

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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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, 2018, 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, 2018, 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.

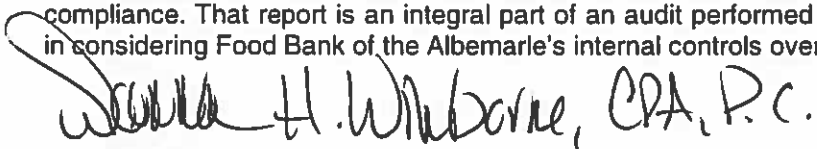
Other Matters

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 25, 2018 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
October 25, 2018

Food Bank of the Albemarle
An Affiliate of Feeding America
Statement of Financial Position
June 30, 2018

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 182,290
Accounts Receivable	38,613
Inventories	566,669
Total Current Assets	787,572
 PROPERTY AND EQUIPMENT, net	 495,080
 OTHER ASSETS	 250
TOTAL ASSETS	\$ 1,282,902

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Current Portion of Notes Payable	\$ 41,162
Line of Credit	124,817
Accounts Payable	4,854
Accrued Vacation Payable	22,387
Total Current Liabilities	193,220
 LONG-TERM LIABILITIES	
Notes Payable, net of current portion	101,485
Total Long-Term Liabilities	101,485
Total Liabilities	294,705
 NET ASSETS	
Unrestricted	
Operating	23,169
Unemployment Reserve	45,926
Inventories	566,669
Fixed Assets	352,433
Total Net Assets	988,197
TOTAL LIABILITIES AND NET ASSETS	\$ 1,282,902

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, 2018

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions			
Public Support	\$ 402,077	\$ -	\$ 402,077
Grants			
Federal Awards	325,595	-	325,595
State Awards	493,823	-	493,823
United Way	35,102	-	35,102
Other Grants	222,083	-	222,083
Agency Shared Contribution Fee	177,729	-	177,729
Delivery Fees	135,743	-	135,743
Warehouse Annual Fees	8,292	-	8,292
Agency Food Purchases	317,857	-	317,857
Interest Income	160	-	160
Miscellaneous	9,546	-	9,546
Insurance Reimbursement	6,969	-	6,969
In-Kind Contribution	18,845	-	18,845
Loss on Sale of Property and Equipment	(48)	-	(48)
Consumable Product Donations/Receipts	7,348,974	-	7,348,974
Total Support and Revenue	<u>9,502,747</u>	<u>-</u>	<u>9,502,747</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS	<u>9,502,747</u>	<u>-</u>	<u>9,502,747</u>
EXPENSES			
Program Services - Food Distribution	9,137,203	-	9,137,203
Support Services - Management and General	175,072	-	175,072
Fundraising	131,370	-	131,370
Depreciation Expense	51,561	-	51,561
TOTAL EXPENSES	<u>9,495,206</u>	<u>-</u>	<u>9,495,206</u>
INCREASE IN NET ASSETS	7,541	-	7,541
NET ASSETS, BEGINNING OF YEAR	<u>980,656</u>	<u>-</u>	<u>980,656</u>
NET ASSETS, END OF YEAR	<u>\$ 988,197</u>	<u>\$ -</u>	<u>\$ 988,197</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, 2018

	Program Services	Management And General	Fundraising	Total
Salaries and wages	\$ 572,302	\$ 101,421	\$ 50,710	724,433
Payroll taxes	43,358	7,684	3,842	54,884
Fringe Benefits	78,346	13,884	6,942	99,172
Total personnel expenses	<u>694,006</u>	<u>122,989</u>	<u>61,494</u>	<u>878,489</u>
Advertising	-	-	3,212	3,212
Background Check	40	-	-	40
Bad Debt Expense	100	-	-	100
Bank service charges	610	305	917	1,832
Branding	600	-	-	600
Building maintenance	24,020	-	-	24,020
Building supplies	9,551	-	-	9,551
CACFP sponsored program	38,535	-	-	38,535
Conferences, meetings and training	2,500	9,910	-	12,410
Contractual Labor	11,165	-	-	11,165
Dues & subscriptions	491	1,086	36	1,613
Employee materials	864	-	-	864
Equipment hardware and software	10,478	2,135	986	13,599
Equipment purchases	25	-	-	25
Equipment rental	5,844	938	433	7,215
Equipment repairs & maintenance	12,819	2,057	949	15,825
Exterminating	3,600	-	-	3,600
Feeding America membership fees	4,744	-	-	4,744
Food purchased/distributed	716,716	-	-	716,716
Donated/surplus food distributed	7,045,428	-	-	7,045,428
Food spoilage	166,404	-	-	166,404
Freight and delivery	41,268	-	-	41,268
Grant Application Fees	-	-	975	975
Supplies - fundraising/direct mail	-	-	36,330	36,330
Insurance - board	-	1,641	-	1,641
Insurance - building	10,520	-	-	10,520
Insurance - vehicles	10,211	-	-	10,211
Interest	7,906	-	-	7,906
Lawn care	2,514	-	-	2,514
Miscellaneous	3,007	-	-	3,007
NCAFAFB Association fees	-	11,614	-	11,614
Office supplies	4,020	645	298	4,963
Payroll processing fees	4,445	543	272	5,260
Postage	2,135	1,814	10,068	14,017
Printing	4,957	795	367	6,119
Professional fees	455	14,540	-	14,995
Property tax	1,288	-	-	1,288
Sales tax	4,878	-	-	4,878
Special event advertising/supplies	-	-	13,159	13,159
Sponsored agency program	169,106	-	-	169,106
Supplies - media and education	457	-	-	457
Support of other organizations	1,380	-	-	1,380
Telephone	9,862	1,590	734	12,186
Transportation	4,750	-	-	4,750
Trash service	4,175	-	-	4,175
Utilities	15,393	2,470	1,140	19,003
Vehicle expenses	85,519	-	-	85,519
Volunteer appreciation	417	-	-	417
Total expenses before depreciation expense	<u>9,137,203</u>	<u>175,072</u>	<u>131,370</u>	<u>9,443,645</u>
Depreciation expense	<u>51,561</u>	<u>-</u>	<u>-</u>	<u>51,561</u>
TOTAL EXPENSES	<u>\$ 9,188,764</u>	<u>\$ 175,072</u>	<u>\$ 131,370</u>	<u>\$ 9,495,206</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 7,541
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation	51,561
Loss on sale of property and equipment	48
Decrease in accounts receivable	78,123
Increase in inventories	(102,388)
Decrease in accounts payable	(19,988)
Decrease in accrued vacation payable	(2,475)
Decrease in deferred revenue	(8,000)
Net cash and cash equivalents provided by operating activities	<u>4,422</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(8,958)
Net cash and cash equivalents used by investing activities	<u>(8,958)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of notes payable	(41,051)
Net borrowings on line of credit	44,817
Net cash and cash equivalents provided by financing activities	<u>3,766</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (770)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>183,060</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 182,290</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION	
Cash paid during the year for:	
Interest	<u>\$ 7,906</u>
Income taxes	<u>\$ -</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, 2018

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.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

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, 2018, 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, 2018

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, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the year ended June 30, 2018 was \$3,212.

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, 2018, inventories consisted of the following:

SNAP Purchased Foods	\$	81,254
Salvage Commodities		380,614
USDA		104,638
Direct Purchases		163
		163
	\$	566,669

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2018:

Building	\$	444,788
Leasehold Improvements		21,439
Fixtures and Equipment		232,994
Computer Equipment		54,749
Vehicles		343,647
Leased Property		10,700
Land Improvements		27,802
Net Depreciable Assets		1,136,119
Accumulated Depreciation		(812,582)
		323,537
Land		171,543
Net Property and Equipment	\$	495,080

See independent auditor's report.

Food Bank of the Albemarle
An Affiliate of Feeding America
Notes to the Financial Statements
Year Ended June 30, 2018

NOTE 4 NOTES PAYABLE

The Organization has a mortgage note payable with Cres Com Bank secured by the land and building. 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>
Cres Com Bank	* \$2,713/Mo	3.50%	<u>\$ 29,122</u>	<u>\$ 81,714</u>	<u>\$ 110,836</u>

* Secured by deed of trust

Principal payments for the next five years are as follows:

6/30/2019	\$ 29,122
6/30/2020	30,158
6/30/2021	31,230
6/30/2022	20,326
	<u>\$ 110,836</u>

The Organization also has a note payable to Cres Com 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>
Cres Com Bank	* \$587/Mo	2.95%	<u>\$ 6,399</u>	<u>\$ 18,400</u>	<u>\$ 24,799</u>

Principal payments for the next five years are as follows:

6/30/2019	\$ 6,399
6/30/2020	6,590
6/30/2021	6,787
6/30/2022	5,023
	<u>\$ 24,799</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, 2018

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:

	Payment Terms	Interest Rate	Current Portion	Long-Term Portion	Total
Towne Bank	* \$487/Mo	3.99%	\$ 5,641	\$ 1,371	\$ 7,012

* Secured by equipment

Principal payments for the next five years are as follows:

6/30/2019	\$ 5,641
6/30/2020	1,371
	<u>\$ 7,012</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 \$325,000 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 (5% at June 30, 2018). The balance outstanding at June 30, 2018 was \$124,817.

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, 2018 totaled \$23,169.

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, 2018, the Food Bank distributed approximately 3,634,058 pounds of donated products received from various donors. The approximate average wholesale value of one pound of donated product was determined to be \$1.68 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, 2018

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, 2018.

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 October 25, 2018 the date on which the financial statements were available to be issued.

On August 14, 2018, the Organization entered into a loan with Select Bank and Trust Co. for \$375,000 to refinance real estate. The loan will be repaid by 59 principal and interest payments of \$2,506 due monthly and maturing on the 60th payment. The interest rate on the loan will be a fixed rate of 5.15%.

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, 2018, 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 25, 2018.

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.

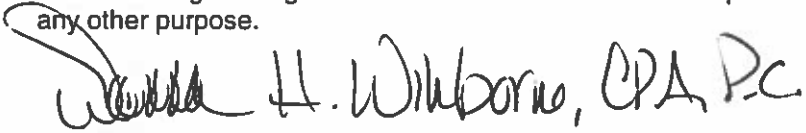
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit I did not identify 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.

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

Edenton, North Carolina
October 25, 2018

**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, 2018. 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, 2018.

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.



William H. Wilborne, CPA, PC.

Edenton, North Carolina
October 25, 2018

Food Bank of the Albemarle
An Affiliate of Feeding America
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I. Summary of Auditor's Results

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 X no

Significant Deficiency(ies) identified _____ yes X none reported

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant Deficiency(ies) identified _____ yes X none reported

Noncompliance material to federal awards _____ yes X 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 X no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
10.565, 10.568 & 10.569	Food Distribution Cluster

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

Auditee qualified as low-risk auditee? X yes _____ no

Food Bank of the Albemarle
An Affiliate of Feeding America
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

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

State Awards

Internal control over major state programs:

Material weakness(es) identified? yes X no

Significant Deficiency(ies) identified yes X none reported

Type of auditors' report issued on compliance for major state programs: N/A

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

Identification of major State programs:

<u>CFDA /Grant Numbers</u>	<u>Names of State Program</u>
N/A	

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

N/A

Food Bank of the Albemarle
An Affiliate of Feeding America
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
<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		\$ 49,607	\$ 49,607
Summer Food Service Program for Children	10.559	09048	14,259	14,259
Food and Nutrition Services	10.561	00036165	14,475	14,475
<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	G20100270514RFA	971,304	932,086
U.S.D.A. TEFAP Cash Payments to Food Bank	10.568	G20100270514RFA	50,448	50,448
U.S.D.A. Commodity Supplemental Food Program	10.565	G2010032316RFA EFA	<u>183,598</u>	<u>183,598</u>
Total Food Distribution Cluster (Note 4)			<u>1,205,350</u>	<u>1,166,132</u>
Total U.S. Department of Agriculture			<u>1,283,691</u>	<u>1,244,473</u>
U.S. Department of Homeland Security				
The Emergency Food and Shelter Program	97.024	VARIOUS	<u>13,208</u>	<u>13,208</u>
Total Federal Awards			<u>1,296,899</u>	<u>1,257,681</u>
State Awards:				
North Carolina Department of Health and Human Services				
State Appropriated Money		36277	<u>493,823</u>	<u>493,823</u>
Total State Awards			<u>493,823</u>	<u>493,823</u>
Total Federal and State Awards			<u>\$ 1,790,722</u>	<u>\$ 1,751,504</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, 2018. 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