

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
FINANCIAL STATEMENTS

Year Ended June 30, 2022

CONTENTS

	<u>Page</u>
Independent auditor's report	1 - 3
Financial statements:	
Statement of financial position	4
Statement of activities	5
Statement of functional expenses	6
Statement of cash flows	7
Notes to financial statements	8 - 15
Schedule of expenditures of federal and state awards	17 - 18
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 <i>Government Auditing Standards</i>	19 - 20
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	21 - 23
Schedule of findings and questioned costs	24 - 25
Summary schedule of prior audit findings	26



Zukerman & Associates, Ltd.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

February 27, 2023

To the Board of Directors
Food Bank of the Albemarle

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Food Bank of the Albemarle, which comprise the statement of financial position as of June 30 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Food Bank of the Albemarle, as of June 30 2022, 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.

Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Food Bank of the Albemarle, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Food Bank of the Albemarle's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Food Bank of the Albemarle's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Food Bank of the Albemarle's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our 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 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 our opinion, the schedule of expenditures of federal and state awards 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*, we have also issued our report dated February 27, 2023, on our consideration of Food Bank of the Albemarle's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Food Bank of the Albemarle's 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 control over financial reporting and compliance.

Zukerman & Associates, Ltd.

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
June 30, 2022

ASSETS

Current assets:	
Cash and cash equivalents	\$ 2,636,672
Accounts receivable	52,076
Contract assets	108,466
Inventories	<u>708,294</u>
Total current assets	3,505,508
Investments	1,706,611
Property and equipment	3,316,682
Other assets	<u>3,257</u>
Total assets	<u><u>\$ 8,532,058</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 242,765
Compensated absences	36,642
Advance of COVID-19 relief funds	<u>29,134</u>
Total current liabilities	<u>308,541</u>
Net assets:	
Net assets without donor restrictions	8,032,469
Net assets with donor restrictions	<u>191,048</u>
Total net assets	<u>8,223,517</u>
Total liabilities and net assets	<u><u>\$ 8,532,058</u></u>

The accompanying notes are an integral part of the financial statements.

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions from public support	\$ 884,774	\$ -	\$ 884,774
Grants:			
Federal awards	2,911,136	-	2,911,136
State awards	516,882	-	516,882
United Way	36,281	-	36,281
Other grants	340,247	202,405	542,652
Consumable product donations/receipts	11,859,548	-	11,859,548
Agency shared contribution and warehouse annual fees	124,677	-	124,677
Delivery fees	182,664	-	182,664
Agency food purchases	154,518	-	154,518
Interest income	3,096	-	3,096
Miscellaneous	27,870	-	27,870
In-kind contribution	575	-	575
Net investment loss	(259,091)	-	(259,091)
Net assets released from restrictions	312,169	(312,169)	-
Total revenues and other support	<u>17,095,346</u>	<u>(109,764)</u>	<u>16,985,582</u>
Expenses:			
Program services - food distribution	16,501,214	-	16,501,214
Supporting services - management and general	338,275	-	338,275
Fundraising	300,731	-	300,731
Total expenses	<u>17,140,220</u>	<u>-</u>	<u>17,140,220</u>
Decrease in net assets	(44,874)	(109,764)	(154,638)
Net assets, beginning of year	<u>8,077,343</u>	<u>300,812</u>	<u>8,378,155</u>
Net assets, end of year	<u>\$ 8,032,469</u>	<u>\$ 191,048</u>	<u>\$ 8,223,517</u>

The accompanying notes are an integral part of the financial statements.

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Salaries and wages	\$ 964,681	\$ 214,152	\$ 139,286	\$ 1,318,119
Employee benefits	180,526	10,120	15,870	206,516
Payroll taxes	78,559	17,439	11,343	107,341
Other:				
Advertising	-	-	9,338	9,338
Bank service charges	-	24,884	-	24,884
Building rental and maintenance	52,711	300	300	53,311
Conferences, meetings and training	12,602	2,546	996	16,144
Contractual labor	-	24,182	675	24,857
Depreciation and amortization	184,285	-	-	184,285
Dues and subscriptions	14,420	6,383	1,620	22,423
Employee materials	3,529	-	-	3,529
Equipment rental and maintenance	56,142	9,811	10,093	76,046
Food purchased/distributed	2,003,854	-	-	2,003,854
Donated/surplus food distributed	12,119,017	-	-	12,119,017
Food spoilage	48,999	-	-	48,999
Fundraising and direct mail	-	-	82,349	82,349
In-kind contributions	575	-	-	575
Insurance	58,162	617	-	58,779
Interest	-	415	-	415
Miscellaneous	10,858	15	168	11,041
Office and computer supplies	32,706	11,282	5,789	49,777
Payroll processing fees	6,088	1,352	879	8,319
Postage	8,081	418	10,817	19,316
Printing	905	201	131	1,237
Professional fees	57,927	12,859	8,364	79,150
Property tax	1,820	-	-	1,820
Sales tax	10,449	-	-	10,449
Service supplies	9,103	-	-	9,103
Sponsored agency program	197,131	-	-	197,131
Support of other organizations	11,871	-	-	11,871
Telephone	26,924	1,299	2,713	30,936
Transportation and freight	300,986	-	-	300,986
Utilities	46,991	-	-	46,991
Warehouse supplies	1,312	-	-	1,312
Total expenses	<u>\$ 16,501,214</u>	<u>\$ 338,275</u>	<u>\$ 300,731</u>	<u>\$ 17,140,220</u>

The accompanying notes are an integral part of the financial statements.

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
STATEMENT OF CASH FLOWS
Year Ended June 30, 2022

Cash flows from operating activities:	
Decrease in net assets	\$ (154,638)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Depreciation and amortization	184,285
Realized and unrealized losses on investments	292,997
(Increase) decrease in:	
Accounts receivable	(32,205)
Contract assets	13,644
Inventories	142,916
Other assets	(2,500)
Increase (decrease) in:	
Accounts payable	203,325
Compensated absences	146
Advance of COVID-19 relief funds	(1,069,797)
Net cash used by operating activities	<u>(421,827)</u>
Cash flows from investing activities:	
Purchase/construction of property and equipment	(1,401,133)
Purchase of investments	(962,465)
Proceeds from sale of investments	214,550
Net cash used by investing activities	<u>(2,149,048)</u>
Net decrease in cash and cash equivalents	(2,570,875)
Cash and cash equivalents at beginning of year	<u>5,207,547</u>
Cash and cash equivalents at end of year	<u>\$ 2,636,672</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 415</u>

The accompanying notes are an integral part of the financial statements.

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization and nature of activities

Food Bank of the Albemarle (Food Bank), an affiliate of Feeding America, is a nonprofit North Carolina corporation whose mission is to assist the poor and needy in fifteen counties in Northeastern North Carolina. The Food Bank provides food, support services, advocacy, and education both directly and through other nonprofit entities.

The Food Bank's significant accounting policies are as follows:

Basis of presentation

The Food Bank reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets without donor restrictions are available to support operations and are not subject to donor restrictions. Net assets with donor restrictions are resources that are subject to donor-imposed restrictions.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). 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 vary from the estimates used.

Cash equivalents

The Food Bank reports money market funds and all highly liquid investments with initial maturities of three months or less as cash equivalents.

Accounts receivable

Accounts receivable represent amounts due from various agencies under the Food Bank's shared maintenance fee program, are stated at the amount management expects to collect from outstanding balances, and do not bear interest. Management provides for probable uncollectible amounts via a valuation allowance based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Balances that remain outstanding after management has exhausted reasonable collection efforts are charged off against the allowance. At June 30, 2022, management has determined that no allowance for uncollectible accounts is necessary.

Contract assets

Contract assets represent amounts due from governmental agencies under grant or other award programs. Management believes that all of these receivables are fully collectible; accordingly, no allowance for uncollectible accounts has been provided.

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Donated food inventory is stated at its estimated fair value determined by reference to a study commissioned by Feeding America, a national food bank network. That study presents the approximate 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 Food Bank is stated at the lower of cost or net realizable value using the first-in, first-out method.

Investments

Investments are reported at fair value based on quoted market prices at the balance sheet date, which is Level 1 of the fair value hierarchy established by U.S. GAAP. Realized and unrealized gains and losses are reported as changes in net assets without donor restrictions in the statement of activities.

Property and equipment

Acquisitions of property and equipment in excess of \$500 are capitalized and recorded at cost if purchased or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 39 years. Construction period interest is capitalized as a component of building cost. Property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If an asset is considered to be impaired, a loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Compensated absences

The Food Bank records a liability for vested unused leave benefits as of the balance sheet date.

Revenues and other support

Revenues and other support are recognized when earned and are reported as increases in net assets without donor restrictions unless specifically restricted by the donor. All donor-restricted support is reported as increases in net assets with donor 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. Donor restrictions that expire in the same reporting period in which the revenue is recognized are reported as net assets without donor restrictions. Grant and cost-reimbursable contract payments received in advance are deferred to the period in which the related services are performed or expenditures are incurred.

Donated services

Donated services are reported as contributions at their estimated fair value if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Food Bank. The Food Bank generally pays for such services. Volunteers from time to time assist the Food Bank; however, such assistance is not reported as contributions because the recognition criteria are not met.

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

In-kind contributions

Donated food and grocery products over which the Food Bank has control are reported as unrestricted public support. Donated goods other than inventories are recorded at their estimated fair value at the date of donation.

Expense allocation

The Food Bank’s expenses are summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Directly identifiable expenses are charged to program, management and general, and fundraising activities. Other expenses are allocated among program, management and general, and fundraising activities on the basis of periodic time and expense studies or other appropriate basis. Management and general expenses include costs that are not directly identifiable with a specific function but provide for the overall support and direction of the Food Bank.

Income taxes

The Food Bank is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, these financial statements include no provision for income taxes.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Food Bank regularly monitors its liquidity and the resources required to meet its obligations for general expenditures as they come due. For purposes of this analysis, all expenditures related to the Food Bank’s ongoing mission-related activities as well as management and general expenses are considered general expenditures. Although the Food Bank does not intend to use its investments for general expenditures, amounts could be made available if needed. It is management’s intent and belief that general expenditures due in the year ending June 30, 2023 will be funded by revenues and other support received in the year.

Financial assets available for general use at June 30, 2022 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 2,636,672
Accounts receivable	52,076
Contract assets	108,466
Investments	<u>1,706,611</u>
Total financial assets	4,503,825
Less donor-imposed restricted funds	(191,048)
Less advance of COVID-19 relief funds	<u>(29,134)</u>
Financial assets available for general use	<u>\$ 4,283,643</u>

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CONTRACT ASSETS

The beginning and ending balances of contract assets are as follows:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
State Funded Food Purchases (SAM)	\$ 32,130	\$ 52,848
USDA Commodity Supplemental Food Program	36,743	38,763
USDA Emergency Food Assistance Program	39,593	30,499
	<u>\$ 108,466</u>	<u>\$ 122,110</u>

There were no contract liabilities at June 30, 2022 or 2021.

NOTE 4 – INVENTORIES

Inventories consist of the following at June 30, 2022:

Salvage commodities	\$ 287,816
SNAP purchased food	278,750
USDA	101,264
Direct purchases	40,464
	<u>\$ 708,294</u>

In the year ended June 30, 2022, the Food Bank distributed 5,043,878 pounds of donated products. The approximate average wholesale value of donated products was determined to be \$1.92 per pound, based on the “Product Valuation Survey Methodology” formulated by Feeding America.

NOTE 5 – INVESTMENTS

Investments are as follows at June 30, 2022:

	<u>Cost</u>	<u>Unrealized</u>	<u>Fair</u>
	<u>Basis</u>	<u>Gain (Loss)</u>	<u>Value</u>
Mutual funds	\$ 688,767	\$ (76,543)	\$ 612,224
Exchange traded funds	627,684	(98,007)	529,677
Common stock	599,432	(87,875)	511,557
Money market funds	53,153	-	53,153
	<u>\$ 1,969,036</u>	<u>\$ (262,425)</u>	<u>\$ 1,706,611</u>

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – INVESTMENTS (CONCLUDED)

Earnings on investments are as follows for the year ended June 30, 2022:

Net realized and unrealized losses	\$ (292,997)
Interest and dividends	33,972
Foreign taxes paid	<u>(66)</u>
	<u>\$ (259,091)</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment are as follows at June 30, 2022:

Land and improvements	\$ 199,344
Building and improvements	1,671,831
Construction in progress	1,374,283
Leasehold improvements	21,439
Machinery and equipment	643,626
Computer equipment	101,686
Vehicles	<u>422,599</u>
	4,434,808
Less accumulated depreciation	<u>(1,118,126)</u>
	<u>\$ 3,316,682</u>

NOTE 7 – CONSTRUCTION CONTRACT

In February 2021 the Food Bank contracted to expand its facility with a warehouse and office addition. Construction is expected to be completed in February 2023 at total cost of approximately \$3,321,000. The contractor was paid \$1,209,763 in the year ended June 30, 2022 and is owed \$157,098 at June 30, 2022.

NOTE 8 – OPERATING LINE OF CREDIT

The Food Bank has an operating line of credit of \$500,000 maturing in November 2023, with interest payable monthly at prime (4.75% at June 30, 2022). The line is secured by the Food Bank's building. At June 30, 2022, the entire line was available to be drawn.

NOTE 9 – RETIREMENT PLAN

The Food Bank provides all employees the opportunity to contribute to Individual Retirement Accounts that are independently managed. In October 2021 the Food Bank began matching employee contributions up to the first 3% of their compensation. Matching contributions of \$22,439 were made in the year ended June 30, 2022, which are reported in employee benefits in the accompanying statement of functional expenses.

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – NET ASSETS

Net assets consist of the following at June 30, 2022:

Net assets without donor restrictions:	
Invested in property and equipment	\$ 3,316,682
Invested in inventories	708,294
Board designated for unemployment reserve	76,420
Undesignated	<u>3,931,073</u>
Total net assets without donor restrictions	<u>8,032,469</u>
Net assets with donor restrictions:	
Purpose-restricted net assets:	
Food Bank programs	108,264
Construction	45,104
Consulting services	20,000
Mobile pantry	<u>17,680</u>
Total net assets with donor restrictions	<u>191,048</u>
Total net assets	<u><u>\$ 8,223,517</u></u>

NOTE 11 – OPERATING LEASE COMMITMENTS

The Food Bank leases the following trucks from Ryder Truck Rental, Inc.:

Tandem axle conventional tractor

The lease commenced in January 2020 and calls for fixed monthly payments of \$100, plus \$0.915 per mile for a minimum of 25,000 miles per year. The lease expired in July 2022; however, the Food Bank was given permission to extend the lease on a month-to-month basis until its new trucks are delivered (see below).

26-foot refrigerated box truck

The lease commenced in January 2020 and calls for fixed monthly payments of \$100, plus \$0.915 per mile for a minimum of 25,000 miles per year, \$0.95 per hour of refrigeration for an estimated 2,080 hours per year, and \$0.95 per hour of standby refrigeration for an estimated 1,000 hours per year. The lease expires in March 2025.

Tandem axle conventional tractor

The lease commenced in May 2022 and expires in April 2026 and calls for fixed monthly payments of \$2,480, plus \$0.065 per mile up to 27,500 miles per year. Excess miles will be billed at \$0.25 per mile.

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – OPERATING LEASE COMMITMENTS (CONCLUDED)

The Food Bank leases a 26-foot refrigerated box truck from Penske Truck Leasing Co. (Penske) under a lease that commenced in August 2020 and expires in July 2024. The lease calls for fixed monthly payments of \$2,642, plus \$0.10 per mile in excess of 25,000 miles per year.

In March 2022 the Food Bank signed a lease with Penske for two 26-foot refrigerated box trucks; however, delivery is not expected until March or April 2023. The lease calls for fixed monthly payments of \$3,079 per truck, plus \$0.08 per mile for an estimated 30,000 miles per year, and \$0.95 per hour of refrigeration and \$0.30 per hour of standby refrigeration for an estimated 2,080 hours per year.

In June 2022 the Food Bank temporarily leased retail space for its food pantry distribution while the building addition is under construction (Note 7). The lease expires in May 2023 and calls for monthly payments of \$2,500.

The Food Bank leases two copiers under a lease that expires in July 2025 and calls for monthly payments of \$716.

Minimum future payments due under operating leases are as follows:

Year Ending June 30,	
2023	\$ 164,896
2024	181,326
2025	140,622
2026	106,187
2027	82,648
Thereafter	<u>227,282</u>
	<u>\$ 902,961</u>

NOTE 12 – RISKS AND UNCERTAINTIES

Financial instruments

Financial instruments, which potentially subject the Food Bank to concentrations of credit risk, consist principally of cash and cash equivalents, accounts receivable, and investments.

The Food Bank maintains its cash and cash equivalents in high credit quality financial institutions. At June 30 2022, the balances on deposit in such financial institutions exceeded the limits insured by the Federal Deposit Insurance Corporation by approximately \$2,363,000.

The Food Bank’s investments are held in a brokerage institution. At June 30, 2022, the value of investments exceeded the \$500,000 limit of protection provided by the Securities Investor Protection Corporation by approximately \$1,206,000.

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – RISKS AND UNCERTAINTIES (CONCLUDED)

Support concentration

The Food Bank receives a substantial amount of its support from federal, state, and private agencies. A significant reduction in funding from any of these sources could have a material adverse impact on the Food Bank's programs and activities.

Uncertain income tax positions

As required by U.S. GAAP, management has evaluated the Food Bank's income tax positions and has determined that they are "more likely than not" to be sustained upon examination by the applicable tax authorities. Accordingly, no liability for income taxes is included in these financial statements. No interest or penalties related to the Food Bank's income tax positions were incurred or recognized in the financial statements for the year ended June 30 2022. The Food Bank's Forms 990 for 2018 through 2021 remain subject to examination by the applicable tax authorities.

Coronavirus pandemic

In March 2020 the World Health Organization declared the outbreak and spread of a novel strain of coronavirus (COVID-19) a pandemic. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and the temporary closure of certain nonessential businesses. The COVID-19 pandemic has disrupted the operational and financial performance of the Food Bank and there is significant uncertainty in the nature and degree of its continued effects on the Food Bank over time. The extent to which it will impact the Food Bank going forward will depend on a variety of factors including the duration and continued spread of the outbreak, impact on the Food Bank's beneficiaries, partners, employees, and vendors, as well as governmental, regulatory, and private sector responses. Further, the pandemic may have a significant impact on management's accounting estimates and assumptions.

NOTE 13 – RECENTLY ISSUED ACCOUNTING STANDARD

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases*. Under the new standard, lessees will recognize a right-of-use asset and a lease liability equal to the present value of the required lease payments for virtually all leases. Operating leases will continue to be charged to expense on a straight-line basis. The new standard also requires additional qualitative and quantitative disclosures regarding the lease contracts. The Food Bank must adopt the new standard in the year ending June 30, 2023, and is currently evaluating the impact the standard will have on its financial statements.

NOTE 14 – DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through February 27, 2023, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2022

<u>Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Expenditures</u>
<u>Federal Awards</u>				
U.S. Department of Agriculture				
Food Distribution Cluster				
Pass through North Carolina Department of Agriculture				
Emergency Food Assistance Program (food commodities)	10.569	21-020-2024	\$ 2,350,426	\$ 2,451,690
Emergency Food Assistance Program (administrative funds)	10.568	Various	-	273,269
Commodity Supplemental Food Program (administrative funds)	10.565	21-019-2008	-	271,469
Total U.S. Department of Agriculture			<u>2,350,426</u>	<u>2,996,428</u>
U.S. Department of Treasury				
Pass through North Carolina Department of Agriculture				
Coronavirus State and Local Fiscal Recovery	21.027	21-052-2002	755,111	1,264,199
Coronavirus Relief Fund	21.019	28-00-06	-	1,098,931
Total U.S. Department of Treasury			<u>755,111</u>	<u>2,363,130</u>
U.S. Department of Homeland Security				
The Emergency Food and Shelter Program	97.024	Various	-	2,800
Total Federal Awards			3,105,537	5,362,358
<u>State Awards</u>				
North Carolina Department of Health and Human Services				
State Funded Food Purchases (SAM)		44111	238,132	516,882
Total Federal and State Awards			<u>\$ 3,343,669</u>	<u>\$ 5,879,240</u>

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state award activity of Food Bank of the Albemarle for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *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 assets, or cash flows of Food Bank of the Albemarle

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the 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 3 – FOOD DONATION AND DISTRIBUTION

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



Zukerman & Associates, Ltd.
CERTIFIED PUBLIC ACCOUNTANTS

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*

February 27, 2023

To the Board of Directors
Food Bank of the Albemarle

We have audited, 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, the financial statements of Food Bank of the Albemarle, which comprise the statement of financial position as of June 30 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Food Bank of the Albemarle's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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, we 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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zukerman & Associates, Ltd.



Zukerman&Associates, Ltd.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance
and the State Single Audit Implementation Act

February 27, 2023

To the Board of Directors
Food Bank of the Albemarle

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Food Bank of the Albemarle's compliance with the types of compliance requirements identified as subject to audit 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 2022. 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.

In our 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 2022.

Basis for Opinion on Each Major Federal Program

We conducted our 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, 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. Our responsibilities under those standards, the Uniform Guidance, and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Food Bank of the Albemarle and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Food Bank of the Albemarle's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Food Bank of the Albemarle's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Food Bank of the Albemarle's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Food Bank of the Albemarle's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design, and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Food Bank of the Albemarle's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Food Bank of the Albemarle's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Food Bank of the Albemarle's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Zukerman & Associates, Ltd.

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

1. Summary of audit results

Financial statements

- A. The auditor's report expresses an unmodified opinion on whether the financial statements of Food Bank of the Albemarle were prepared in accordance with U.S. GAAP.
- B. No material weaknesses in internal control over financial reporting were identified during the audit of the financial statements.
- C. No instances of noncompliance material to the financial statements of Food Bank of the Albemarle were disclosed during the audit.

Federal awards

- D. No material weaknesses in internal control over federal award programs were identified during the audit of the major federal award programs.
- E. The auditor's report on compliance for the major federal award programs for Food Bank of the Albemarle expresses an unmodified opinion.
- F. The audit did not disclose findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a).
- G. The programs tested as major programs included:
 - Food Distribution Cluster (CFDA Number 10.569, 10.568, and 10.565)
 - Coronavirus State and Local Fiscal Recovery (CFDA Number 21.027)
- H. The threshold for distinguishing Types A and B programs was \$750,000.
- I. Food Bank of the Albemarle was determined to be a low-risk auditee.

State awards

- J. No material weaknesses in internal control over state award programs were identified during the audit of the state award programs.
- K. No auditor's report on compliance for the state award programs was issued.
- L. The audit did not disclose findings that are required to be reported in accordance with the State Single Audit Implementation Act.
- M. No programs were tested as major state programs.

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

2. Findings – financial statement audit

None

3. Findings and questioned costs – major federal awards

None

4. Findings and questioned costs – state awards

N/A

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2022

Finding 2021-001

U.S. Department of the Treasury
Pass through the N.C. Department of Health & Human Services and the N.C. Department
of Agriculture, administered by the N.C. Pandemic Recovery Office
Program name: Coronavirus Relief Fund
CFDA#: 21.019

Condition: This finding was a significant deficiency stating that the Food Bank failed to review the SAM.gov registration status of vendors receiving over \$50,000 of Coronavirus Relief Funds prior to contracting with them.

Recommendation: The auditor recommended that procedures be put in place to review the SAM.gov registration status of potential vendors to ensure that they have active registrations prior to contracting with them.

Current status: The recommendation of the auditor was implemented. No similar findings were noted in the 2022 audit.