

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

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

CERTIFIED PUBLIC ACCOUNTANT · ELIZABETH CITY, NC · EDENTON, NC

## 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, 2016, 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, 2016, 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 October 26, 2016, 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.

*Wanda H. Wilborne, CPA, P.C.*

Elizabeth City, North Carolina  
October 26, 2016

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
 Statement of Financial Position  
 June 30, 2016

ASSETS

CURRENT ASSETS

Cash	\$	138,625
Accounts Receivable		66,193
Inventories		739,226
Investment in Stock		10,074
Total Current Assets		954,118

PROPERTY AND EQUIPMENT, net		548,928
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OTHER ASSETS		250
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TOTAL ASSETS	\$	1,503,296
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current Portion of Notes Payable	\$	31,621
Accounts Payable		31,281
Accrued Vacation Payable		18,516
Total Current Liabilities		81,418

LONG-TERM LIABILITIES

Notes Payable, net of current portion		157,740
Total Long-Term Liabilities		157,740

Total Liabilities		239,158
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NET ASSETS

Unrestricted		
Operating		132,737
Unemployment Reserve		32,608
Inventories		739,226
Fixed Assets		359,567
Total Net Assets		1,264,138

TOTAL LIABILITIES AND NET ASSETS	\$	1,503,296
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Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
Statement of Activities  
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions			
Public Support	\$ 409,249	\$ -	\$ 409,249
Grants			
Federal Awards	159,144	-	159,144
State Awards	509,975	-	509,975
United Way	25,981	-	25,981
Other Grants	243,376	-	243,376
Agency Shared Contribution Fee	148,172	-	148,172
Delivery Fees	99,329	-	99,329
Warehouse Annual Fees	8,911	-	8,911
Agency Food Purchases	302,669	-	302,669
Interest Income	143	-	143
Miscellaneous	7,987	-	7,987
Pick and Pack	904	-	904
Insurance Reimbursement	20,560	-	20,560
In-Kind Contribution	20,374	-	20,374
Loss on Sale of Property and Equipment	(9)	-	(9)
Consumable Product Donations/Receipts	7,336,102	-	7,336,102
Total Support and Revenue	<u>9,292,867</u>	<u>-</u>	<u>9,292,867</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS</b>			
	<u>9,292,867</u>	<u>-</u>	<u>9,292,867</u>
<b>EXPENSES</b>			
Program Services - Food Distribution	8,840,182	-	8,840,182
Support Services - Management and General	152,256	-	152,256
Fundraising	148,114	-	148,114
Depreciation Expense	57,654	-	57,654
<b>TOTAL EXPENSES</b>			
	<u>9,198,206</u>	<u>-</u>	<u>9,198,206</u>
<b>INCREASE IN NET ASSETS</b>			
	94,661	-	94,661
<b>NET ASSETS, BEGINNING OF YEAR</b>			
	<u>1,169,477</u>	<u>-</u>	<u>1,169,477</u>
<b>NET ASSETS, END OF YEAR</b>			
	<u>\$ 1,264,138</u>	<u>\$ -</u>	<u>\$ 1,264,138</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, 2016

	Program Services	Management And General	Fundraising	Total
Salaries and wages	\$ 372,725	\$ 95,844	\$ 63,896	532,465
Payroll taxes	30,039	7,724	5,150	42,913
Fringe Benefits	49,428	12,710	8,473	70,611
Total personnel expenses	<u>452,192</u>	<u>116,278</u>	<u>77,519</u>	<u>645,989</u>
Advertising	185	-	-	185
Bad Debt Expense	196	-	-	196
Bank service charges	250	1,390	-	1,640
Branding	630	-	-	630
Building maintenance	12,778	19	56	12,853
Building supplies	7,105	12	38	7,155
CACFP sponsored program	38,165	-	-	38,165
Conferences, meetings and training	200	18,705	-	18,905
Dues & subscriptions	446	1,575	-	2,021
Employee materials	1,287	-	-	1,287
Equipment hardware and software	12,236	500	500	13,236
Equipment purchases	25,090	-	-	25,090
Equipment rental	4,277	-	-	4,277
Equipment repairs & maintenance	17,440	250	250	17,940
Exterminating	3,171	43	42	3,256
Feeding America membership fees	4,628	-	-	4,628
Food purchased/distributed	769,736	-	-	769,736
Donated/surplus food distributed	6,768,777	-	-	6,768,777
Food spoilage	358,467	-	-	358,467
Freight and delivery	28,631	-	-	28,631
Supplies - fundraising/direct mail	-	-	48,044	48,044
In-kind contributions - gift cards	7,580	-	-	7,580
Insurance - board	-	3,104	-	3,104
Insurance - building	9,930	-	65	9,995
Insurance - vehicles	6,971	-	-	6,971
Interest	9,371	-	-	9,371
Lawn care	2,763	-	-	2,763
Miscellaneous	-	-	-	-
NCAFAFB Association fees	14,077	-	-	14,077
Office supplies	4,504	-	-	4,504
Payroll processing fees	2,621	400	240	3,261
Postage	3,655	-	5,788	9,443
Printing	2,617	200	700	3,517
Professional fees	-	9,000	-	9,000
Property tax	1,208	-	-	1,208
Sales tax	4,799	-	-	4,799
Special event advertising/supplies	1,623	-	13,787	15,410
Sponsored agency program	136,562	-	-	136,562
Supplies - media and education	3,531	-	-	3,531
Support of other organizations	3,053	-	-	3,053
Telephone	11,368	420	420	12,208
Transportation	12,550	-	-	12,550
Trash service	5,910	-	-	5,910
Utilities	19,798	160	465	20,423
Vehicle expenses	68,839	200	200	69,239
Volunteer appreciation	965	-	-	965
Total expenses before depreciation expense	<u>8,840,182</u>	<u>152,256</u>	<u>148,114</u>	<u>9,140,552</u>
Depreciation expense	<u>57,654</u>	<u>-</u>	<u>-</u>	<u>57,654</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 8,897,836</u></u>	<u><u>\$ 152,256</u></u>	<u><u>\$ 148,114</u></u>	<u><u>\$ 9,198,206</u></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, 2016

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in net assets	\$ 94,661
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	57,654
Loss on sale of property and equipment	9
Donation of investment in stock	(10,074)
Increase in accounts receivable	(829)
Increase in inventories	(135,873)
Increase in accounts payable	24,967
Increase in accrued vacation payable	484
Decrease in deferred revenue	(5,950)
Net cash provided by operating activities	<u>25,049</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	<u>(10,441)</u>
Net cash used by investing activities	<u>(10,441)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Repayment of notes payable	<u>(35,938)</u>
Net cash used by financing activities	<u>(35,938)</u>
 NET DECREASE IN CASH	 (21,330)
 CASH, BEGINNING OF YEAR	 <u>159,955</u>
 CASH, END OF YEAR	 <u>\$ 138,625</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION**

Cash paid during the year for:	
Interest	<u>\$ 9,371</u>
Income taxes	<u>\$ -</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES**

Stock received from donor	<u>\$ 10,074</u>
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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, 2016

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, 2016, an allowance of uncollectible accounts was not recorded.

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
Notes to the Financial Statements  
Year Ended June 30, 2016

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, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the year ended June 30, 2016 was \$185.

NOTE 2 INVENTORIES

At June 30, 2016, inventories consisted of the following:

SNAP Purchased Foods	\$	89,476
Salvage Commodities		612,235
Direct Purchases		<u>37,515</u>
	\$	<u>739,226</u>

NOTE 3 INVESTMENT IN STOCK

In June 2016, the Organization received a donation of 200 shares of Verizon Communications stock. The fair value based on the market price per share as of June 30, 2016 was \$10,074.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016:

Building	\$	444,787
Leasehold Improvements		21,439
Fixtures and Equipment		230,246
Computer Equipment		56,573
Vehicles		310,979
Leased Property		10,700
Land Improvements		<u>27,802</u>
Net Depreciable Assets		1,102,526
Accumulated Depreciation		<u>(725,140)</u>
		377,386
Land		<u>171,542</u>
Net Property and Equipment	\$	<u>548,928</u>

NOTE 5 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, 2016

NOTE 5 NOTES PAYABLE (continued)

	Payment Terms	Interest Rate	Current Portion	Long-Term Portion	Total
First South Bank	* \$2,713/Mo	3.50%	\$ 27,156	\$ 139,466	\$ 166,622

\* Secured by deed of trust

Principal payments for the next five years are as follows:

6/30/2017	\$ 27,156
6/30/2018	28,122
6/30/2019	29,122
6/30/2020	30,158
6/30/2021	31,230
Thereafter	20,834
	<u>\$ 166,622</u>

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

	Payment Terms	Interest Rate	Current Portion	Long-Term Portion	Total
Towne Bank	* \$487/Mo	3.99%	\$ 4,465	\$ 18,274	\$ 22,739

\* Secured by equipment

Principal payments for the next five years are as follows:

6/30/2017	\$ 4,465
6/30/2018	4,836
6/30/2019	5,032
6/30/2020	5,237
6/30/2021	3,169
	<u>\$ 22,739</u>

NOTE 6 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 7 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 (3.5% at June 30, 2016). There was no balance outstanding on the line of credit at June 30, 2016.

See independent auditor's report.

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
Notes to the Financial Statements  
Year Ended June 30, 2016

NOTE 8 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, 2016 totaled \$132,737.

NOTE 9 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, 2016, the Food Bank distributed approximately 4,571,773 pounds of donated products received from various donors. The approximate average wholesale value of one pound of donated product was determined to be \$1.67 based on "Product Valuation Survey Methodology" formulated by Feeding America.

NOTE 10 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, 2016.

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 11 SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through October 26, 2016 the date on which the financial statements were available to be issued.

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

CERTIFIED PUBLIC ACCOUNTANT · ELIZABETH CITY, NC · EDENTON, NC

## 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, 2016, 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 October 26, 2016.

### 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*.

**Purpose of this Report**

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.



Elizabeth City, North Carolina  
October 26, 2016

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

CERTIFIED PUBLIC ACCOUNTANT · ELIZABETH CITY, NC · EDENTON, NC

## 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, 2016. 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, 2016.




## 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.



Elizabeth City, North Carolina

October 26, 2016

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

CERTIFIED PUBLIC ACCOUNTANT · ELIZABETH CITY, NC · EDENTON, NC

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE 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 State 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 state programs for the year ended June 30, 2016. Food Bank of the Albemarle's major state 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 statutes, laws, regulations, and the terms and conditions of its contracts and grants applicable to its state programs.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of Food Bank of the Albemarle's major state 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 state 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 state program. However, my audit does not provide a legal determination of Food Bank of the Albemarle's compliance.

### ***Opinion on Each Major State 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 state programs for the year ended June 30, 2016.

## 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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state 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 state 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 state 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 state 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.

 Susan H. Wilborne, CPA, P.C.

Elizabeth City, North Carolina  
October 26, 2016

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2016

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**Section I. Summary of Auditor's Results**

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**Financial Statements**

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

Internal control over financial reporting:

Material weakness(es) identified?  yes  no  
 Significant Deficiency(ies) identified  yes  none reported

Noncompliance material to financial statements noted  yes  no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?  yes  no  
 Significant Deficiency(ies) identified  yes  none reported

Noncompliance material to federal awards  yes  no

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
10.568 & 10.569	Commodity Supplemental Food Program

Dollar threshold used to distinguish between Type A and Type B Programs  \$ 750,000

Auditee qualified as low-risk auditee?  yes  no

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016

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**Section I. Summary of Auditor's Results (contd.)**

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**State Awards**

Internal control over major state programs:

Material weakness(es) identified?  yes  no

Significant Deficiency(ies) identified  yes  none reported

Type of auditors' report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act  yes  no

Identification of major State programs:

<u>CFDA /Grant Numbers</u>	<u>Names of State Program</u>
31377	State Nutrition Assistance Program

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**Section II. Financial Statement Findings**

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None reported.

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**Section III. Federal Award Findings and Questioned Costs**

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None reported.

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**Section IV. State Award Findings and Questioned Costs**

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None reported.

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
 Schedule of Expenditures of Federal and State Awards  
 Year Ended June 30, 2016

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		\$ 45,880	\$ 45,880
Summer Food Service Program for Children	10.559	8718	54,509	54,509
<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	680,268	712,527
U.S.D.A. TEFAP Cash Payments to Food Bank	10.568	G20100270514EFA, RFA	51,961	51,961
Total Food Distribution Cluster (Note 4)			<u>732,229</u>	<u>764,488</u>
Total U.S. Department of Agriculture			<u>832,618</u>	<u>864,877</u>
U.S. Department of Homeland Security				
The Emergency Food and Shelter Program	97.024	VARIOUS	6,794	6,794
Total Federal Awards			<u>839,412</u>	<u>871,671</u>
<b>State Awards:</b>				
North Carolina Dept. of Health and Human Services				
State Nutrition Assistance Program		31377	509,975	509,975
Total State Awards			<u>509,975</u>	<u>509,975</u>
Total Federal and State Awards			<u>\$ 1,349,387</u>	<u>\$ 1,381,646</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, 2016. 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