

**FOOD BANK OF THE ALBEMARLE  
*AN AFFILIATE OF FEEDING AMERICA***

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
Elizabeth City, North Carolina

**Report on the Financial Statements**

I have audited the accompanying financial statements of Food Bank of the Albemarle, *An Affiliate of Feeding America*, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Bank of the Albemarle as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and State awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, 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 my 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*, I have also issued my report dated November 28, 2017, on my consideration of Food Bank of the Albemarle's internal controls over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 Food Bank of the Albemarle's internal controls over financial reporting and compliance.



Edenton, North Carolina  
November 28, 2017

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
 Statement of Financial Position  
 June 30, 2017

**ASSETS**

<b>CURRENT ASSETS</b>	
Cash	\$ 183,060
Accounts Receivable	116,736
Inventories	464,281
Total Current Assets	764,077
PROPERTY AND EQUIPMENT, net	537,731
OTHER ASSETS	250
<b>TOTAL ASSETS</b>	<b>\$ 1,302,058</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>	
Current Portion of Notes Payable	\$ 39,756
Line of Credit	80,000
Accounts Payable	24,842
Accrued Vacation Payable	24,862
Deferred Revenue	8,000
Total Current Liabilities	177,460
<b>LONG-TERM LIABILITIES</b>	
Notes Payable, net of current portion	143,942
Total Long-Term Liabilities	143,942
Total Liabilities	321,402
<b>NET ASSETS</b>	
Unrestricted	
Operating	126,636
Unemployment Reserve	35,706
Inventories	464,281
Fixed Assets	354,033
Total Net Assets	980,656
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,302,058</b>

See accompanying notes to the financial statements and independent auditor's report.

Food Bank of the Albemarle  
An Affiliate of Feeding America  
Statement of Activities  
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions			
Public Support	\$ 374,318	\$ -	\$ 374,318
Grants			
Federal Awards	191,064	-	191,064
State Awards	493,447	-	493,447
United Way	36,043	-	36,043
Other Grants	429,080	-	429,080
Agency Shared Contribution Fee	161,742	-	161,742
Delivery Fees	100,453	-	100,453
Warehouse Annual Fees	8,008	-	8,008
Agency Food Purchases	321,622	-	321,622
Interest Income	122	-	122
Miscellaneous	3,429	-	3,429
Pick and Pack	1,502	-	1,502
Insurance Reimbursement	7,179	-	7,179
In-Kind Contribution	20,993	-	20,993
Loss on Sale of Property and Equipment	(1,657)	-	(1,657)
Consumable Product Donations/Receipts	7,855,172	-	7,855,172
Total Support and Revenue	<u>10,002,517</u>	<u>-</u>	<u>10,002,517</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS</b>	<u>10,002,517</u>	<u>-</u>	<u>10,002,517</u>
<b>EXPENSES</b>			
Program Services - Food Distribution	9,955,152	-	9,955,152
Support Services - Management and General	111,837	-	111,837
Fundraising	168,229	-	168,229
Depreciation Expense	50,781	-	50,781
<b>TOTAL EXPENSES</b>	<u>10,285,999</u>	<u>-</u>	<u>10,285,999</u>
<b>DECREASE IN NET ASSETS</b>	(283,482)	-	(283,482)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,264,138</u>	<u>-</u>	<u>1,264,138</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 980,656</u>	<u>\$ -</u>	<u>\$ 980,656</u>

See accompanying notes to the financial statements and independent auditor's report.

Food Bank of the Albemarle  
An Affiliate of Feeding America  
Statement of Functional Expense  
Year Ended June 30, 2017

	Program Services	Management And General	Fundraising	Total
Salaries and wages	\$ 502,839	\$ 78,364	\$ 71,834	653,037
Payroll taxes	37,657	5,869	5,379	48,905
Fringe Benefits	64,834	10,104	9,262	84,200
Total personnel expenses	<u>605,330</u>	<u>94,337</u>	<u>86,475</u>	<u>786,142</u>
Advertising	-	-	391	391
Bad Debt Expense	366	-	-	366
Bank service charges	-	126	1,623	1,749
Branding	1,125	-	-	1,125
Building maintenance	5,704	-	37	5,741
Building supplies	9,536	-	-	9,536
CACFP sponsored program	32,024	-	-	32,024
Conferences, meetings and training	14,542	3,933	1,527	20,002
Contractual Labor	653	-	-	653
Dues & subscriptions	2,554	-	-	2,554
Employee materials	1,053	-	-	1,053
Equipment hardware and software	13,730	-	1,112	14,842
Equipment purchases	450	-	-	450
Equipment rental	6,523	-	-	6,523
Equipment repairs & maintenance	16,810	1,024	82	17,916
Exterminating	1,716	-	53	1,769
Feeding America membership fees	7,045	-	-	7,045
Food purchased/distributed	670,181	-	-	670,181
Donated/surplus food distributed	7,794,627	-	-	7,794,627
Food spoilage	347,887	-	-	347,887
Freight and delivery	25,913	-	-	25,913
Grant Application Fees	340	-	-	340
Supplies - fundraising/direct mail	-	-	54,558	54,558
In-kind contributions - gift cards	566	-	-	566
Insurance - board	-	1,609	-	1,609
Insurance - building	11,605	-	-	11,605
Insurance - vehicles	8,301	-	-	8,301
Interest	6,778	-	-	6,778
Lawn care	2,683	-	-	2,683
Miscellaneous	421	-	-	421
NCAFAFB Association fees	15,485	-	-	15,485
Office supplies	7,966	494	269	8,729
Payroll processing fees	3,254	500	488	4,242
Postage	2,929	-	4,872	7,801
Printing	4,328	80	72	4,480
Professional fees	-	9,734	-	9,734
Property tax	1,324	-	-	1,324
Sales tax	6,482	-	-	6,482
Special event advertising/supplies	-	-	16,004	16,004
Sponsored agency program	160,092	-	-	160,092
Supplies - media and education	346	-	-	346
Support of other organizations	4,714	-	-	4,714
Telephone	13,297	-	186	13,483
Transportation	13,000	-	-	13,000
Trash service	8,246	-	-	8,246
Utilities	19,412	-	480	19,892
Vehicle expenses	105,075	-	-	105,075
Volunteer appreciation	739	-	-	739
Total expenses before depreciation expense	<u>9,955,152</u>	<u>111,837</u>	<u>168,229</u>	<u>10,235,218</u>
Depreciation expense	<u>50,781</u>	<u>-</u>	<u>-</u>	<u>50,781</u>
<b>TOTAL EXPENSES</b>	<u><b>\$ 10,005,933</b></u>	<u><b>\$ 111,837</b></u>	<u><b>\$ 168,229</b></u>	<u><b>\$ 10,285,999</b></u>

See accompanying notes to the financial statements and independent auditor's report.

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
 Statement of Cash Flows  
 Year Ended June 30, 2017

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Decrease in net assets	\$ (283,482)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	50,781
Loss on sale of property and equipment	1,657
Sale of donated stock	10,074
Increase in accounts receivable	(50,543)
Decrease in inventories	274,945
Decrease in accounts payable	(6,439)
Increase in accrued vacation payable	6,346
Increase in deferred revenue	8,000
Net cash provided by operating activities	<u>11,339</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	<u>(8,543)</u>
Net cash used by investing activities	<u>(8,543)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Repayment of notes payable	(38,361)
Net borrowing on line of credit	<u>80,000</u>
Net cash provided by financing activities	<u>41,639</u>
 NET INCREASE IN CASH	 44,435
 CASH, BEGINNING OF YEAR	 <u>138,625</u>
 CASH, END OF YEAR	 <u>\$ 183,060</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>	
Cash paid during the year for:	
Interest	<u>\$ 6,778</u>
Income taxes	<u>\$ -</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>	
Purchase of equipment through proceeds from note payable	<u>\$ 32,698</u>

See accompanying notes to the financial statements and independent auditor's report.



Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
Notes to the Financial Statements  
Year Ended June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Food Bank of the Albemarle, *An Affiliate of Feeding America*, is a nonprofit organization whose mission is to assist the poor and needy in fifteen counties in Northeastern North Carolina. The Organization provides food, support services, advocacy, and education both directly and through other nonprofit entities.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization is required to report 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.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax Status

The Organization is a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes has been made. Returns filed generally remain open for examination by taxing authorities for three years after the filing date.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment 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. As of June 30, 2017, an allowance of uncollectible accounts was not recorded.

See independent auditor's report.

Food Bank of the Albemarle  
An Affiliate of Feeding America  
Notes to the Financial Statements  
Year Ended June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Donated food inventory and donated food received, distributed, and undistributed are stated at estimated fair value determined by reference to a study commissioned by Feeding America, a national food bank network. That study presents the average wholesale value of products donated to the network and is considered to be a reasonable basis upon which to estimate these amounts.

Inventory purchased by the Organization is recorded at the lower of cost or market determined by the first-in, first-out method.

Property and Equipment

Property and equipment are stated at cost or, for donated assets, fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Building	39
Leasehold Improvements	27.5
Fixtures and Equipment	7
Computer Equipment	5
Vehicles	5
Leased Property	7
Land Improvements	15

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs.

Functional Allocation of Expenses

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

See independent auditor's report.

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
Notes to the Financial Statements  
Year Ended June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the year ended June 30, 2017 was \$391.

Fair Value of Financial Instruments

The Organization's financial instruments are cash, accounts receivable, accounts payable, and notes payable. The recorded values of cash, accounts receivable, and accounts payable approximated fair values based on their short-term nature. The recorded value of notes payable approximated fair value based on the interest rates charged.

NOTE 2 INVENTORIES

At June 30, 2017, inventories consisted of the following:

SNAP Purchased Foods	\$ 97,043
Salvage Commodities	281,152
USDA	65,736
Direct Purchases	20,350
	\$ 464,281

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2017:

Building	\$ 444,788
Leasehold Improvements	21,439
Fixtures and Equipment	226,624
Computer Equipment	52,330
Vehicles	343,647
Leased Property	10,700
Land Improvements	27,802
Net Depreciable Assets	1,127,330
Accumulated Depreciation	(761,142)
	366,188
Land	171,543
Net Property and Equipment	\$ 537,731

NOTE 4 NOTES PAYABLE

The Organization has a mortgage note payable with First South Bank secured by the land and building. The terms and maturities of the note payable are as follows:

See independent auditor's report.

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
 Notes to the Financial Statements  
 Year Ended June 30, 2017

NOTE 4 NOTES PAYABLE (continued)

	<u>Payment Terms</u>	<u>Interest Rate</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
First South Bank	* \$2,713/Mo	3.50%	<u>\$ 28,122</u>	<u>\$ 111,375</u>	<u>\$ 139,497</u>

\* Secured by deed of trust

Principal payments for the next five years are as follows:

6/30/2018	\$ 28,122
6/30/2019	29,122
6/30/2020	30,158
6/30/2021	31,230
6/30/2022	20,865
	<u>\$ 139,497</u>

The Organization also has a note payable to First South Bank for equipment. The terms and maturities of the note payable are as follows:

	<u>Payment Terms</u>	<u>Interest Rate</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
First South Bank	* \$587/Mo	2.95%	<u>\$ 6,213</u>	<u>\$ 24,913</u>	<u>\$ 31,126</u>

Principal payments for the next five years are as follows:

6/30/2018	\$ 6,213
6/30/2019	6,399
6/30/2020	6,590
6/30/2021	6,787
6/30/2022	5,137
	<u>\$ 31,126</u>

See independent auditor's report.

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
 Notes to the Financial Statements  
 Year Ended June 30, 2017

NOTE 4 NOTES PAYABLE (continued)

The Organization also has a note payable to TowneBank. The terms and maturities of the note payable are as follows:

		<u>Payment Terms</u>	<u>Interest Rate</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Towne Bank	*	\$487/Mo	3.99%	<u>\$ 5,421</u>	<u>\$ 7,654</u>	<u>\$ 13,075</u>

\* Secured by equipment

Principal payments for the next five years are as follows:

6/30/2018	\$ 5,421
6/30/2019	5,642
6/30/2020	<u>2,012</u>
	<u>\$ 13,075</u>

NOTE 5 LEASES

OPERATING LEASE

The Organization is leasing copier equipment under a sixty month lease term. The monthly payment is \$294. The lease ends April 14, 2020.

NOTE 6 LINE OF CREDIT

The Organization has a revolving line of credit agreement for \$125,000 with TowneBank. Interest on the outstanding balance is payable monthly and the principal outstanding is payable in full on demand from the lender. Interest is charged at the prime rate (4.25% at June 30, 2017). The balance outstanding at June 30, 2017 was \$80,000. The line of credit was repaid in full on July 10, 2017.

NOTE 7 OPERATING NET ASSETS

It is recommended by Feeding America that an operational reserve equal to three months expenditures be maintained.

Net assets available for operating costs on June 30, 2017 totaled \$126,636.

NOTE 8 DONATED FOOD AND GROCERY PRODUCTS

The Organization reports gifts of donated food and grocery products over which it has control (i.e. variance power) as unrestricted public support and, shortly thereafter, as expense when granted to affiliated food pantries. During the year ended June 30, 2017, the Food Bank distributed approximately 5,203,328 pounds of donated products received from various donors. The approximate average wholesale value of one pound of donated product was determined to be \$1.73 based on "Product Valuation Survey Methodology" formulated by Feeding America.

See independent auditor's report.

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
Notes to the Financial Statements  
Year Ended June 30, 2017

NOTE 9 CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. There were no uninsured cash balances at June 30, 2017.

In addition, the Organization receives a substantial amount of its support from federal, state, and private agencies. A significant reduction in funding from these sources, if it were to occur, may have an effect on the Organization's programs and activities.

NOTE 10 SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through November 28, 2017 the date on which the financial statements were available to be issued.

See independent auditor's report.

**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 of  
Food Bank of the Albemarle  
*An Affiliate of Feeding America*

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Food Bank of the Albemarle, *An Affiliate of Feeding America* (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 my report thereon dated November 28, 2017.

**Internal Control Over Financial Reporting**

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

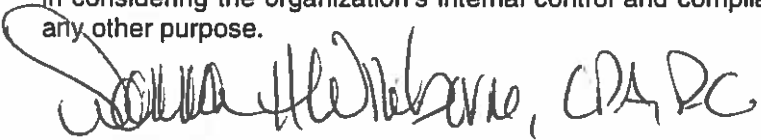
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

My 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 the audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Food Bank of the Albemarle'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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink, appearing to read "Susan H. Williams, CPA, PC". The signature is written in a cursive style with a large initial "S".

Edenton, North Carolina  
November 28, 2017



# **DONNA H. WINBORNE**, CPA, P.C.

C E R T I F I E D P U B L I C A C C O U N T A N T

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Directors of  
Food Bank of the Albemarle  
*An Affiliate of Feeding America*

### **Report on Compliance for Each Major Federal Program**

I have audited Food Bank of the Albemarle'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 Food Bank of the Albemarle's major federal programs for the year ended June 30, 2017. Food Bank of the Albemarle'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***

My responsibility is to express an opinion on compliance for each of Food Bank of the Albemarle's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that I 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 Food Bank of the Albemarle's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Food Bank of the Albemarle's compliance.

#### ***Opinion on Each Major Federal Program***

In my opinion, Food Bank of the Albemarle 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, 2017.

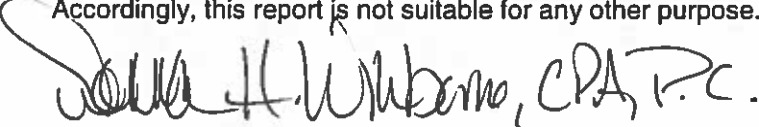
## Report on Internal Control Over Compliance

Management of Food Bank of the Albemarle is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing the audit of compliance, I considered Food Bank of the Albemarle'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, I do not express an opinion on the effectiveness of Food Bank of the Albemarle's internal control over compliance.

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

My 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. I 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.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.



Scott H. Wilburn, CPA, P.C.

Edenton, North Carolina  
November 28, 2017





Food Bank of the Albemarle  
An Affiliate of Feeding America  
Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2017

Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
<b>Federal Awards:</b>				
<u>U.S. Department of Agriculture</u>				
Pass through North Carolina Dept. of Health and Human Services				
Child and Adult Care Food Program	10.558		\$ 40,682	\$ 40,682
Summer Food Service Program for Children	10.559	8718	44,873	44,873
Food and Nutrition Services	10.561	000345113	9,807	9,807
<u>U.S. Department of Agriculture</u>				
Food Distribution Cluster (Note 4)				
Pass through North Carolina Dept. of Agriculture				
U.S.D.A. Food Commodities - Donation - Note B	10.569	G20100270514EFA, RFA	905,186	839,450
U.S.D.A. TEFAP Cash Payments to Food Bank	10.568	G20100270514EFA, RFA	37,339	37,339
U.S.D.A. Commodity Supplemental Food Program	10.565	G20100329316RFA, EFA	47,250	47,250
Total Food Distribution Cluster (Note 4)			<u>989,775</u>	<u>924,039</u>
Total U.S. Department of Agriculture			<u>1,085,137</u>	<u>1,019,401</u>
U.S. Department of Homeland Security				
The Emergency Food and Shelter Program	97.024	VARIOUS	11,113	11,113
Total Federal Awards			<u>1,096,250</u>	<u>1,030,514</u>
<b>State Awards:</b>				
North Carolina Department of Health and Human Services				
State Appropriated Money		34646	493,447	493,447
Total State Awards			<u>493,447</u>	<u>493,447</u>
<b>Total Federal and State Awards</b>			<u>\$ 1,589,697</u>	<u>\$ 1,523,961</u>

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of Food Bank of the Albemarle under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Food Bank of the Albemarle, it is not intended to and does not present the financial position, changes in net position, or cash flows of Food Bank of the Albemarle.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**NOTE C - FOOD DONATION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and distributed.

**NOTE D - CLUSTER OF PROGRAMS**

The following are clustered by the U.S. Department of Agriculture:  
Food Distribution Cluster