

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

Year Ended June 30, 2023

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Zukerman & Associates, Ltd.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

March 27, 2024

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, 2023, 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, 2023, 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 March 27, 2024, 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, 2023

ASSETS

Current assets:	
Cash and cash equivalents	\$ 2,353,898
Accounts receivable	9,063
Contract assets	78,418
Inventories	<u>651,561</u>
Total current assets	3,092,940
Investments	1,928,183
Property and equipment	5,329,352
Operating lease right of use assets	164,556
Other assets	<u>2,967</u>
Total assets	<u>\$ 10,517,998</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 76,522
Compensated absences	50,613
Advance of COVID-19 relief funds	32,376
Operating lease liability, current portion	<u>84,665</u>
Total current liabilities	244,176
Operating lease liability	<u>79,891</u>
Total liabilities	<u>324,067</u>
Net assets:	
Net assets without donor restrictions	9,739,581
Net assets with donor restrictions	<u>454,350</u>
Total net assets	<u>10,193,931</u>
Total liabilities and net assets	<u>\$ 10,517,998</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, 2023

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions from public support	\$ 958,124	\$ -	\$ 958,124
Grants:			
Federal awards	5,072,937	-	5,072,937
State awards	526,043	-	526,043
United Way	46,976	-	46,976
Other grants	272,325	618,457	890,782
Consumable product donations/receipts	8,367,399	-	8,367,399
Agency shared contribution and warehouse annual fees	2,836	-	2,836
Delivery fees	154,974	-	154,974
Agency food purchases	294,440	-	294,440
Interest income	7,981	-	7,981
Miscellaneous	38,024	-	38,024
In-kind contribution	25	-	25
Net investment income	225,079	-	225,079
Net assets released from restrictions	355,155	(355,155)	-
Total revenues and other support	<u>16,322,318</u>	<u>263,302</u>	<u>16,585,620</u>
Expenses:			
Program services - food distribution	13,780,464	-	13,780,464
Supporting services - management and general	378,695	-	378,695
Fundraising	456,047	-	456,047
Total expenses	<u>14,615,206</u>	<u>-</u>	<u>14,615,206</u>
Increase in net assets	1,707,112	263,302	1,970,414
Net assets, beginning of year	<u>8,032,469</u>	<u>191,048</u>	<u>8,223,517</u>
Net assets, end of year	<u>\$ 9,739,581</u>	<u>\$ 454,350</u>	<u>\$ 10,193,931</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, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Salaries and wages	\$ 1,073,305	\$ 239,115	\$ 176,509	\$ 1,488,929
Employee benefits	159,866	12,618	33,983	206,467
Payroll taxes	87,459	19,485	14,383	121,327
Other:				
Bank service charges	-	23,501	-	23,501
Building rental and maintenance	97,112	4,491	4,491	106,094
Conferences, meetings and training	2,908	23,554	2,617	29,079
Contractual labor	57,645	-	-	57,645
Depreciation and amortization	222,875	-	-	222,875
Dues and subscriptions	26,479	3,681	2,857	33,017
Employee materials	2,787	302	269	3,358
Equipment rental and maintenance	74,533	6,038	5,367	85,938
Food purchased/distributed	2,464,303	-	-	2,464,303
Donated/surplus food distributed	7,948,638	-	-	7,948,638
Food spoilage	295,915	-	-	295,915
Fundraising and direct mail	-	-	106,476	106,476
In-kind contributions	25	-	-	25
Insurance	64,007	4,020	2,196	70,223
Interest	-	112	-	112
Miscellaneous	34,413	500	10,845	45,758
Office and computer supplies	18,940	2,721	2,223	23,884
Payroll processing fees	6,754	1,504	1,111	9,369
Postage	11,173	-	35,772	46,945
Printing	2,130	475	350	2,955
Professional fees	51,253	31,477	8,429	91,159
Property tax	1,191	-	-	1,191
Sales tax	18,547	1,432	6,995	26,974
Special events advertising/supplies	-	-	35,105	35,105
Sponsored agency program	105,235	-	-	105,235
Support of other organizations	451,138	-	-	451,138
Telephone	28,859	1,200	3,600	33,659
Transportation and freight	413,828	-	-	413,828
Utilities	49,926	2,469	2,469	54,864
Warehouse supplies	9,220	-	-	9,220
Total expenses	<u>\$ 13,780,464</u>	<u>\$ 378,695</u>	<u>\$ 456,047</u>	<u>\$ 14,615,206</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, 2023

Cash flows from operating activities:	
Increase in net assets	\$ 1,970,414
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	222,875
Realized and unrealized gains on investments	(183,348)
(Increase) decrease in:	
Accounts receivable	43,013
Contract assets	30,048
Inventories	56,733
Other assets	(217)
Increase (decrease) in:	
Accounts payable	(166,243)
Compensated absences	13,971
Advance of COVID-19 relief funds	3,242
Net cash provided by operating activities	<u>1,990,488</u>
Cash flows from investing activities:	
Purchase/construction of property and equipment	(2,235,038)
Purchase of investments	(166,969)
Proceeds from sale of investments	128,745
Net cash used by investing activities	<u>(2,273,262)</u>
Net decrease in cash and cash equivalents	(282,774)
Cash and cash equivalents at beginning of year	<u>2,636,672</u>
Cash and cash equivalents at end of year	<u>\$ 2,353,898</u>
Noncash investing and financing activities:	
Initial recording of right of use assets and operating lease liabilities	<u>\$ 275,007</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 112</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, 2023, 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.

Leases

For operating leases with terms exceeding one year, operating lease right of use (ROU) assets and related liabilities are recognized at the lease commencement date, which is the date the lessor makes an underlying asset available for use by the Food Bank. ROU assets represent the Food Bank's right to use an underlying asset for the lease term and lease liabilities represent the present value of the required lease payments over the lease term, discounted using a risk-free interest rate for a period comparable to the lease term. The Food Bank elected to use the U.S. Treasury yield as the discount rate on all classes of assets. The lease term is the noncancelable period for which the Food Bank has the right to use an underlying asset, including any periods covered by an option to extend the lease if the Food Bank is reasonably certain to exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

Financing lease ROU assets and related liabilities represent the present value of the required lease payments over the lease term, discounted using the interest rate implicit in the lease. Financing lease ROU assets are reported in property and equipment and amortized over their estimated useful lives. Financing lease payments are allocated to principal and interest to amortize the lease liability.

Compensated absences

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

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

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

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.

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.

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.

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.

Adoption of new accounting standard

In February 2016 the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The ASU requires the recognition of ROU assets and lease liabilities on the balance sheet for leases with terms exceeding one year, along with disclosure of information about leasing arrangements. The ASU is effective for years beginning after December 15, 2021, and provides the option to apply it either retrospectively or as of the date of adoption. The Food Bank adopted the ASU as of July 1, 2022, electing to apply it as of that date.

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

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

The Food Bank further elected to adopt the package of practical expedients available under the standard, which includes relief from the following at the point of adoption: (i) reassessing whether any expired or existing contracts are or contain leases; (ii) reassessing lease classification (operating versus financing) for any expired or existing leases; and (iii) reassessment of initial direct costs for any existing leases. The Company also elected to adopt the additional practical expedient to use hindsight in determining the lease term and in assessing impairment of ROU assets.

The adoption of the ASU resulted in the recognition of an operating lease ROU asset and related liability of \$275,007 as of July 1, 2022. Adoption of the ASU had no impact on stockholder's equity as of July 1, 2022 or on the results of operations for the year ended June 30, 2023.

NOTE 2 – DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through March 27, 2024, the date on which the financial statements were available to be issued.

NOTE 3 – 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, 2023, the balances on deposit in such financial institutions exceeded the limits insured by the Federal Deposit Insurance Corporation by approximately \$1,937,000.

The Food Bank's investments are held in a brokerage institution. At June 30, 2023, the value of investments exceeded the \$500,000 limit of protection provided by the Securities Investor Protection Corporation by approximately \$1,428,000.

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, 2023. The Food Bank's Forms 990 for 2019 through 2022 remain subject to examination by the applicable tax authorities.

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

NOTE 4 – 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, 2023 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 2,353,898
Accounts receivable	9,063
Contract assets	78,418
Investments	<u>1,928,183</u>
Total financial assets	4,369,562
Less donor-imposed restricted funds	(454,350)
Less advance of COVID-19 relief funds	<u>(32,376)</u>
Financial assets available for general use	<u><u>\$ 3,882,836</u></u>

NOTE 5 – CONTRACT ASSETS

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

	<u>2023</u>	<u>June 30,</u> <u>2022</u>
State Funded Food Purchases (SAM)	\$ -	\$ 32,130
USDA Commodity Supplemental Food Program	41,625	36,743
USDA Emergency Food Assistance Program	<u>36,793</u>	<u>39,593</u>
	<u>\$ 78,418</u>	<u>\$ 108,466</u>

There were no contract liabilities at June 30, 2023 or 2022.

NOTE 6 – INVENTORIES

Inventories consist of the following at June 30, 2023:

Salvage commodities	\$ 319,145
SNAP purchased food	102,331
USDA	194,763
Direct purchases	<u>35,322</u>
	<u><u>\$ 651,561</u></u>

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

NOTE 6 – INVENTORIES (CONCLUDED)

In the year ended June 30, 2023, the Food Bank distributed 3,024,951 pounds of donated products. The approximate average wholesale value of donated products was determined to be \$1.93 per pound, based on the “Product Valuation Survey Methodology” formulated by Feeding America.

NOTE 7 – INVESTMENTS

Investments are as follows at June 30, 2023:

	<u>Cost</u> <u>Basis</u>	<u>Unrealized</u> <u>Gain (Loss)</u>	<u>Fair</u> <u>Value</u>
Mutual funds	\$ 706,520	\$ (85,715)	\$ 620,805
Exchange traded funds	635,876	(18,512)	617,364
Common stock	596,831	50,133	646,964
Money market funds	43,050	-	43,050
	<u>\$ 1,982,277</u>	<u>\$ (54,094)</u>	<u>\$ 1,928,183</u>

Earnings on investments are as follows for the year ended June 30, 2023:

Net realized and unrealized gains	\$ 183,348
Interest and dividends	41,846
Foreign taxes paid	<u>(115)</u>
	<u>\$ 225,079</u>

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment are as follows at June 30, 2023:

Land and improvements	\$ 208,326
Building and improvements	5,005,699
Leasehold improvements	21,439
Machinery and equipment	746,757
Computer equipment	238,345
Vehicles	<u>448,675</u>
	6,669,241
Less accumulated depreciation	<u>(1,339,889)</u>
	<u>\$ 5,329,352</u>

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

NOTE 9 – CONSTRUCTION CONTRACT

In February 2021 the Food Bank contracted to expand its facility with a warehouse and office addition. Construction was completed in February 2023 at total cost of approximately \$3,325,000. The contractor was paid \$2,088,934 in the year ended June 30, 2023 and is owed \$16,627 at June 30, 2023.

NOTE 10 – OPERATING LEASES

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 April 2023.

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.

The Food Bank leases a 26-foot refrigerated box truck from 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 June 2022 the Food Bank temporarily leased retail space for its food pantry distribution while the building addition was under construction (Note 9). The lease expired in May 2023 and called 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.

Following is a summary of the ROU asset at June 30, 2023:

Operating lease ROU asset	\$ 257,078
Less accumulated amortization	<u>(92,522)</u>
	<u>\$ 164,556</u>

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

NOTE 10 – OPERATING LEASES (CONCLUDED)

Following is a summary of the lease liability at June 30, 2023:

Operating lease liability	\$ 164,556
Less current portion	<u>(84,665)</u>
	<u>\$ 79,891</u>

Lease payments due under the lease are as follows:

Year Ending <u>June 30,</u>	
2024	\$ 88,110
2025	57,974
2026	<u>23,539</u>
Total payments	169,623
Less imputed interest	<u>(5,067)</u>
Present value of lease liability	<u>\$ 164,556</u>

The discount rate used to reduce lease payments to their present value ranges from 2.125% to 3%.

NOTE 11 – FINANCING LEASE

In March 2022 the Food Bank signed a lease with Penske Truck Leasing Co. (Penske) for two 26-foot refrigerated box trucks; however, delivery was not made until March 2024. The lease expires in March 2031 and 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.

Scheduled payments on the financing lease are as follows:

Year Ending <u>June 30,</u>	
2024	\$ 27,550
2025	82,648
2026	82,648
2027	82,648
2028	82,648
Thereafter	<u>220,395</u>
Total payments	578,537
Less imputed interest at 8.7%	<u>(143,250)</u>
Present value of lease liability	<u>\$ 435,287</u>

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

NOTE 12 – OPERATING LINE OF CREDIT

The Food Bank has an operating line of credit of \$500,000, with interest payable monthly at prime (8.25% at June 30, 2023). The line is secured by the Food Bank’s building. At June 30, 2023, the entire line was available to be drawn. The line expired in November 2023 and is currently in the process of being renewed.

NOTE 13 – NET ASSETS

Net assets consist of the following at June 30, 2023:

Net assets without donor restrictions:	
Invested in property and equipment	\$ 5,329,352
Invested in inventories	651,542
Board designated for unemployment reserve	90,686
Undesignated	<u>3,667,982</u>
Total net assets without donor restrictions	<u>9,739,562</u>
Net assets with donor restrictions:	
Purpose-restricted net assets:	
Food Bank programs	246,184
Construction	<u>208,166</u>
Total net assets with donor restrictions	<u>454,350</u>
Total net assets	<u><u>\$ 10,193,912</u></u>

NOTE 14 – 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 \$27,864 were made in the year ended June 30, 2023, which are reported in employee benefits in the accompanying statement of functional expenses.

SUPPLEMENTARY INFORMATION

FOOD BANK OF THE ALBEMARLE
An Affiliate of Feeding America
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2023

<u>Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA 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	\$ 1,113,422	\$ 1,113,422
Emergency Food Assistance Program (administrative funds)	10.568	-	304,495
Commodity Supplemental Food Program (food commodities)	10.565	998,560	998,560
Commodity Supplemental Food Program (administrative funds)	10.565	-	<u>277,525</u>
Total U.S. Department of Agriculture		<u>2,111,982</u>	<u>2,694,002</u>
U.S. Department of Treasury			
Pass through North Carolina Department of Agriculture			
Coronavirus State and Local Fiscal Recovery	21.027	1,768,717	2,897,428
Coronavirus Relief Fund	21.019	<u>65,984</u>	<u>1,586,493</u>
Total U.S. Department of Treasury		<u>1,834,701</u>	<u>4,483,921</u>
U.S. Department of Homeland Security			
The Emergency Food and Shelter Program	97.024	-	<u>6,996</u>
Total Federal Awards		3,946,683	7,184,919
<u>State Awards</u>			
North Carolina Department of Health and Human Services			
State Funded Food Purchases (SAM)		<u>442,083</u>	<u>526,043</u>
Total Federal and State Awards		<u>\$ 4,388,766</u>	<u>\$ 7,710,962</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, 2023

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, 2023. 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*

March 27, 2024

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, 2023, 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 March 27, 2024.

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

March 27, 2024

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, 2023. 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, 2023.

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, 2023

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:
 - Coronavirus State and Local Fiscal Recovery (CFDA Number 21.027)
 - Coronavirus Relief Fund (CFDA Number 21.019)
- 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, 2023

2. Findings – financial statement audit

None

3. Findings and questioned costs – major federal awards

None

4. Findings and questioned costs – state awards

N/A