

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

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**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, 2019, 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, 2019, 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.

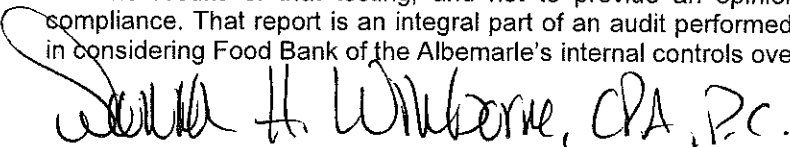
## **Other Matters**

### *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 November 6, 2019 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.

 Susan H. Wilborne, CPA, PC.

Edenton, North Carolina  
November 6, 2019

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
 Statement of Financial Position  
 June 30, 2019

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 234,644
Accounts Receivable	111,040
Inventories	486,717
Total Current Assets	832,401
PROPERTY AND EQUIPMENT, net	606,324
OTHER ASSETS	250
TOTAL ASSETS	\$ 1,438,975

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Current Portion of Notes Payable	\$ 18,448
Current Portion of Capital Lease Obligation	4,479
Accounts Payable	62,032
Accrued Vacation Payable	21,277
Total Current Liabilities	106,236
LONG-TERM LIABILITIES	
Notes Payable, net of current portion	380,566
Capital Lease Obligation, net of current portion	20,171
Total Long-Term Liabilities	400,737
Total Liabilities	506,973
NET ASSETS	
Without Donor Restrictions	
Undesignated	210,449
Designated by the Board for Unemployment Reserve	52,176
Invested in Inventories	486,717
Invested in Property and Equipment	182,660
Total Net Assets	932,002
TOTAL LIABILITIES AND NET ASSETS	\$ 1,438,975

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, 2019

	Without Donor Restrictions	Total
SUPPORT AND REVENUE		
Contributions		
Public Support	\$ 465,394	\$ 465,394
Grants		
Federal Awards	385,695	385,695
State Awards	492,584	492,584
United Way	33,347	33,347
Other Grants	317,047	317,047
Agency Shared Contribution Fee	162,475	162,475
Delivery Fees	215,068	215,068
Warehouse Annual Fees	7,750	7,750
Agency Food Purchases	227,808	227,808
Interest Income	100	100
Miscellaneous	7,954	7,954
In-Kind Contribution	17,651	17,651
Gain on Sale of Property and Equipment	2,250	2,250
Consumable Product Donations/Receipts	8,154,677	8,154,677
Total Support and Revenue	10,489,800	10,489,800
 TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS	 10,489,800	 10,489,800
 EXPENSES		
Program Services - Food Distribution	10,208,088	10,208,088
Support Services - Management and General	137,983	137,983
Fundraising	149,365	149,365
Depreciation and Amortization Expense	50,559	50,559
TOTAL EXPENSES	10,545,995	10,545,995
DECREASE IN NET ASSETS	(56,195)	(56,195)
NET ASSETS, BEGINNING OF YEAR	988,197	988,197
NET ASSETS, END OF YEAR	\$ 932,002	\$ 932,002

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, 2019

	Program Services	Management And General	Fundraising	Total
Salaries and wages	\$ 627,204	\$ 67,200	\$ 52,267	\$ 746,671
Payroll taxes	48,382	5,184	4,032	57,598
Fringe Benefits	89,100	9,546	7,425	106,071
Total personnel expenses	<u>764,686</u>	<u>81,930</u>	<u>63,724</u>	<u>910,340</u>
Advertising	1,446	-	-	1,446
Background Check	5	-	-	5
Bank service charges	1,002	1,003	2,100	4,105
Branding	6,823	-	-	6,823
Building maintenance	8,844	45	181	9,070
Building supplies	9,076	26	104	9,206
CACFP sponsored program	22,814	-	-	22,814
Conferences, meetings and training	4,225	8,002	-	12,227
Contractual Labor	9,568	-	-	9,568
Dues & subscriptions	-	1,833	-	1,833
Employee materials	2,159	-	100	2,259
Equipment hardware and software	5,271	6,298	6,298	17,867
Equipment purchases	1,219	-	-	1,219
Equipment rental	4,258	1,167	1,167	6,592
Equipment repairs & maintenance	20,326	3,599	3,599	27,524
Exterminating	2,242	12	46	2,300
Feeding America membership fees	4,848	-	-	4,848
Food purchased/distributed	654,503	-	-	654,503
Donated/surplus food distributed	7,975,330	-	-	7,975,330
Food spoilage	246,640	-	-	246,640
Freight and delivery	23,573	-	-	23,573
Grant Application Fees	-	-	1,025	1,025
Supplies - fundraising/direct mail	-	-	42,973	42,973
In-kind contributions - gift cards	7,135	-	-	7,135
Insurance - building	9,271	48	190	9,509
Insurance - vehicles	13,510	139	279	13,928
Interest	19,009	-	-	19,009
Lawn care	2,252	12	46	2,310
Miscellaneous	2,383	-	-	2,383
NCAAFB Association fees	-	20,076	-	20,076
Office supplies	4,926	501	1,081	6,508
Payroll processing fees	5,055	243	243	5,541
Postage	5,906	500	9,520	15,926
Printing	5,527	500	1,342	7,369
Professional fees	-	10,525	-	10,525
Property tax	1,371	-	-	1,371
Sales tax	8,039	102	-	8,141
Special event advertising/supplies	-	-	12,398	12,398
Sponsored agency program	194,818	-	-	194,818
Supplies - media and education	503	-	-	503
Telephone	11,976	61	246	12,283
Trash service	5,267	27	108	5,402
Utilities	20,052	101	406	20,559
Vehicle expenses	121,133	1,095	2,189	124,417
Vista Stipend	500	-	-	500
Volunteer Materials and Supplies	-	138	-	138
Volunteer appreciation	597	-	-	597
Total expenses before depreciation expense	<u>10,208,088</u>	<u>137,983</u>	<u>149,365</u>	<u>10,495,436</u>
Depreciation and Amortization expense	50,559	-	-	50,559
<b>TOTAL EXPENSES</b>	<u><u>\$ 10,258,647</u></u>	<u><u>\$ 137,983</u></u>	<u><u>\$ 149,365</u></u>	<u><u>\$ 10,545,995</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, 2019

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Decrease in net assets	\$ (56,195)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation and amortization	50,559
Gain on sale of property and equipment	(2,250)
Increase in accounts receivable	(72,427)
Decrease in inventories	79,952
Increase in accounts payable	57,178
Decrease in accrued vacation payable	(1,110)
Net cash and cash equivalents provided by operating activities	<u>55,707</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	(101,093)
Proceeds from sale of property and equipment	2,500
Net cash and cash equivalents used by investing activities	<u>(98,593)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net repayments on line of credit	(124,817)
Repayment of notes payable	(48,535)
Repayment of capital lease obligation	(350)
Borrowings on notes payable	268,942
Net cash and cash equivalents provided by financing activities	<u>95,240</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	52,354
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>182,290</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 234,644</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>	
Purchase of equipment through notes payable	<u>\$ 35,960</u>
Purchase of equipment through capital lease obligation	<u>\$ 25,000</u>
Repayment of notes payable through refinancing	<u>\$ 106,058</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>	
Cash paid during the year for:	
Interest	<u>\$ 19,009</u>
Income taxes	<u>\$ -</u>

See accompanying notes to the financial statements and independent auditor's report.



Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
Notes to the Financial Statements  
Year Ended June 30, 2019

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, 2019, 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, 2019

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.

At June 30, 2019, there were no net assets with 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, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition

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

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. The Organization generally pays for services requiring specific expertise. Contributed goods (other than inventories) are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the year ended June 30, 2019.

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, 2019, the Food Bank distributed approximately 3,716,881 pounds of donated products received from various donors. The approximate average wholesale value of one pound of donated product was determined to be \$1.62 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, 2019 was \$1,446.

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, 2019

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. Further, the Organization had no deposits with financial institutions exceeding the federal deposit insurance limit at June 30, 2019. 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, 2019

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	\$	182,468
Accounts receivable		111,040
		<u>293,508</u>
	\$	<u>293,508</u>

NOTE 3 INVENTORIES

At June 30, 2019, inventories consisted of the following:

SNAP Purchased Foods	\$	65,371
Salvage Commodities		196,514
USDA		221,445
Direct Purchases		3,387
		<u>486,717</u>
	\$	<u>486,717</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2019:

Building	\$	454,388
Leasehold Improvements		21,439
Fixtures and Equipment		282,175
Computer Equipment		58,742
Vehicles		407,683
Intangibles		2,340
Leased Property		10,700
Land Improvements		27,802
Net Depreciable Assets		<u>1,265,269</u>
Less Accumulated Depreciation and Amortization		(830,488)
		<u>434,781</u>
Land		171,543
Net Property and Equipment	\$	<u>606,324</u>

NOTE 5 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 (5.50% and June 30, 2019). There was no outstanding balance at June 30, 2019.

See independent auditor's report.

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
 Notes to the Financial Statements  
 Year Ended June 30, 2019

NOTE 6 NOTES PAYABLE

The Organization has a mortgage note payable with Select Bank & Trust Company secured by the land and building. The terms and maturities of the note payable are as follows:

	Payment Terms	Interest Rate	Current Portion	Long-Term Portion	Total
Select Bank and Trust	* \$2,521.80/Mo	5.15%	\$ 11,788	\$ 352,275	\$ 364,063

\* Secured by deed of trust

Principal payments for the next five years are as follows:

6/30/2020	\$ 11,788
6/30/2021	12,410
6/30/2022	13,064
6/30/2023	13,753
Thereafter	313,048
	<u>\$ 364,063</u>

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

	Payment Terms	Interest Rate	Current Portion	Long-Term Portion	Total
Nissan Motor	* \$663.74/Mo	4.09%	\$ 6,660	\$ 28,291	\$ 34,951

Principal payments for the next five years are as follows:

6/30/2020	\$ 6,660
6/30/2021	6,937
6/30/2022	7,226
6/30/2023	7,527
6/30/2024	6,601
	<u>\$ 34,951</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, 2019

NOTE 7 LEASES

OPERATING LEASE

The Organization is leasing copier equipment under a sixty-month lease term. The monthly payment is \$294. The lease ends April 14, 2020.

CAPITAL LEASE OBLIGATION

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

Assets held through capital lease obligations at June 30, 2019 were as follows:

Equipment	\$	25,000
Less accumulated depreciation		(833)
		\$ 24,167

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

Total minimum lease payments	\$	28,268
Less amount representing interest		(3,618)
Present value of net minimum lease payments		24,650
Less current portion		(4,479)
		\$ 20,171

Future maturities of capital lease obligations at June 30, 2019 are as follows:

6/30/2020	\$	4,479
6/30/2021		4,737
6/30/2022		5,010
6/30/2023		5,299
6/30/2024		5,125
		\$ 24,650

NOTE 8 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, 2019 totaled \$210,449.

See independent auditor's report.

Food Bank of the Albemarle  
An Affiliate of Feeding America  
Notes to the Financial Statements  
Year Ended June 30, 2019

NOTE 9 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 10 FUNCTIONALIZED EXPENSES

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

NOTE 11 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 6, 2019, 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.

NOTE 12 CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statement of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented and did not result in changes to previously reported net assets.

See independent auditor's report.



**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, 2019, 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 November 6, 2019.

**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.



Susan H. Osborne, CPA PC.

Edenton, North Carolina  
November 6, 2019

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

**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, 2019. 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, 2019.

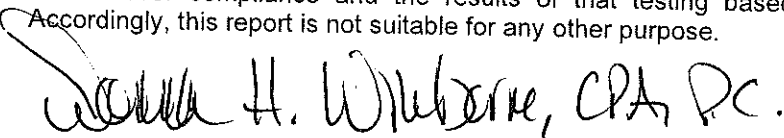
## Report on Internal Control Over Compliance

Management of Food Bank of the Albemarle is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing the audit of compliance, I considered Food Bank of the Albemarle's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Food Bank of the Albemarle's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

 Sarah H. Wilberke, CPA PC.

Edenton, North Carolina  
November 6, 2019

Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2019

**Section I. Summary of Auditor's Results**

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**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant Deficiency(ies) identified        yes   X   none reported

Noncompliance material to financial statements noted        yes   X   no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?        yes   X   no

Significant Deficiency(ies) identified        yes   X   none reported

Noncompliance material to federal awards        yes   X   no

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        yes   X   no

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
10.565, 10.568 & 10.569	Food Distribution Cluster

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

Auditee qualified as low-risk auditee?   X   yes        no

Food Bank of the Albemarle  
An Affiliate of Feeding America  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2019

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

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**State Awards**

Internal control over major state programs:

Material weakness(es) identified?  yes  no

Significant Deficiency(ies) identified  yes  none reported

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

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

Identification of major State programs:

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

**Section II. Financial Statement Findings**

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None reported.

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

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None reported.

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

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Food Bank of the Albemarle  
*An Affiliate of Feeding America*  
 Schedule of Expenditures of Federal and State Awards  
 Year Ended June 30, 2019

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				
Child and Adult Care Food Program	10.558			
Food and Nutrition Services	10.561	8341	\$ 35,167 31,348	\$ 35,167 31,348
<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	19-011-2020	2,057,196	1,940,389
U.S.D.A. TEFAP Cash Payments to Food Bank	10.568	19-011-2020	57,983	57,983
U.S.D.A. Commodity Supplemental Food Program	10.565	19-011-2020	261,197	261,197
Total Food Distribution Cluster (Note D)			<u>2,376,376</u>	<u>2,259,569</u>
Total U.S. Department of Agriculture			<u>2,442,891</u>	<u>2,326,084</u>
Total Federal Awards			<u>2,442,891</u>	<u>2,326,084</u>
<b>State Awards:</b>				
North Carolina Department of Health and Human Services				
State Appropriated Money		37795	492,584	492,584
Total State Awards			<u>492,584</u>	<u>492,584</u>
Total Federal and State Awards			<u>\$ 2,935,475</u>	<u>\$ 2,818,668</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, 2019. 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