995
Restricted cash	<u>707,398</u>	<u>680,227</u>
Receivables		
Agency support fees, net of allowance of \$15,500	109,803	129,377
Pledges receivable	153,157	91,475
Contracts receivable	529,751	553,483
Other receivables	<u>18,994</u>	<u>21,880</u>
Total receivables	<u>811,705</u>	<u>796,215</u>
Investments	4,960,000	4,719,626
Purchased inventory	850,671	418,111
Donated inventory	4,275,738	4,801,551
Commodities inventory	1,493,325	1,596,225
Prepaid expenses	<u>375,392</u>	<u>373,640</u>
Total current assets	13,858,095	13,928,590
Long-term assets		
Property and equipment, net	13,120,759	11,405,330
Property held for sale	261,315	-
Pledges receivable, long-term	-	91,475
Endowment assets		
Investments	3,022,711	2,741,780
Life insurance policy	<u>19,564</u>	<u>19,496</u>
Total assets	<u>\$ 30,282,444</u>	<u>\$ 28,186,671</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 753,024	\$ 224,246
Accrued liabilities	675,125	659,127
Deferred revenue	131,209	41,650
Current portion of capital lease	12,939	56,923
Current portion of long-term debt	<u>177,863</u>	<u>126,371</u>
Total current liabilities	1,750,160	1,108,317
Long-term liabilities		
Capital lease obligations, net of current portion	14,731	27,670
Long-term debt, net of current portion	<u>3,194,639</u>	<u>964,007</u>
Total liabilities	<u>4,959,530</u>	<u>2,099,994</u>
Commitments and contingencies		
Net assets		
Unrestricted	16,680,555	16,672,672
Temporarily restricted	6,771,918	7,544,514
Permanently restricted	<u>1,870,441</u>	<u>1,869,491</u>
Total net assets	<u>25,322,914</u>	<u>26,086,677</u>
Total liabilities and net assets	<u>\$ 30,282,444</u>	<u>\$ 28,186,671</u>

See notes to consolidated financial statements.

**FOOD BANK OF THE ROCKIES, INC.**

**Consolidated Statements of Activities**

	For the Years Ended							
	June 30, 2018				June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support								
Agency support fees	\$ 831,038	\$ -	\$ -	\$ 831,038	\$ 879,090	\$ -	\$ -	\$ 879,090
Purchased food	1,961,775	-	-	1,961,775	1,908,783	-	-	1,908,783
Contributions and grants	9,961,058	765,444	950	10,727,452	8,890,843	1,342,901	3,425	10,237,169
Government grants and contracts	3,476,511	-	-	3,476,511	3,206,314	-	-	3,206,314
Special events	771,187	-	-	771,187	726,239	-	-	726,239
Promotions	417,527	-	-	417,527	596,601	-	-	596,601
Investment return and miscellaneous	194,623	180,049	-	374,672	142,794	214,192	-	356,986
Food contributions	-	79,265,295	-	79,265,295	-	75,605,651	-	75,605,651
Commodities contribution	-	7,520,398	-	7,520,398	-	8,064,807	-	8,064,807
Donated materials and services	47,457	-	-	47,457	79,082	-	-	79,082
(Gain) loss on sale of property and equipment	(6,685)	-	-	(6,685)	24,806	-	-	24,806
Net assets released from restrictions								
Food distributions	87,414,406	(87,414,406)	-	-	83,041,852	(83,041,852)	-	-
Satisfaction of other restrictions	1,089,376	(1,089,376)	-	-	1,031,652	(1,031,652)	-	-
Total revenues, gains, and other support	<u>106,158,273</u>	<u>(772,596)</u>	<u>950</u>	<u>105,386,627</u>	<u>100,528,056</u>	<u>1,154,047</u>	<u>3,425</u>	<u>101,685,528</u>
Expenses and losses								
Program services								
Agency Distribution	28,295,450	-	-	28,295,450	30,514,548	-	-	30,514,548
Nutrition Network	3,816,118	-	-	3,816,118	3,085,103	-	-	3,085,103
Colorado Mobile Pantry	9,220,206	-	-	9,220,206	8,201,047	-	-	8,201,047
Grocery Rescue	37,793,250	-	-	37,793,250	32,471,933	-	-	32,471,933
Colorado TEFAP	3,936,304	-	-	3,936,304	4,038,111	-	-	4,038,111
CSFP	2,577,948	-	-	2,577,948	2,625,533	-	-	2,625,533
Wyoming	16,777,198	-	-	16,777,198	16,245,370	-	-	16,245,370
Total program services	<u>102,416,474</u>	<u>-</u>	<u>-</u>	<u>102,416,474</u>	<u>97,181,645</u>	<u>-</u>	<u>-</u>	<u>97,181,645</u>
Support services								
Administration and general	1,664,645	-	-	1,664,645	1,367,180	-	-	1,367,180
Fundraising	2,069,271	-	-	2,069,271	2,073,521	-	-	2,073,521
Total support services	<u>3,733,916</u>	<u>-</u>	<u>-</u>	<u>3,733,916</u>	<u>3,440,701</u>	<u>-</u>	<u>-</u>	<u>3,440,701</u>
Total expenses and losses	<u>106,150,390</u>	<u>-</u>	<u>-</u>	<u>106,150,390</u>	<u>100,622,346</u>	<u>-</u>	<u>-</u>	<u>100,622,346</u>
Change in net assets	7,883	(772,596)	950	(763,763)	(94,290)	1,154,047	3,425	1,063,182
Net assets at beginning of year	<u>16,672,672</u>	<u>7,544,514</u>	<u>1,869,491</u>	<u>26,086,677</u>	<u>16,766,962</u>	<u>6,390,467</u>	<u>1,866,066</u>	<u>25,023,495</u>
Net assets at end of year	<u>\$ 16,680,555</u>	<u>\$ 6,771,918</u>	<u>\$ 1,870,441</u>	<u>\$ 25,322,914</u>	<u>\$ 16,672,672</u>	<u>\$ 7,544,514</u>	<u>\$ 1,869,491</u>	<u>\$ 26,086,677</u>

See notes to consolidated financial statements.

**FOOD BANK OF THE ROCKIES, INC.**

**Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2018**

	Program Services						Support Services			
	Colorado						Administration	Fundraising	Total	
	Agency Distribution	Nutrition Network	Mobile Pantry	Grocery Rescue	TEFAP	CSFP	Wyoming	and General		
Salary and fringes	\$ 2,576,951	\$ 554,544	\$ 173,311	\$ 442,772	\$ 348,628	\$ 538,642	\$ 681,188	\$ 1,268,671	\$ 794,248	\$ 7,378,955
Contributed food distributed	21,066,084	1,059,082	8,804,786	37,039,679	-	-	11,821,472	-	-	79,791,103
Commodities food distributed	-	-	-	-	3,238,314	1,544,369	2,840,620	-	-	7,623,303
Purchased food distributed	1,889,998	-	91,746	-	-	4,993	352,449	-	-	2,339,186
Distribution costs	1,106,558	33,566	42,784	107,288	53,499	59,119	436,226	1,610	317	1,840,967
Occupancy	351,697	47,240	12,698	16,979	171,289	186,922	164,168	38,592	12,998	1,002,583
Professional and contract services	190,815	53,758	5,575	9,704	32,313	33,484	47,701	191,587	85,484	650,421
Cost of prepared meals and snacks	-	1,898,406	-	-	-	-	118,859	-	-	2,017,265
Special events expense	-	-	-	-	-	-	-	-	214,870	214,870
Direct mail	-	-	-	-	-	-	-	-	764,471	764,471
Other operating	537,167	53,835	16,173	96,840	39,472	142,811	194,558	130,873	183,177	1,394,906
Depreciation	<u>576,180</u>	<u>115,687</u>	<u>73,133</u>	<u>79,988</u>	<u>52,789</u>	<u>67,608</u>	<u>119,957</u>	<u>33,312</u>	<u>13,706</u>	<u>1,132,360</u>
Total	<u>\$ 28,295,450</u>	<u>\$ 3,816,118</u>	<u>\$ 9,220,206</u>	<u>\$ 37,793,250</u>	<u>\$ 3,936,304</u>	<u>\$ 2,577,948</u>	<u>\$ 16,777,198</u>	<u>\$ 1,664,645</u>	<u>\$ 2,069,271</u>	<u>\$ 106,150,390</u>

See notes to consolidated financial statements.

**FOOD BANK OF THE ROCKIES, INC.**

**Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2017**

	Program Services						Support Services			
	Colorado									
	Agency Distribution	Nutrition Network	Mobile Pantry	Grocery Rescue	TEFAP	CSFP	Wyoming	Administration and General	Fundraising	Total
Salary and fringes	\$ 2,395,253	\$ 601,627	\$ 180,905	\$ 474,206	\$ 332,480	\$ 501,362	\$ 688,615	\$ 1,063,361	\$ 760,306	\$ 6,998,115
Contributed food distributed	23,572,767	621,388	7,729,749	31,735,272	-	-	11,706,037	-	-	75,365,213
Commodities food distributed	-	-	-	-	3,360,209	1,684,966	2,631,464	-	-	7,676,639
Purchased food distributed	1,764,953	-	137,759	-	-	-	357,192	-	-	2,259,904
Distribution costs	1,045,444	36,571	43,505	118,090	36,955	31,707	356,225	705	50	1,669,252
Occupancy	402,443	42,197	11,420	14,480	155,149	161,470	141,291	31,450	15,131	975,031
Professional and contract services	228,972	41,145	8,262	16,916	36,265	46,127	33,060	131,590	81,780	624,117
Cost of prepared meals and snacks	-	1,582,991	-	-	-	-	91,984	-	-	1,674,975
Special events expense	-	-	-	-	-	-	-	-	250,841	250,841
Direct mail	-	-	-	-	-	-	-	-	735,095	735,095
Other operating	500,925	40,378	14,793	25,856	33,721	130,731	112,998	100,734	215,853	1,175,989
Depreciation	603,791	118,806	74,654	87,113	83,332	69,170	126,504	39,340	14,465	1,217,175
Total	\$ 30,514,548	\$ 3,085,103	\$ 8,201,047	\$ 32,471,933	\$ 4,038,111	\$ 2,625,533	\$ 16,245,370	\$ 1,367,180	\$ 2,073,521	\$ 100,622,346

See notes to consolidated financial statements.



# FOOD BANK OF THE ROCKIES, INC.

## Consolidated Statements of Cash Flows

	For the Years Ended June 30,	
	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (763,763)	\$ 1,063,182
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	1,132,360	1,217,175
Loss (gain) on disposal of assets	6,685	(24,806)
Gain on investments	(179,981)	(213,376)
Contributed food distributed	87,414,406	83,041,852
Contributed food and commodities	(86,785,693)	(83,670,458)
Endowment contributions	(950)	(3,425)
Change in value of life insurance policy	(68)	(816)
Changes in assets and liabilities		
Receivables	75,985	75,357
Purchased inventory	(432,560)	305,790
Prepaid expenses	(1,752)	(66,073)
Accounts payable and accrued liabilities	544,776	65,341
Deferred revenue	89,559	(26,690)
Net cash provided by operating activities	<u>1,099,004</u>	<u>1,763,053</u>
Cash flows from investing activities		
Property and equipment purchases	(1,276,789)	(704,651)
Proceeds from the sale of property and equipment	11,000	28,000
Net purchase of investments	(341,324)	(755,051)
Net cash used in investing activities	<u>(1,607,113)</u>	<u>(1,431,702)</u>
Cash flows from financing activities		
Proceeds from long-term debt	600,000	-
Payments on long-term debt	(167,876)	(122,547)
Payments on capital leases	(56,923)	(129,467)
Endowment contributions	950	3,425
Net cash provided by (used in) financing activities	<u>376,151</u>	<u>(248,589)</u>
Net (decrease) increase in cash and cash equivalents	(131,958)	82,762
Cash, cash equivalents, and restricted cash at beginning of year	<u>1,223,222</u>	<u>1,140,460</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 1,091,264</u>	<u>\$ 1,223,222</u>

### Supplemental disclosure of cash flow information:

Cash paid for interest was \$102,407 and \$51,552 for the years ended June 30, 2018 and 2017, respectively.

### Supplemental disclosure of non-cash activity:

During September 2017, the Organization acquired a building with a note payable totaling \$1,850,000 (Note 5).

Cash, cash equivalents, and restricted cash are presented in the consolidated statements of financial position as follows:

Cash and cash equivalents	\$ 383,866	\$ 542,995
Restricted cash	<u>707,398</u>	<u>680,227</u>
	<u>\$ 1,091,264</u>	<u>\$ 1,223,222</u>

See notes to consolidated financial statements.

# **FOOD BANK OF THE ROCKIES, INC.**

## **Notes to Consolidated Financial Statements**

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

#### **Organization**

Food Bank of the Rockies, Inc. ("FBR") is a Colorado non-profit corporation organized to solicit, collect, and distribute food to those in need of assistance through non-profit member agencies.

FBR is a member of Feeding America. Its service area includes 30 counties in Northern Colorado and the entire state of Wyoming.

FBR contracted with the state of Colorado during fiscal years 2018 and 2017 for administration of four United States Department of Agriculture ("USDA") programs for Northern Colorado: The Emergency Food Assistance Program ("TEFAP"), the Commodity Supplemental Food Program ("CSFP"), the Child and Adult Care Food Program ("CACFP"), and the Summer Food Service Program ("SFSP"). During fiscal years 2018 and 2017, FBR also contracted with the state of Wyoming for administration of TEFAP and the National School Lunch Program ("NSLP"). During fiscal year 2017, FBR was also contracted with the state of Wyoming for administration of SFSP, but not during fiscal year 2018.

Under the NSLP contract, FBR distributed USDA commodities to 90 schools in Wyoming for recipients who qualify for free and/or reduced-price school lunches.

TEFAP provides for the distribution of nutritious food to low-income residents upon self-declaration of need. FBR distributes TEFAP commodities to 100 Eligible Recipient Agencies ("ERA") throughout Northern Colorado and to 33 ERAs in Wyoming.

CSFP works to improve the health of low-income seniors over 60 years of age by supplementing their diets with nutritious USDA commodity foods. Those eligible must meet income guidelines established by the state of Colorado (which is 130% of the Federal Poverty Income Guidelines), establish local residency requirements, and be able to provide identification issued by a state or federal agency. FBR is allocated to serve up to 7,262 CSFP recipients monthly at 144 ERA sites throughout the 30-county service area.

Both CACFP and SFSP are administered by the Programs Department with meals for low-income children at their 101 Kids Cafe sites. Kids Cafe programs serve meals to children at risk of hunger at locations offering recreation, tutoring, and mentoring programs. Also, through CACFP, the After-School Snacks Program supplies snacks to sites providing after-school tutoring to low-income students. Although not a federal program, FBR's Totes of Hope™ program is designed to meet the needs of hungry children at times when other resources are not available, such as weekends and school vacations. Children in the Totes of Hope™ program discreetly receive a backpack filled with food each Friday to take home for the weekend. FBR distributes 5,500 totes per week.

Food Bank of the Rockies Endowment Fund ("FBREF") is a Colorado non-profit corporation organized for the sole purpose of holding, operating, and managing an endowment fund.

# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of FBR and its subsidiary, FBREF (collectively, the "Organization"). All intercompany accounts and transactions have been eliminated in consolidation.

#### **Basis of Presentation**

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are those currently available at the discretion of the Organization's Board of Directors (the "Board") for use in the Organization's operations and those resources invested in property and equipment.

Temporarily restricted net assets are monies restricted by donors specifically for certain time periods, purposes, or programs.

Permanently restricted net assets are assets that must be maintained permanently by the Organization as required by the donor, but the Organization is permitted to use or expend part or all of any income derived from those assets.

#### **Recently Issued Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Recently Issued Accounting Pronouncements (continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment reduces the classes of net assets to net assets with donor restrictions and net assets without donor restrictions; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for the Organization for the year ending June 30, 2019, with early adoption allowed. Entities should apply the amendment in this update retrospectively to all periods presented.

The Organization is currently evaluating the impact of the pending adoption of these new standards on the consolidated financial statements.

#### Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio or otherwise encumbered.

#### Restricted Cash

Restricted cash represents contributions that have been received but have not been expended for their restricted purpose.

#### Agency Support Fees Receivable

Balances represent agency support fees that have not yet been collected. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are written off based on the specific circumstances of the agencies. As of June 30, 2018 and 2017, the Organization reserved an allowance for doubtful accounts of \$15,500.

# **FOOD BANK OF THE ROCKIES, INC.**

## **Notes to Consolidated Financial Statements**

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### **Pledges Receivable**

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value and those that are expected to be collected in future years are recorded at the present value of estimated future cash flows. As of June 30, 2018 and 2017, there were \$153,157 and \$182,950 in pledges receivable outstanding, respectively. The Organization expects that all promises to give are fully collectible; accordingly, there was no allowance for uncollectible pledges receivable. No discount has been recorded related to the pledge receivable, as all outstanding amounts are expected to be collected within one year.

#### **Contracts Receivable**

Balances represent amounts due from the state of Colorado for contracted services. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are written off based on the specific circumstances. As of June 30, 2018 and 2017, the Organization expects that all contracts receivable will be fully collectible; accordingly, there is no allowance for contracts receivable.

#### **Investments**

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with unrealized gains and losses included in the consolidated statements of activities. Certificates of deposit are recorded at amortized cost.

#### **Food Inventory**

Donated food inventory is valued at an average of the national wholesale prices as determined by Feeding America. Purchased food inventory is valued at the cost of products purchased as determined by the first-in, first-out method. Donated commodities inventory received from the USDA is valued based on prices provided by the USDA.

#### **Property and Equipment**

Property and equipment with unit costs of \$5,000 or more are capitalized at cost if purchased and at fair value if contributed. Depreciation of property and equipment is computed on the straight-line method based upon the estimated useful lives of the assets, which range from 1 to 30 years.

#### **Property Held for Sale**

Property held for sale represents a certain building and land that the Organization decided to sell during 2018 and, therefore, is no longer depreciating. During 2018, the Organization entered into a commitment for the sale of the property. The closing date of the sale occurred on July 2, 2018 for \$526,126, net of closing costs, and was due in full upon the closing date of the sale. As of June 30, 2018, assets held for sale included cost and accumulated depreciation of \$590,346 and \$329,031, respectively.

# **FOOD BANK OF THE ROCKIES, INC.**

## **Notes to Consolidated Financial Statements**

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### **Long-Lived Assets**

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Organization looks primarily to the undiscounted future cash flows in its assessment of whether long-lived assets have been impaired. As of June 30, 2018 and 2017, no impairment was required to be recognized.

#### **Contributions**

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Organization. Amounts of temporarily restricted contributions are subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those restrictions.

#### **Donated Services**

During the years ended June 30, 2018 and 2017, volunteers from the community donated approximately 122,900 and 122,800 hours, respectively, which were valued based on industry standards at approximately \$3,291,000 and \$3,189,000, respectively, to assist the Organization in achieving the goals of its programs; however, no value for these services has been recorded in the accompanying consolidated financial statements, as specialized skills were not required.

#### **Deferred Revenue**

Registration fees and other receipts relating to future years are deferred and recognized as revenue in the applicable future period when the related expenses are incurred.

#### **Donated Food and Commodities**

The Organization receives donated food and commodities from local area merchants, the USDA, and Feeding America.

During the year ended June 30, 2018, FBR received and distributed approximately 47,200,000 and 47,400,000 pounds, respectively, of donated usable food. During the year ended June 30, 2017, FBR received and distributed approximately 43,700,000 pounds of donated usable food. As of June 30, 2018 and 2017, donated food inventory consisted of approximately 2,560,000 pounds at an average value of \$1.68 per pound and approximately 2,775,000 pounds at an average value of \$1.73 per pound, respectively. The inventory value is determined by Feeding America.

During the years ended June 30, 2018 and 2017, FBR received approximately 10,000,000 and 10,500,000 pounds of commodities, respectively, and distributed approximately 10,100,000 and 9,900,000 pounds of commodities, respectively.

# **FOOD BANK OF THE ROCKIES, INC.**

## **Notes to Consolidated Financial Statements**

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### **Donated Food and Commodities (continued)**

FBR purchases high-protein foods to supplement contributed food. As of June 30, 2018 and 2017, purchased food inventory was \$850,671 and \$418,111, respectively.

#### **Agency Support Fee Revenue**

For the years ended June 30, 2018 and 2017, agencies in Colorado supported FBR with a maximum fee of \$0.10 per donated pound on selected categories of donated products to partially offset the handling and redistribution costs incurred by FBR. For the years ended June 30, 2018 and 2017, agencies in Wyoming supported FBR with a maximum fee of \$0.19 per donated pound. Fees during 2018 and 2017 were based on the types of product distributed. The average support fee per donated pound was approximately \$0.02 for the years ended June 30, 2018 and 2017 with approximately 47,400,000 and 43,700,000 donated pounds distributed for the years ended June 30, 2018 and 2017, respectively. The Organization distributed approximately 36,800,000 and 32,200,000 pounds at no fee in the years ended June 30, 2018 and 2017, respectively.

#### **Functional Expenses**

Expenses incurred directly for a program service are charged to such service. Accordingly, certain costs are allocated among the program and supporting services benefited based on the time expended, space utilized, or by another rational basis.

#### **Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The entities within the Organization are not private foundations within the meaning of Section 509(a) of the Code.

The Organization applies a more-likely-than-not measurement methodology to reflect the consolidated financial statement impact of certain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2018 and 2017.

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as administration and general expense. No interest or penalties have been assessed as of June 30, 2018 or 2017.

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

# **FOOD BANK OF THE ROCKIES, INC.**

## **Notes to Consolidated Financial Statements**

### **Note 2 - Endowment**

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors of FBREF to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with the endowment are classified based on the existence or absence of donor-imposed restrictions.

#### **Interpretation of Relevant Law**

The Board of Directors of FBREF has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of initial gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

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

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to support future activities while seeking the proper balance of preservation of capital. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as Board-designated funds. Under this policy, as approved by the Board of Directors of FBREF, the endowment assets are invested in a manner that seeks a total annual return approach of the endowment and appropriate capital market measures, such as securities indices, while assuming a moderate level of investment risk. The Organization expects its endowment funds to provide an average rate of return of approximately 7% to 10% over the long term. Actual returns in any given year may vary from this amount.



# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

### Note 2 - Endowment (continued)

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on optimal allocation of stocks and bonds, in which investment returns are achieved through bonds to satisfy current income requirements and control volatility, common stock to generate capital, and income growth to preserve and enhance the endowment. The Organization targets a diversified asset allocation that places a greater emphasis on fixed-income investments to achieve its long-term return objectives within prudent risk constraints. The Board of Directors of FBREF is responsible for selecting the asset mix and managers for the endowment. The asset allocation target ranges are as follows:

Equities	40% - 60%
Fixed income (including cash reserves)	40% - 60%
Cash reserves	As required

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

Distributions from the endowment fund will benefit the Organization and other approved organizations as determined by the Board of Directors of FBREF. For the years ended June 30, 2018 and 2017, distributions available to the Organization were reinvested in the endowment fund.

#### Endowment Net Assets Composition by Type of Fund as of June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 463,611	\$ 1,870,441	\$ 2,334,052
Board-designated endowment funds	<u>708,223</u>	<u>-</u>	<u>-</u>	<u>708,223</u>
Total funds	<u>\$ 708,223</u>	<u>\$ 463,611</u>	<u>\$ 1,870,441</u>	<u>\$ 3,042,275</u>

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 608,223	\$ 283,562	\$ 1,869,491	\$ 2,761,276
Investment return - net appreciation	-	179,981	-	179,981
Change in value of life insurance policy	-	68	-	68
Transfer from FBR to FBREF	100,000	-	-	100,000
Contributions	<u>-</u>	<u>-</u>	<u>950</u>	<u>950</u>
Endowment assets, end of year	<u>\$ 708,223</u>	<u>\$ 463,611</u>	<u>\$ 1,870,441</u>	<u>\$ 3,042,275</u>

# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

### Note 2 - Endowment (continued)

#### Endowment Net Assets Composition by Type of Fund as of June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 283,562	\$ 1,869,491	\$ 2,153,053
Board-designated endowment funds	<u>608,223</u>	<u>-</u>	<u>-</u>	<u>608,223</u>
Total funds	<u>\$ 608,223</u>	<u>\$ 283,562</u>	<u>\$ 1,869,491</u>	<u>\$ 2,761,276</u>

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 608,223	\$ 69,370	\$ 1,866,066	\$ 2,543,659
Investment return - net appreciation	-	213,376	-	213,376
Change in value of life insurance policy	-	816	-	816
Contributions	<u>-</u>	<u>-</u>	<u>3,425</u>	<u>3,425</u>
Endowment assets, end of year	<u>\$ 608,223</u>	<u>\$ 283,562</u>	<u>\$ 1,869,491</u>	<u>\$ 2,761,276</u>

Endowment asset composition was as follows:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Investments	\$ 3,022,711	\$ 2,741,780
Life insurance policy	<u>19,564</u>	<u>19,496</u>
	<u>\$ 3,042,275</u>	<u>\$ 2,761,276</u>

# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

### **Note 3 - Property and Equipment**

The Organization's property and equipment are comprised of the following:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Buildings	\$ 5,516,512	\$ 4,335,152
Leasehold improvements	6,088,384	6,046,896
Vehicles	4,018,004	4,006,894
Furniture and equipment	3,177,087	3,085,685
Land	1,360,830	1,238,830
Construction in progress	<u>919,677</u>	<u>-</u>
	21,080,494	18,713,457
Less accumulated depreciation	<u>(7,959,735)</u>	<u>(7,308,127)</u>
Total	<u>\$ 13,120,759</u>	<u>\$ 11,405,330</u>

### **Note 4 - Line-of-Credit**

The Organization has a \$1,000,000 line-of-credit with a bank, which is collateralized by the Denver headquarters building. Interest accrues at the greater of the prime rate or 5.25% (5.25% at June 30, 2018) and matures in August 2020. There was no outstanding balance due on the line-of-credit at June 30, 2018 or 2017.

### **Note 5 - Long-Term Debt**

Long-term debt consists of the following:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Note payable to the USDA with interest of 3.25%. The note calls for monthly payments of \$7,489, matures in September 2054, and is collateralized by a building. The note also subjects the Organization to certain reserve requirements.	\$ 1,909,041	\$ -
Note payable to a bank with interest of 4%. The note calls for monthly payments of \$13,203, matures in June 2025, and is collateralized by a deed of trust on property owned by the Organization. The note also subjects the Organization to certain financial covenants.	964,010	1,080,795

# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

### Note 5 - Long-Term Debt (continued)

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Note payable to the USDA with interest of 3.25%. The note calls for monthly payments of \$3,656, matures in September 2032, and is collateralized by equipment. The note also subjects the Organization to certain reserve requirements.	499,451	-
Notes payable to a finance company paid in full during 2018.	-	9,583
	3,372,502	1,090,378
Less current portion	(177,863)	(126,371)
Long-term portion of notes payable	<u>\$ 3,194,639</u>	<u>\$ 964,007</u>

Maturities of long-term debt are as follows:

#### Year Ending June 30,

2019	\$ 177,863
2020	184,658
2021	191,889
2022	199,317
2023	212,919
Thereafter	<u>2,405,856</u>
	<u>\$ 3,372,502</u>

### Note 6 - Capital Lease

The Organization has acquired assets under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the assets have been capitalized in property and equipment. Under the lease, total monthly payments are \$1,165. The lease is collateralized by the related assets. The lease expires in July 2020. Amortization of the leased property is included in depreciation and amortization expense.

The assets under the capital lease have costs and accumulated amortization as follows:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Equipment	\$ 62,069	\$ 425,731
Less accumulated amortization	<u>(37,242)</u>	<u>(150,435)</u>
Capital leased assets, net of accumulated amortization	<u>\$ 24,827</u>	<u>\$ 275,296</u>

# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

### **Note 6 - Capital Lease (continued)**

Maturities of the capital lease obligations are as follows:

#### Year Ending June 30,

2019	\$	13,980
2020		13,980
2021		<u>1,165</u>
Total minimum lease payments		29,125
Amount representing interest		<u>(1,455)</u>
Present value of net minimum lease payments		27,670
Less current portion		<u>(12,939)</u>
Long-term capital lease obligations	\$	<u><u>14,731</u></u>

### **Note 7 - Restricted Net Assets**

The temporarily restricted net assets represent the net proceeds of donations that have been restricted by the donors to be used only for the following purposes:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Food for distribution	\$ 5,769,062	\$ 6,397,775
Unappropriated endowment earnings	463,611	283,562
Other restrictions	<u>539,245</u>	<u>863,177</u>
	<u><u>\$ 6,771,918</u></u>	<u><u>\$ 7,544,514</u></u>

For additional information on permanently restricted net assets, refer to Note 2.

### **Note 8 - Fair Value Measurements and Investments**

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1: Quoted prices in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2: Observable prices that are based on inputs not quoted in active markets but corroborated by market data; or
- Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

### Note 8 - Fair Value Measurements and Investments (continued)

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The following is a description of the valuation methodologies used for assets measured at fair value:

*Equities and mutual funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Corporate and municipal bonds, U.S. Treasuries, and commercial paper:* Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings.

Financial assets carried at fair value as of June 30, 2018 are classified in the table below in one of the categories described above:

Description	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$ 962,098	\$ -	\$ 962,098
Municipal bonds	-	277,454	-	277,454
U.S. Treasuries	-	49,309	-	49,309
Money market mutual funds	138,966	-	-	138,966
Equities	1,248,774	-	-	1,248,774
Equity mutual funds	<u>346,110</u>	<u>-</u>	<u>-</u>	<u>346,110</u>
Total assets at fair value	<u>\$ 1,733,850</u>	<u>\$ 1,288,861</u>	<u>\$ -</u>	<u>\$ 3,022,711</u>

Financial assets carried at fair value as of June 30, 2017 are classified in the table below in one of the categories described above:

Description	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$ 824,198	\$ -	\$ 824,198
Municipal bonds	-	367,761	-	367,761
Equities	1,130,647	-	-	1,130,647
Equity mutual funds	322,602	-	-	322,602
Commercial paper	<u>-</u>	<u>999,626</u>	<u>-</u>	<u>999,626</u>
Total assets at fair value	<u>\$ 1,453,249</u>	<u>\$ 2,191,585</u>	<u>\$ -</u>	<u>\$ 3,644,834</u>

Investments on the consolidated statements of financial position include cash, money market funds, and certificates of deposit totaling \$4,960,000 and \$3,816,572 at June 30, 2018 and 2017, respectively, that are not subject to fair value classification reporting requirements.

# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

### **Note 8 - Fair Value Measurements and Investments (continued)**

Investment return consists of the following:

	For the Years Ended June 30,	
	2018	2017
Realized and unrealized gains	\$ 179,981	\$ 213,376
Interest from certificates of deposit	<u>35,377</u>	<u>17,410</u>
	<u>\$ 215,358</u>	<u>\$ 230,786</u>

### **Note 9 - Commitments and Contingencies**

#### **Operating Lease**

The Organization leases a facility under a non-cancelable operating lease that expires May 2021. Rent expense for the years ended June 30, 2018 and 2017 was approximately \$166,000 and \$157,000, respectively.

Future minimum lease payments under this lease are approximately:

<u>Year Ending June 30,</u>	
2019	\$ 171,000
2020	176,000
2021	<u>165,000</u>
	<u>\$ 512,000</u>

#### **Government Contracts**

The Organization receives certain reimbursements from contracts with various governmental agencies. The disbursement of funds received under these contracts generally requires compliance with the terms and conditions specified in the contracts and is subject to audit by the contracting agencies. However, management believes that the amount of changes to these contracts that may be disallowed from any such audits would not have a significant impact on the consolidated financial statements; accordingly, no provision has been made in the consolidated financial statements for any liability that may result.

### **Note 10 - Retirement Plan**

The Organization has a retirement plan under Code Section 401(k). Under the retirement plan, employees who work at least 1,000 hours per year are eligible to participate, at which time the Organization will match 100% of the first 3% of the employee's contributions and 50% of the next 3% of the employee's contributions. The Organization contributed \$166,444 and \$164,009 to the retirement plan in fiscal years 2018 and 2017, respectively.

# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

### **Note 11 - Direct Mailing**

Direct mail produced the following results:

	For the Years Ended June 30,	
	2018	2017
Direct mail contributions	\$ 3,360,578	\$ 3,042,937
Direct mail expense	<u>(764,471)</u>	<u>(735,095)</u>
Net direct mail contributions	<u>\$ 2,596,107</u>	<u>\$ 2,307,842</u>

### **Note 12 - Subsequent Events**

The Organization has evaluated all subsequent events through the auditors' report date, which is the date the consolidated financial statements were available to be issued.

As described in Note 1, property that was held for sale as of June 30, 2018 was sold in July 2018 for \$526,126, net of closing costs, which resulted in a gain of approximately \$265,000.



## **SUPPLEMENTARY INFORMATION**

# FOOD BANK OF THE ROCKIES, INC.

## Schedule of Wyoming Revenue and Expense Activities

	June 30,	
	<u>2018</u>	<u>2017</u>
Revenue		
Agency support fee	\$ 183,910	\$ 182,399
Purchased food	295,417	324,744
Food contributions	11,821,472	11,706,037
Commodities contributions	2,840,620	2,631,464
Contributions	573,188	567,376
Government contract	379,331	403,920
Other income	94,740	60,279
Net assets released	<u>200,822</u>	<u>197,662</u>
Total revenue	<u>16,389,500</u>	<u>16,073,881</u>
Expenses		
Program expenses		
Salaries and fringes	681,188	688,615
Contributed food distributed	11,821,472	11,706,037
Commodities food distributed	2,840,620	2,631,464
Purchased food distributed	352,449	357,192
Distribution cost	436,226	356,225
Other expenses	<u>645,243</u>	<u>505,837</u>
Total program expenses	16,777,198	16,245,370
Fundraising and administration expense	<u>413,454</u>	<u>315,895</u>
Total expenses	<u>17,190,652</u>	<u>16,561,265</u>
Excess of expenses over revenue	<u><u>\$ (801,152)</u></u>	<u><u>\$ (487,384)</u></u>

## **ACCOMPANYING INFORMATION**

**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 Bank of the Rockies, Inc.  
Denver, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Food Bank of the Rockies, Inc. (the "Organization") (a non-profit organization), which are comprised of the consolidated statements of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 3, 2018.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors  
Food Bank of the Rockies, Inc.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

## **PURPOSE OF THIS REPORT**

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

*EKS+H LLLP*

EKS&H LLLP

Denver, Colorado  
October 3, 2018

**INDEPENDENT AUDITORS' 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  
Food Bank of the Rockies, Inc.  
Denver, Colorado

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited Food Bank of the Rockies, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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* 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

To the Board of Directors  
Food Bank of the Rockies, Inc.

### Opinion on Each Major Federal Award

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

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on 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 the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance 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 non-compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **PURPOSE OF THIS REPORT**

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

*EKS&H LLP*

EKS&H LLP

Denver, Colorado  
October 3, 2018

# FOOD BANK OF THE ROCKIES, INC.

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Program Control Number	Total Expenditures	Value of Commodities Redistributed to Subrecipients
<u>U.S. Department of Agriculture</u>				
Received directly from:				
State of Wyoming Department of Rural Development				
Community Facilities Loans and Grants				
Building loan*	10.766		\$ 1,930,000	\$ -
Equipment loan*	10.766		<u>520,000</u>	<u>-</u>
Subtotal - Community Facilities Loans and Grants			<u>2,450,000</u>	<u>-</u>
Received as a subrecipient from:				
State of Colorado Department of Agriculture				
The Emergency Food Assistance Program				
Administrative costs*	10.568	F0500001	537,310	-
Food commodities*	10.569		-	3,238,313
Received as a subrecipient from:				
State of Wyoming Department of Family Services				
The Emergency Food Assistance Program				
Administrative costs*	10.568	F0500001	150,000	-
Food commodities*	10.569		-	977,370
Received as a subrecipient from:				
State of Colorado Department of Agriculture				
Commodities Supplemental Food Program				
Administrative costs*	10.565	F0500001	444,558	-
Food commodities*	10.565		<u>-</u>	<u>1,544,369</u>
Subtotal - Food Distribution Cluster			<u>1,131,868</u>	<u>5,760,052</u>
Received as a subrecipient from:				
State of Colorado Department of Public Health and Environment				
Child and Adult Care Food Programs	10.558	CFP06000001	1,671,546	-
Received as a subrecipient from:				
State of Colorado Department of Education				
Summer Food Service Programs for Children	10.559		<u>443,492</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>5,696,906</u>	<u>5,760,052</u>
Total			<u>\$ 5,696,906</u>	<u>\$ 5,760,052</u>

\* Major program

See accompanying notes to schedule of expenditures of federal awards.



# FOOD BANK OF THE ROCKIES, INC.

## Notes to Schedule of Expenditures of Federal Awards

(1) Method of Accounting

The accompanying schedule of expenditures of federal awards has been prepared on an accrual basis. The information in this 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*.

(2) Subrecipients

Food Bank of the Rockies, Inc. (the "Organization") provided federal awards to subrecipients under the Emergency Food Assistance Program, Federal CFDA Number 10.569, and the Commodities Supplemental Food Program, CFDA Number 10.565, in the amount of \$4,215,683 and \$1,544,369, respectively, during the year ended June 30, 2018.

(3) Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. As of June 30, 2018, the Organization had food commodities totaling \$1,493,325 in inventory.

(4) Reconciliation to Consolidated Financial Statements

The Organization receives restricted grants from other sources in addition to its federal awards. The following analysis reconciles expenditures in the accompanying schedule to revenue reflected in the Organization's consolidated financial statements for the year ended June 30, 2018:

Government grants and contract revenue	
Federal grant revenue/expenditures	\$ 5,696,906
Non-federal grants and contract revenue	229,605
Less government building and equipment loans	<u>(2,450,000)</u>
	<u><u>\$ 3,476,511</u></u>

(5) Indirect Cost Rate

The Organization did not elect to use the 10% de minimis indirect cost rate.

# FOOD BANK OF THE ROCKIES, INC.

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

### Section I - Summary of Auditors' Results

#### *Consolidated Financial Statements*

Type of auditors' report issued - *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified? ☐ Yes ☒ None reported

Non-compliance material to consolidated financial statements noted? ☐ Yes ☒ No

#### *Federal Awards*

Type of auditors' report issued on compliance for major programs - *Unmodified*

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major programs:

Name of Program	CFDA#
Food Distribution Cluster:	
Commodities Supplemental Food Program	10.565
Emergency Food Assistance Program (Administrative Costs)	10.568
Emergency Food Assistance Program (Food Commodities)	10.569
Community Facilities Loans and Grants	10.766

Dollar threshold used to distinguish between type A and B programs: \$750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

### Section II - Consolidated Financial Statement Findings

None.

### Section III - Current Year Findings and Questioned Costs Relating to Federal Awards

None.

### Section IV - Prior Year Findings and Questioned Costs Relating to Federal Awards

None.