

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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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

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, 2020, 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, 2020, 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 January 25, 2021 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, COVID-19 was declared a pandemic by the World Health Organization in March 2020. Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. My opinion is not modified with respect to this matter.

 Steven H. Winkler, CPA, PC.

Edenton, North Carolina
January 25, 2021

Food Bank of the Albemarle
An Affiliate of Feeding America
Statement of Financial Position
June 30, 2020

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 1,480,645
Restricted Cash	842,151
Accounts Receivable	18,826
Contract Assets	249,375
Inventories	659,962
Total Current Assets	3,250,959
PROPERTY AND EQUIPMENT, net	805,702
OTHER ASSETS	250
TOTAL ASSETS	\$ 4,056,911

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Current Portion of Notes Payable	\$ 19,347
Current Portion of Capital Lease Obligations	6,808
Accounts Payable	71,777
Accrued Vacation Payable	23,888
Deferred Income - Paycheck Protection Loan	174,100
Advance of COVID-19 Relief	500,000
Total Current Liabilities	795,920
LONG-TERM LIABILITIES	
Notes Payable, net of current portion	359,325
Capital Lease Obligation, net of current portion	21,470
Total Long-Term Liabilities	380,795
Total Liabilities	1,176,715
NET ASSETS	
Without Donor Restrictions	
Undesignated	1,479,331
Designated by the Board for Unemployment Reserve	60,049
Invested in Inventories	659,962
Invested in Property and Equipment	398,752
Total Net Assets Without Donor Restrictions	2,598,094
With Donor Restrictions	
Restricted by Feeding America - COVID-19 Relief	282,102
Total Net Assets With Donor Restrictions	282,102
Total Net Assets	2,880,196
TOTAL LIABILITIES AND NET ASSETS	\$ 4,056,911

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions			
Public Support	\$ 793,255	\$ -	\$ 793,255
Grants			
Federal Awards	757,089	-	757,089
State Awards	492,793	-	492,793
United Way	36,572	-	36,572
Other Grants	1,412,020	472,036	1,884,056
Agency Shared Contribution Fee	88,131	-	88,131
Delivery Fees	189,469	-	189,469
Warehouse Annual Fees	8,750	-	8,750
Agency Food Purchases	285,912	-	285,912
Interest Income	68	-	68
Miscellaneous	10,370	-	10,370
Gain on Sale of Property and Equipment	1,027	-	1,027
Consumable Product Donations/Receipts	9,775,009	-	9,775,009
Total Support and Revenue	13,850,465	472,036	14,322,501
 TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS	 13,850,465	 472,036	 14,322,501
 EXPENSES			
Program Services - Food Distribution	11,733,736	189,934	11,923,670
Support Services - Management and General	192,082	-	192,082
Fundraising	183,469	-	183,469
Depreciation and Amortization Expense	75,086	-	75,086
TOTAL EXPENSES	12,184,373	189,934	12,374,307
INCREASE IN NET ASSETS	1,666,092	282,102	1,948,194
NET ASSETS, BEGINNING OF YEAR	932,002	-	932,002
NET ASSETS, END OF YEAR	\$ 2,598,094	\$ 282,102	\$ 2,880,196

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, 2020

	Program Services	Management And General	Fundraising	Total
Salaries and wages	\$ 704,828	\$ 126,508	\$ 72,290	\$ 903,626
Payroll taxes	53,449	9,594	5,482	68,525
Fringe Benefits	84,422	15,153	8,659	108,234
Total personnel expenses	<u>842,699</u>	<u>151,255</u>	<u>86,431</u>	<u>1,080,385</u>
Advertising	-	-	3,562	3,562
Background Check	87	-	-	87
Bad Debt Expense	963	-	-	963
Bank service charges	4,002	-	-	4,002
Branding	11,670	-	-	11,670
Building maintenance	13,871	-	-	13,871
Building supplies	401	-	-	401
CACFP sponsored program	721	-	-	721
Conferences, meetings and training	9,731	-	-	9,731
Contractual Labor	50,079	-	9,721	59,800
Dues & subscriptions	-	3,137	-	3,137
Employee materials	2,455	-	-	2,455
Equipment hardware and software	1,330	5,810	5,810	12,950
Equipment purchases	8,679	-	-	8,679
Equipment rental	4,122	67	67	4,256
Equipment repairs & maintenance	34,150	3,073	3,073	40,296
Exterminating	2,965	-	-	2,965
Feeding America membership fees	3,636	-	-	3,636
Food purchased/distributed	717,294	-	-	717,294
Donated/surplus food distributed	9,431,758	-	-	9,431,758
Food spoilage	219,177	-	-	219,177
Freight and delivery	21,561	-	-	21,561
Supplies - fundraising/direct mail	-	-	61,800	61,800
Insurance - board	-	1,672	-	1,672
Insurance - building	11,809	-	-	11,809
Insurance - vehicles	20,748	-	-	20,748
Interest	23,374	-	-	23,374
Lawn care	3,020	-	-	3,020
Miscellaneous	2,319	-	-	2,319
Feeding the Carolinas	-	12,919	-	12,919
Office supplies	7,308	982	1,670	9,960
Payroll processing fees	4,636	904	503	6,043
Postage	7,310	403	4,130	11,843
Printing	6,082	845	1,520	8,447
Professional fees	-	10,062	-	10,062
Property tax	1,286	-	-	1,286
Sales tax	12,609	-	-	12,609
Service Supplies	39,422	-	-	39,422
Special event advertising/supplies	-	-	3,185	3,185
Sponsored agency program	184,805	-	-	184,805
Supplies - Warehouse	24,136	-	-	24,136
Telephone	9,851	720	1,440	12,011
Trash service	7,516	-	-	7,516
Utilities	20,803	108	432	21,343
Vehicle expenses	152,919	125	125	153,169
Vista Stipend	2,250	-	-	2,250
Volunteer appreciation	116	-	-	116
Total expenses before depreciation expense	<u>11,923,670</u>	<u>192,082</u>	<u>183,469</u>	<u>12,299,221</u>
Depreciation and Amortization expense	<u>75,086</u>	<u>-</u>	<u>-</u>	<u>75,086</u>
TOTAL EXPENSES	<u><u>\$ 11,998,756</u></u>	<u><u>\$ 192,082</u></u>	<u><u>\$ 183,469</u></u>	<u><u>\$ 12,374,307</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 1,948,194
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation and amortization	75,086
Gain on sale of property and equipment	(1,027)
Decrease in accounts receivable	5,374
Increase in contract assets	(162,535)
Increase in inventories	(173,245)
Increase in accounts payable	9,745
Increase in accrued vacation payable	2,611
Increase in deferred income	174,100
Increase in advance of COVID relief	500,000
Net cash and cash equivalents provided by operating activities	<u>2,378,303</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(265,776)
Proceeds from sale of property and equipment	1,150
Net cash and cash equivalents used in investing activities	<u>(264,626)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of notes payable	(20,342)
Repayment of capital lease obligation	(5,183)
Net cash and cash equivalents used in financing activities	<u>(25,525)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,088,152
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>234,644</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,322,796</u>
(includes restricted cash of \$842,151)	
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES	
Purchase of equipment through capital lease obligation	<u>\$ 8,811</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION	
Cash paid during the year for:	
Interest	<u>\$ 23,374</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, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Food Bank of the Albemarle, *An Affiliate of Feeding America*, (the Organization) 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. The basis of accounting conforms to accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

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

Receivables and Credit Policies

Accounts receivable are stated at the amount management expects to collect from outstanding balances. A significant portion of receivables are due from governmental and other agencies that support the Organization's mission. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on historical experience, an assessment of economic conditions, and a review of subsequent collections. 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, 2020, management has determined that an allowance for uncollectible accounts is not necessary.

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.

See independent auditor's report.

Food Bank of the Albemarle
An Affiliate of Feeding America
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are stated at cost, or if donated, at fair value on the 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

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If considered impaired, an impairment loss would be recognized to the extent that the carrying value exceeds the fair value of the asset.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

As of June 30, 2020, the Organization had \$282,102 of net assets subject to donor restrictions.

See independent auditor's report.

Food Bank of the Albemarle
An Affiliate of Feeding America
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition

Revenue is recognized when earned. Grant revenues and cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash or other assets are received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. The Organization generally pays for services requiring specific expertise. Contributed goods (other than inventories) are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the year ended June 30, 2020.

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, 2020, the Food Bank distributed approximately 3,396,300 pounds of donated products received from various donors. The approximate average wholesale value of one pound of donated product was determined to be \$1.74 based on "Product Valuation Survey Methodology" formulated by Feeding America.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the year ended June 30, 2020 was \$3,562.

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. The statement of functional expenses presents the natural classification detail of expenses by function. 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, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is a North Carolina nonprofit corporation and has been recognized by the IRS and the state as exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar provisions in the State Code and, accordingly, no income taxes have been provided in the accompanying financial statements. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. Returns filed generally remain open for examination by taxing authorities for three years after the filing date.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist primarily of cash, cash equivalents, and accounts receivable. The Organization manages deposit concentration risk by placing cash and temporary cash investments with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. The Organization had deposits with financial institutions exceeding the federal deposit insurance limit of \$1,539,582 at Select Bank and \$349,517 at Towne Bank at June 30, 2020. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are grants due from governmental and other agencies supportive of the Organization's mission.

Fair Value of Financial Instruments

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

See independent auditor's report.

Food Bank of the Albemarle
An Affiliate of Feeding America
 Notes to the Financial Statements
 Year Ended June 30, 2020

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 1,382,713
Accounts receivable	18,826
	\$ 1,401,539

NOTE 3 RESTRICTED CASH

Restricted cash at June 30, 2020 consists of the following:

Restricted by NCDHHS for COVID-19 Relief	\$ 500,000
Restricted by Feeding America for COVID-19 Relief	282,102
Designated by the Board of Directors for Unemployment Reserve	60,049
Total Restricted Cash	842,151

NOTE 4 CONTRACT ASSETS

The beginning and ending balance for the Contract Asset account were as follows:

	2019	2020
Beaufort County United Way	\$ 4,500	\$ 450
State Appropriated Money	33,018	77,093
Food and Nutrition Services	3,885	5,815
USDA Commodity Supplemental Food Program	36,538	37,776
USDA TEFAP	8,899	108,241
Z. Smith Reynolds Foundation	-	20,000
	\$ 86,840	\$ 249,375

There were no other contract balances for the year ended June 30, 2019 or 2020, including contract liabilities.

NOTE 5 INVENTORIES

At June 30, 2020, inventories consisted of the following:

SNAP Purchased Foods	\$ 70,996
Salvage Commodities	312,542
USDA	229,491
Direct Purchases	46,933
	\$ 659,962

See independent auditor's report.

Food Bank of the Albemarle
An Affiliate of Feeding America
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020:

Building	\$	454,388
Leasehold Improvements		21,439
Fixtures and Equipment		466,513
Computer Equipment		62,392
Vehicles		446,284
Intangibles		2,340
Leased Property		10,700
Land Improvements		27,802
Net Depreciable Assets		<u>1,491,858</u>
Less Accumulated Depreciation and Amortization		<u>(857,698)</u>
		634,160
Land		171,542
Net Property and Equipment	\$	<u><u>805,702</u></u>

NOTE 7 LINE OF CREDIT

The Organization has a revolving line of credit agreement for \$125,000 with Select Bank & Trust Company. 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 (3.25% and June 30, 2020). There was no outstanding balance at June 30, 2020.

NOTE 8 NOTES PAYABLE

The Organization has a mortgage note payable with Select Bank & Trust Company 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>
Select Bank and Trust	* \$2,521.80/Mo	5.15%	<u>\$ 12,410</u>	<u>\$ 337,984</u>	<u>\$ 350,394</u>

* Secured by deed of trust

Principal payments for the next four years are as follows:

6/30/2021	\$	12,410
6/30/2022		13,064
6/30/2023		13,753
6/30/2024		311,167
	\$	<u><u>350,394</u></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, 2020

NOTE 8 NOTES PAYABLE (continued)

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

	Payment Terms	Interest Rate	Current Portion	Long-Term Portion	Total
Nissan Motor	* \$663.74/Mo	4.09%	\$ 6,937	\$ 21,341	\$ 28,278

Principal payments for the next four years are as follows:

6/30/2021	\$ 6,937
6/30/2022	7,226
6/30/2023	7,527
6/30/2024	6,588
	<u>\$ 28,278</u>

NOTE 9 LEASES

OPERATING LEASE

The Organization is leasing copier equipment under a sixty-month lease term. The monthly payment is \$294. The lease ended April 14, 2020 and the Organization continued on a month-to-month basis through June 30, 2020.

During the year, the Organization entered into several lease agreements with Ryder.

The first lease was signed December 23, 2019 and is a 37-month lease. The lease payment is a fixed payment of \$100 per month plus a rate of \$0.915 per mile, as well as fuel costs. The contract requires a minimum of 25,000 miles per year.

Minimum future lease payments under the lease are:

Year ended June 30,	2021	\$ 24,075
	2022	24,075
	2023	14,044
		<u>\$ 62,194</u>

The second Ryder lease was signed January 9, 2020 and is a 30-month lease. The lease payment is a fixed payment of \$100 per month plus a rate of \$0.915 per mile, as well as fuel costs. The contract requires a minimum of 25,000 miles per year.

See independent auditor's report.

Food Bank of the Albemarle
An Affiliate of Feeding America
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE 9 LEASES (continued)

Minimum future lease payments under the lease are:

Year ended June 30, 2021	\$	24,075
		2022
		24,075
		<u>\$ 48,150</u>

The third Ryder lease was signed January 9, 2020 and is a 63-month lease. The lease payment is a fixed payment of \$100 per month plus a rate of \$0.915 per mile, \$0.95 hourly refrigeration, \$0.95 standby refrigeration as well as fuel costs. The contract requires a minimum of 25,000 miles per year, 2,080 estimated annual refrigeration hours, and 1,000 estimated standby refrigeration hours.

Minimum future lease payments under the lease are:

Year ended June 30, 2021	\$	27,001
		2022
		27,001
		2023
		27,001
		2024
		27,001
		2025
		20,251
		<u>\$ 128,255</u>

CAPITAL LEASE OBLIGATION

The Organization has acquired equipment under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the equipment have been capitalized and included in equipment on the balance sheet. Amortization of leased equipment is included in depreciation expense.

Assets held through capital lease obligations at June 30, 2020 were as follows:

Equipment	\$	33,811
Less accumulated depreciation		(6,253)
		<u>\$ 27,558</u>

The following is a schedule of future minimum lease payments under the capital lease obligation:

Total minimum lease payments	\$	31,379
Less amount representing interest		(3,101)
Present value of net minimum lease payments		<u>28,278</u>
Less current portion		(6,808)
		<u>\$ 21,470</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, 2020

NOTE 9 LEASES (continued)

Future maturities of capital lease obligations at June 30, 2020 are as follows:

6/30/2021	\$ 6,808
6/30/2022	7,183
6/30/2023	7,579
6/30/2024	6,708
	<u>\$ 28,278</u>

NOTE 10 NET ASSETS WITHOUT DONOR RESTRICTIONS

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, 2020 totaled \$1,479,331.

NOTE 11 CONCENTRATION OF PUBLIC SUPPORT

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 12 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional fees, utilities, equipment-related expenses, and office expenses, which are allocated on the basis of estimates of time and effort.

NOTE 13 DEFERRED INCOME

On April 10, 2020, the organization received loan proceeds in the amount of \$174,100 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of their average monthly payroll expenses. The loan is forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrow terminates employees or reduces salaries during this period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP.

See independent auditor's report.

Food Bank of the Albemarle
An Affiliate of Feeding America
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE 14 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 25, 2021, the date on which the financial statements were available to be issued and has determined that there are no disclosures or adjustments relating to subsequent events necessary in the accompanying financial statements.

On July 23, 2020, the Organization entered into a new operating lease for a copier under a 60-month lease term. The monthly payment is \$716.

Future lease payments under the lease are:

Year ended June 30, 2021	\$	8,592
2022		8,592
2023		8,592
2024		8,592
2025		8,592
	\$	<u>42,960</u>

On July 23, 2020, the Organization entered into an operating lease agreement to lease property in Pasquotank County under an eight-month lease. The monthly lease payment is \$3,000.

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations, and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's customers and revenue, absenteeism in the Organization's labor workforce, and a decline in value of assets held by the Organization. The ultimate effect of outbreak cannot be reasonably estimated at this time.

The Organization applied for loan forgiveness for the PPP loan on October 16, 2020. As of January 25, 2021, they have not received a formal confirmation that the loan has been forgiven. Once the loan is forgiven, the amount forgiven will be included as income.

See independent auditor's report.

Food Bank of the Albemarle
An Affiliate of Feeding America
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE 15 ADOPTION OF NEW ACCOUNTING STANDARD

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective July 1, 2019, the first day of the Organization's fiscal year, using the full retrospective method.

The Organization receives benefits from services provided as they perform their obligations. Therefore, the revenue is recognized over time. The Organization records accruals to reflect the expected final settlements based on cost reports. For reports filed as of year-end, the accrual is based on those cost reports and subsequent activity, and a valuation allowance against those cost reports is recorded if necessary. The accrual for periods for which a cost report is not yet filed is recorded based on estimates of what the Organization expects to report on the filed cost reports, and a corresponding valuation allowance is recorded when needed. The amount determined to be a receivable as of year-end is reported as a Contract Asset.

The adoption of this ASU did not have a significant impact on the Organization's financial statements. No changes were required to previously reported revenues as a result of the adoption.

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, 2020, 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 January 25, 2021.

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, reading "Susan H. Wuborny, CPA P.C." The signature is written in a cursive style with a large initial 'S'.

Edenton, North Carolina
January 25, 2021

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, 2020. 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, 2020.

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.



Edenton, North Carolina
January 25, 2021

Food Bank of the Albemarle
An Affiliate of Feeding America
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2020

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		\$ 707	\$ 707
Food and Nutrition Services	10.561	39496	21,020	21,020
<u>U.S. Department of Agriculture</u>				
Food Distribution Cluster (Note D)				
Pass through North Carolina Dept. of Agriculture				
U.S.D.A. Food Commodities - Donation (Note C)	10.569	20-026-2011	3,544,798	3,536,753
U.S.D.A. TEFAP Cash Payments to Food Bank	10.568	20-026-2011	486,386	486,386
U.S.D.A. Commodity Supplemental Food Program	10.565	20-027-2002	243,973	243,973
Total Food Distribution Cluster (Note D)			<u>4,275,157</u>	<u>4,267,112</u>
Total U.S. Department of Agriculture			<u>4,296,884</u>	<u>4,288,839</u>
U.S. Department of Homeland Security				
The Emergency Food and Shelter Program	97.024	VARIOUS	5,004	5,004
Total Federal Awards			<u>4,301,888</u>	<u>4,293,843</u>
State Awards:				
North Carolina Department of Health and Human Services				
State Appropriated Money		36257	492,793	492,793
Total State Awards			<u>492,793</u>	<u>492,793</u>
Total Federal and State Awards			<u>\$ 4,794,681</u>	<u>\$ 4,786,636</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, 2020. 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