

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
NOTES TO THE FINANCIAL STATEMENTS	7-16
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>	17-18
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	19-20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	21-23
CORRECTIVE ACTION PLAN	24
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	25

# **DONNA H. WINBORNE**, CPA, P.C. CERTIFIED PUBLIC ACCOUNTANT

## **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, 2021, 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, 2021, 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 26, 2022 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 13 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.

William H. Wilburne, CPA, P.C.

Edenton, North Carolina  
January 26, 2022

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
 Statement of Financial Position  
 June 30, 2021

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	3,737,010
Restricted Cash		1,470,537
Accounts Receivable		19,871
Contract Assets		122,110
Inventories		851,210
Investments		1,251,693
Total Current Assets		7,452,431

PROPERTY AND EQUIPMENT, net		2,100,341
-----------------------------	--	-----------

OTHER ASSETS		250
--------------	--	-----

TOTAL ASSETS	\$	9,553,022
--------------	----	-----------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	39,440
Accrued Vacation Payable		36,496
Advance of COVID-19 Relief		1,098,931
Total Current Liabilities		1,174,867

Total Liabilities		1,174,867
-------------------	--	-----------

NET ASSETS

Without Donor Restrictions		
Undesignated		5,054,998
Designated by the Board for Unemployment Reserve		70,794
Invested in Inventories		851,210
Invested in Property and Equipment		2,100,341
Total Net Assets Without Donor Restrictions		8,077,343

With Donor Restrictions

Restricted by Feeding America for Staffing		190,500
Restricted by Feeding the Carolinas for Purchasing Produce		83,812
Restricted by NC Community Foundation for Food Distribution		1,500
Restricted by Sentara Healthcare Foundation for Healthy Food Boxes		25,000
Total Net Assets With Donor Restrictions		300,812

Total Net Assets		8,378,155
------------------	--	-----------

TOTAL LIABILITIES AND NET ASSETS	\$	9,553,022
----------------------------------	----	-----------

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions			
Public Support	\$ 908,942	\$ -	\$ 908,942
Grants			
Federal Awards	2,633,585	317,721	2,951,306
State Awards	492,792	-	492,792
United Way	31,284	-	31,284
Other Grants	4,596,364	310,312	4,906,676
Agency Shared Contribution Fee	157,687	-	157,687
Delivery Fees	178,509	-	178,509
CFAP Program Income	23,556	-	23,556
Warehouse Annual Fees	9,571	-	9,571
Agency Food Purchases	63,684	-	63,684
Interest Income	7,052	-	7,052
Miscellaneous	9,632	-	9,632
Paycheck Protection Program Income	174,100	-	174,100
Unrealized Gain on Investments	1,928	-	1,928
In-Kind Contribution	11,295	-	11,295
Loss on Sale of Property and Equipment	(392)	-	(392)
Consumable Product Donations/Receipts	10,763,316	-	10,763,316
Total Support and Revenue	20,062,905	628,033	20,690,938
<b>TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS</b>	<b>20,062,905</b>	<b>628,033</b>	<b>20,690,938</b>
<b>EXPENSES</b>			
Program Services - Food Distribution	14,026,701	609,323	14,636,024
Support Services - Management and General	254,638	-	254,638
Fundraising	159,726	-	159,726
Depreciation and Amortization Expense	142,591	-	142,591
<b>TOTAL EXPENSES</b>	<b>14,583,656</b>	<b>609,323</b>	<b>15,192,979</b>
<b>INCREASE IN NET ASSETS</b>	5,479,249	18,710	5,497,959
<b>NET ASSETS, BEGINNING OF YEAR</b>	2,598,094	282,102	2,880,196
<b>NET ASSETS, END OF YEAR</b>	\$ 8,077,343	\$ 300,812	\$ 8,378,155

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, 2021

	Program Services	Management And General	Fundraising	Total
Salaries and wages	\$ 849,842	\$ 175,163	\$ 82,973	\$ 1,107,978
Payroll taxes	61,958	18,450	3,396	83,804
Fringe Benefits	116,215	13,914	6,835	136,964
Total personnel expenses	<u>1,028,015</u>	<u>207,527</u>	<u>93,204</u>	<u>1,328,746</u>
Advertising	-	-	700	700
Bad Debt Expense	101	-	-	101
Bank Service Charges	-	5,627	-	5,627
Building Maintenance	32,338	-	-	32,338
Building Rental	33,898	-	-	33,898
Building Supplies	28,971	-	-	28,971
Conferences, Meetings and Training	7,477	383	633	8,493
Contractual Labor	33,179	-	-	33,179
Dues & Subscriptions	-	3,692	5,006	8,698
Employee Materials	5,486	132	20	5,638
Equipment Hardware and Software	9,531	-	-	9,531
Equipment Rental	7,089	1,576	1,576	10,241
Equipment Repairs & Maintenance	39,033	8,843	4,421	52,297
Exterminating	5,273	510	510	6,293
Food Purchased/Distributed	1,802,323	-	-	1,802,323
Donated/Surplus Food Distributed	10,501,065	-	-	10,501,065
Food Spoilage	125,991	-	-	125,991
Freight and Delivery	39,103	-	-	39,103
Supplies - Fundraising/Direct Mail	-	-	40,799	40,799
In-kind Contributions - Gift Cards	11,295	-	-	11,295
Insurance - Board	-	2,891	-	2,891
Insurance - Building	15,868	-	-	15,868
Insurance - Vehicles	37,171	-	-	37,171
Interest	13,598	-	-	13,598
Lawn Care	2,685	-	-	2,685
Miscellaneous	6,620	-	-	6,620
Feeding the Carolinas	3,209	-	-	3,209
Office Supplies	9,129	1,753	585	11,467
Payroll Processing Fees	-	7,197	292	7,489
Postage	11,457	545	7,162	19,164
Printing	5,180	925	453	6,558
Professional Fees	-	10,299	-	10,299
Property Tax	1,652	-	-	1,652
Sales Tax	10,616	118	-	10,734
Service Supplies	26,791	-	-	26,791
Special Event Advertising/Supplies	3,986	-	-	3,986
Sponsored Agency Program	356,031	-	-	356,031
Supplies - Warehouse	2,630	-	-	2,630
Support of Other Organizations	83,699	-	-	83,699
Telephone	8,081	2,620	4,365	15,066
Trash Service	9,803	-	-	9,803
Utilities	34,667	-	-	34,667
Vehicle Expenses	282,238	-	-	282,238
Volunteer Appreciation	745	-	-	745
Total Expenses Before Depreciation Expense	<u>14,636,024</u>	<u>254,638</u>	<u>159,726</u>	<u>15,050,388</u>
Depreciation and Amortization Expense	142,591	-	-	142,591
<b>TOTAL EXPENSES</b>	<u><u>\$ 14,778,615</u></u>	<u><u>\$ 254,638</u></u>	<u><u>\$ 159,726</u></u>	<u><u>\$ 15,192,979</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, 2021

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in Net Assets	\$ 5,497,959
Adjustments to Reconcile Increase in Net Assets to	
Net Cash and Cash Equivalents Provided by Operating Activities:	
Depreciation and Amortization	142,591
Loss on Sale of Property and Equipment	392
Unrealized Gain on Investments	(1,928)
Increase in Accounts Receivable	(1,045)
Decrease in Contract Assets	127,265
Increase in Inventories	(191,248)
Decrease in Accounts Payable	(32,337)
Increase in Accrued Vacation Payable	12,608
Decrease in Deferred Income	(174,100)
Increase in Advance of COVID Relief	598,931
Net Cash and Cash Equivalents Provided by Operating Activities	<u>5,979,088</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Property and Equipment	(1,437,622)
Purchases of Investments	(1,227,810)
Income Reinvested	(2)
Investment in Money Market	(22,190)
Investment Fees Paid Through Investment Account	237
Net Cash and Cash Equivalents Used in Investing Activities	<u>(2,687,387)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Repayment of Notes Payable	(378,672)
Repayment of Capital Lease Obligation	(28,278)
Net Cash and Cash Equivalents Used in Financing Activities	<u>(406,950)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 2,884,751

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 2,322,796  
(included restricted cash of \$842,151)

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 5,207,547  
(includes restricted cash of \$1,470,537)

**SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION**

Cash paid during the year for:	
Interest	<u>\$ 13,598</u>
Income taxes	<u>\$ -</u>



Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
Notes to the Financial Statements  
Year Ended June 30, 2021

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, 2021, 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, 2021

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, 2021, the Organization had \$300,812 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, 2021

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. The Organization received gift cards in the amount of \$11,295 during the year ended June 30, 2021.

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, 2021, the Food Bank distributed approximately 4,526,865 pounds of donated products received from various donors. The approximate average wholesale value of one pound of donated product was determined to be \$1.79 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, 2021 was \$700.

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, 2021

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 \$3,295,340 at Select Bank and \$958,619 at Towne Bank at June 30, 2021. 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, 2021

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	\$ 3,695,815
Accounts receivable	19,871
	\$ 3,715,686

NOTE 3 RESTRICTED CASH

Restricted cash at June 30, 2021 consists of the following:

Restricted by NC Department of Agriculture for COVID-19 Relief	\$ 1,098,931
Restricted by Feeding America for Staffing	190,500
Restricted by Feeding the Carolinas for Purchasing Produce	83,812
Restricted by NC Community Foundation for Food Distribution	1,500
Restricted by Sentara Healthcare Foundation for Healthy Food Boxes	25,000
Designated by the Board of Directors for Unemployment Reserve	70,794
Total Restricted Cash	\$ 1,470,537

NOTE 4 CONTRACT ASSETS

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

	2020	2021
Beaufort County United Way	\$ 450	\$ -
State Appropriated Money	77,093	52,848
Food and Nutrition Services	5,815	-
USDA Commodity Supplemental Food Program	37,776	38,763
USDA TEFAP	108,241	30,499
Z. Smith Reynolds Foundation	20,000	-
	\$ 249,375	\$ 122,110

There were no other contract balances for the year ended June 30, 2020 or 2021, including contract liabilities.

See independent auditor's report.

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
Notes to the Financial Statements  
Year Ended June 30, 2021

NOTE 5 INVENTORIES

At June 30, 2021, inventories consisted of the following:

SNAP Purchased Foods	\$ 148,744
Salvage Commodities	485,160
USDA	193,133
Direct Purchases	24,173
	<u>\$ 851,210</u>

NOTE 6 INVESTMENTS

The Organization's investment account was established in May 2021. These are investment and reserve accounts and were established to provide an investment portfolio and cash reserve for the Organization. A portion of the dividends and interest produced from the total return can be used to supplement the annual operating budget.

The Organization applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The Organization applies GAAP for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy, within which a fair measurement in its entirety falls, is based on the lowest level input that is significant to the fair value measurement in its entirety.

See independent auditor's report.

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
Notes to the Financial Statements  
Year Ended June 30, 2021

NOTE 6 INVESTMENTS (continued)

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2021:

	Quoted in Active Markets for Identical Assets (Level 1)
Money Market Funds	\$ 21,954
Mutual Funds	444,630
Common Stocks	785,109
	\$ 1,251,693

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021:

Building	\$ 1,671,831
Leasehold Improvements	21,439
Fixtures and Equipment	611,259
Computer Equipment	99,841
Vehicles	446,284
Intangibles	2,340
Leased Property	10,700
Land Improvements	27,802
Net Depreciable Assets	2,891,496
Less Accumulated Depreciation and Amortization	(962,697)
	1,928,799
Land	171,542
Net Property and Equipment	\$ 2,100,341

NOTE 8 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, 2021). There was no outstanding balance at June 30, 2021.

See independent auditor's report.

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
Notes to the Financial Statements  
Year Ended June 30, 2021

NOTE 9 LEASES

OPERATING LEASE

The Organization is leasing copier equipment under a sixty-month lease term. The monthly payment is \$716.

Future lease payments under the lease are:

Year ended June 30, 2022	\$	8,592
2023		8,592
2024		8,592
2025		8,592
		<u>8,592</u>
	\$	<u>34,368</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 remaining term of the lease will be month to month.

On July 15, 2020, the Organization entered into a 48-month operating lease agreement with Penske Truck Leasing Co. to lease a Freightliner Truck. The lease payment is a fixed payment of \$2,642 per month plus a rate of \$0.10 for each mile over the total Estimated Annual Mileage of 25,000 miles.

Minimum future lease payments under the lease are:

Year ended June 30, 2022	\$	31,704
2023		31,704
2024		31,704
2025		2,642
		<u>2,642</u>
	\$	<u>97,754</u>

The Organization also has 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, 2022	\$	24,075
2023		14,044
		<u>14,044</u>
	\$	<u>38,119</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, 2021

NOTE 9 LEASES (continued)

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.

Minimum future lease payments under the lease are:

Year ended June 30, 2022	<u>24,075</u>
	<u>\$ 24,075</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, 2022	\$ 27,001
2023	27,001
2024	27,001
2025	<u>20,251</u>
	<u>\$ 101,254</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, 2021 totaled \$4,880,899.

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.

See independent auditor's report.

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
Notes to the Financial Statements  
Year Ended June 30, 2021

NOTE 13 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 26, 2022, 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.

The Organization's operations may be affected by the 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 was notified in December 2021 that they will be receiving approximately \$6,000,000 in funding through the American Rescue Plan Act. Half of this is expected to be received in the first quarter of calendar year 2022 and the second half is expected to be received one year later.

# **DONNA H. WINBORNE**, CPA, P.C. CERTIFIED PUBLIC ACCOUNTANT

## **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, 2021, 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 26, 2022.

### **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.

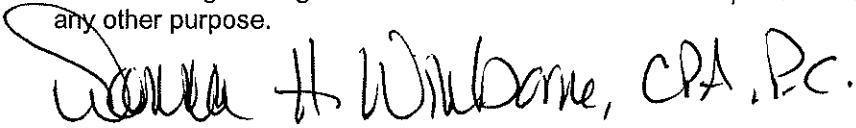
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit I did not identify 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 that reads "Steven H. Wilborne, CPA, PC." The signature is written in a cursive style with a large initial 'S'.

Edenton, North Carolina  
January 26, 2022

**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, 2021. 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, 2021.

***Other Matters***

The results of my auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and

questioned costs as item 2021-001. My opinion on each major federal program is not modified with respect to these matters.

Food Bank of the Albemarle's response to the noncompliance finding identified in my audit is described in the accompanying schedule of findings and questioned costs. Food Bank of the Albemarle's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

#### **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.

I did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-001, that I consider to be a significant deficiency.

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 26, 2021







Food Bank of the Albemarle  
An Affiliate of Feeding America  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021

---

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

---

**U.S. Department of the Treasury**

Passed through the N.C. Department of Health & Human Services and through the N.C. Department of Agriculture, administered by the N.C. Pandemic Recovery Office  
Program Name: Coronavirus Relief Fund  
CFDA #: 21.019

**FINDING 2021-001**

**SIGNIFICANT DEFICIENCY**

Criteria: Per requirements set by the N.C. Pandemic Recovery Office (NCPRO), recipients, including subrecipients and vendors receiving over \$50,000 in Coronavirus Relief Funds, must be registered in the SAM.gov (System for Award Management), including obtaining a DUN and Bradstreet Data Universal Numbering System (DUNS) number.

Condition: During testing of compliance, it was noted that all five vendors receiving over \$50,000 in Coronavirus Relief Funds from Food Bank of the Albemarle were registered with SAM.gov and obtained a DUNS number. However, two of those vendors did not have active registrations at the time of contracting with Food Bank of the Albemarle.

Effect: Food Bank of the Albemarle was not in compliance with requirements set by NCPRO, and a significant deficiency exists.

Cause: It was not determined, at the time of contracting, that all vendors had active registrations with SAM.gov.

Questioned Costs: There are no questioned costs associated with this finding.

Context: All NCPRO reports submitted by Food Bank of the Albemarle were reviewed to determine vendors who received over \$50,000 in Coronavirus Relief Funds. Current registration statuses with SAM.gov were reviewed for all vendors receiving such funds, as well as registration status at the time of contracting for the year-ended June 30, 2021.

Recommendation: I recommend that policies be put in place to review potential vendors' SAM.gov registration prior to contracting to ensure that all vendors paid with federal funds have active registrations.

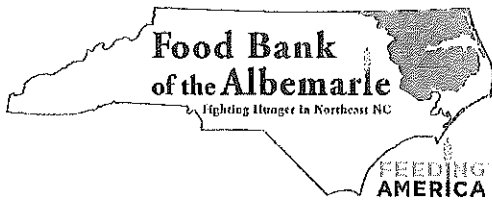
Views of responsible officials and planned corrective actions: All potential vendors' receiving cumulative annual awards of \$50,000 or more in Coronavirus/American Rescue Plan Act will be screened against SAM.gov prior to contracting, ensuring that they have an active registration and DUN and Bradstreet Data Universal Numbering System (DUNS) number. Supporting documentation will accompany the disbursement and be verified by the Board Treasurer at disbursement and retained with the vendor payable.

---

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

---

N/A



Fighting hunger and poverty in northeast North Carolina

Serving Beaufort, Bertie, Camden, Chowan, Currituck, Dare, Gates, Hertford, Hyde, Martin, Northampton, Pasquotank, Perquimans, Tyrrell and Washington Counties.

---

Corrective Action Plan  
For Fiscal Year Ended June 30, 2021

---

Section II – Financial Statement Findings

---

**Finding: 2021-001**

Name of contact person: Elizabeth Reasoner, Executive Director

Corrective Action: All potential vendors' receiving cumulative annual awards of \$50,000 or more in Coronavirus/American Rescue Plan Act will be screened against SAM.gov prior to contracting, ensuring that they have an **active** registration and DUN and Bradstreet Data Universal Numbering System (DUNS) number. Supporting documentation will accompany the disbursement and be verified by the Board Treasurer at disbursement and retained with the vendor payable.

Proposed Completion Date: Immediately and ongoing

---

**Board of Directors:** Mark Campbell, *President* - Galen Niederhauser, *Vice President* – Kahla Hall, *Secretary* - Will Meiggs, *Treasurer*  
Amy Alcocer, Heidi Ambrose, Claudia Arens-Pendergrast, Melissa Arles, Hezekiah Brown, Wanda Hall-Carter, Debra Perkins, Jennifer Purcell, Jason Wheelbarger



Food Bank of the Albemarle  
An Affiliate of Feeding America  
Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
<b>Federal Awards:</b>				
<u>U.S. Department of Agriculture</u>				
Pass through North Carolina Dept. of Health and Human Services				
Food and Nutrition Services	10.561	39496	\$ 2,464	\$ 2,464
<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	2,370,600	2,406,958
U.S.D.A. TEFAP Cash Payments to Food Bank	10.568	VARIOUS	371,429	371,429
U.S.D.A. Commodity Supplemental Food Program	10.565	21-019-2004	<u>252,008</u>	<u>252,008</u>
Total Food Distribution Cluster (Note D)			<u>2,994,037</u>	<u>3,030,395</u>
Total U.S. Department of Agriculture			<u>2,996,501</u>	<u>3,032,859</u>
<u>U.S. Department of Homeland Security</u>				
The Emergency Food and Shelter Program	97.024	VARIOUS	<u>7,684</u>	<u>7,684</u>
<u>U.S. Department of Treasury</u>				
Pass through North Carolina Dept. of Health and Human Services				
Coronavirus Relief Fund	21.019	40968	2,000,000	2,000,000
Pass through North Carolina Dept. of Agriculture				
Coronavirus Relief Fund	21.019	28-00-06	<u>1,416,652</u>	<u>317,721</u>
Total Coronavirus Relief Fund			<u>3,416,652</u>	<u>2,317,721</u>
Total U.S. Department of Treasury			<u>3,416,652</u>	<u>2,317,721</u>
Total Federal Awards			<u>6,420,837</u>	<u>5,358,264</u>
<b>State Awards:</b>				
North Carolina Department of Health and Human Services				
State Appropriated Money		41353	<u>492,792</u>	<u>492,792</u>
Total State Awards			<u>492,792</u>	<u>492,792</u>
Total Federal and State Awards			<u>\$ 6,913,629</u>	<u>\$ 5,851,056</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, 2021. 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