

December 4, 2015

To Just Food Stakeholders:

As Just Food of Douglas County navigated through some difficult events over the past several months, we pledged transparency. The board of directors engaged a respected regional accounting firm to audit our organization's financial statements for 2013 and 2014. We recently received and reviewed the independent auditor's report and are sharing it with Just Food's supporters and the public.

The audit, performed by Summers, Spencer & Company, P.A., confirmed the findings and financial restatements made by McFadden Group, the accounting firm engaged by the board to manage and review all financial transactions of the organization. The auditors noted issues with our internal controls, which have been addressed with corrective action by the board.

The following is our summary of deficiencies in the internal controls and the corrective action taken along with other measures that are being implemented:

- Segregation of cash management duties: The executive director could receive, deposit and record all cash receipts, as well as sign checks up to \$1,000.
  - Corrective action: The organization established a P.O. Box for receiving donations, which only designated board members may access and collect. All deposits and invoices are delivered immediately to an outside accounting firm engaged by the board. The board also formed a finance committee to review all transactions and bank reconciliations. Only members of the board's executive committee may sign checks. These changes were made within days of discovery of payroll tax liability.
- Payroll duties: The executive director was responsible for working with an accountant to maintain compliance with laws and regulations surrounding payroll taxes. Executive director was also responsible for new employee setup, however, procedures were inconsistent and not well-documented. Executive director did not work with an accountant and misled the board with regard to compliance with this policy.
  - Corrective action: An outside accountant is now required to process payroll and payroll taxes. All payroll tax forms are reviewed and signed by the board president. These changes were made within days of discovery of payroll tax liability.
  - Corrective action suggested and accepted: All new hires and compensation changes of all employees are approved by resolution of the board.
- Financial statement duties: The organization's inventory count procedure and financial statements were inconsistent.
  - Corrective action: An outside accounting firm is now required to prepare all financial statements on a monthly basis. These changes were made within days of discovery of payroll tax liability.
  - Corrective action suggested and accepted: Just Food will conduct an inventory count for the year ending December 31, 2015, following procedures recommended by SS&C.

- Supporting documentation: The executive director was responsible for maintaining supporting documentation for cash disbursements or debit card expenses. Checks were issued out of sequence and there were missing checks. Additionally, board meeting minutes for two months were not captured by the Executive Director.
  - Corrective action: McFadden Group requires documentation for all expenses. The organization has implemented a documentation retention system to organize information and retain copies in electronic or paper files as appropriate.
- Bank reconciliation: The executive director was responsible for having bank reconciliations made by an outside accountant. The accountant was dismissed without board knowledge and the board was misled with regard to compliance with this policy.
  - Corrective action: The board engaged McFadden Group to perform all bank reconciliation for 2013 and 2014, as well as cash management services going forward. Additionally, the finance committee reviews all bank reconciliations and statements. These changes were made within days of discovery of payroll tax liability.
- Net asset reporting: Restricted net assets were not tracked accurately.
  - Corrective action suggested and accepted: Just Food will track restricted net assets through accounting and donor software. Additionally, the organization will reconcile deposits with the donor software and the accounting system on a quarterly basis.

The audit reviews financial statements of 2013 and 2014. Subsequent events in 2015 that led to the heightened awareness of our audit warrant mention, as well. Just Food's board of directors discovered and paid off in 2015 the organization's payroll tax liability, thanks in large part to generous support from the community. Just Food raised \$79,907 through a crowdsourcing campaign in September and other fundraising efforts, which paid the tax liability and allowed the organization to return our focus to our vision of freedom from hunger in Douglas County.

The Just Food Board of Directors takes seriously its responsibility to the clients and supporters of our organization. We thank all those who have voiced their concerns, offered their support and helped us through a challenging period. Although we cleared some significant hurdles, we still have work to do. This audit helps ensure we are on the right path and provides accountability to our many valuable stakeholders, without whom this organization would not exist.

Sincerely,

The Just Food Board of Directors  
Kristi Henderson, president  
Will Katz, vice president  
Maley Wilkins, treasurer  
Emily Peterson, secretary  
Jennifer Alderdice  
Brandon Deines  
Chris Earl  
Myrone Grady  
Sue Hack



THE FOOD BANK OF DOUGLAS COUNTY

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Mike Logan  
Debbie McCord  
Nancy Thellman