

# Community Food Bank of Central Alabama

## Financial Statements

Year Ended December 31, 2017

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## **Independent Auditor's Report**

To the Board of Directors  
Community Food Bank of Central Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Community Food Bank of Central Alabama (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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**

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Food Bank of Central Alabama as of December 31, 2017, 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*

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 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*, 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 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*, we have also issued our report dated May 4, 2018, on our consideration of Community Food Bank of Central Alabama'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 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 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 Community Food Bank of Central Alabama's internal control over financial reporting and compliance.

 Tim Clark & Associates, P.C.

May 4, 2018

# Community Food Bank of Central Alabama

## Statement of Financial Position

December 31, 2017

### *Assets*

Cash	\$ 1,743,211
Investments	240,068
Accounts receivable, net	126,105
Food inventory	<u>1,205,211</u>
<i>Total current assets</i>	3,314,595
Note receivable	144,992
Property and equipment - net	<u>1,667,523</u>
<i>Total assets</i>	<u><u>\$ 5,127,110</u></u>

### *Liabilities*

Accrued expenses	\$ 6,540
Accounts payable	114,800
Deferred revenue	<u>857,323</u>
<i>Total current liabilities</i>	978,663

### *Net assets*

Unrestricted	
Designated for capital maintenance and capital improvements	200,000
Designated for emergency reserve operating fund	591,000
Undesignated	<u>3,118,236</u>
<i>Total unrestricted net assets</i>	3,909,236
Temporarily restricted	<u>239,211</u>
<i>Total net assets</i>	<u>4,148,447</u>
<i>Total liabilities and net assets</i>	<u><u>\$ 5,127,110</u></u>

*See accompanying notes to financial statements*

# Community Food Bank of Central Alabama

## Statement of Activities

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
<b><i>Support and revenue</i></b>			
Contributions	\$ 901,163	541,435	1,442,598
United Way allocation	365,340	-	365,340
Grants and contracts:			
USDA food commodities	2,416,561	-	2,416,561
USDA warehouse and distribution support	298,385	-	298,385
FEMA support	48,604	-	48,604
Program revenue	1,476,133	-	1,476,133
Interest	9,279	-	9,279
Satisfaction of restrictions	666,957	(666,957)	-
	6,182,422	(125,522)	6,056,900
<b><i>Expenses</i></b>			
Commodity distribution	4,682,101	-	4,682,101
Supporting services	343,618	-	343,618
	5,025,719	-	5,025,719
<b><i>Increase (decrease) in net assets</i></b>	1,156,703	(125,522)	1,031,181
<b><i>Net assets, beginning of year</i></b>	2,752,533	364,733	3,117,266
<b><i>Net assets, end of year</i></b>	\$ 3,909,236	239,211	4,148,447

*See accompanying notes to financial statements*

# Community Food Bank of Central Alabama

## Statement of Functional Expenses

Year Ended December 31, 2017

	Commodity Distribution	Supporting Services		Total
		Management and General	Fundraising	
Conferences, training and meetings	\$ 7,438	1,313	-	8,751
Cost of commodities	3,028,681	-	-	3,028,681
Depreciation	157,299	21,450	-	178,749
Direct mail	-	-	94,115	94,115
Dues to national affiliate	14,513	1,613	-	16,126
Employee benefits	169,654	20,153	11,725	201,532
Insurance	31,867	3,541	-	35,408
Membership dues and subscriptions	20,772	2,308	-	23,080
Occupancy	93,337	8,116	-	101,453
Supplies	59,414	4,521	646	64,581
Other	9,589	400	-	9,989
Payroll taxes	51,495	6,117	3,559	61,171
Postage and shipping	17,861	752	188	18,801
Professional fees	19,967	3,524	-	23,491
Program partnership	63,616	-	-	63,616
Promotion and advertising	16,222	-	4,056	20,278
Rent and maintenance of equipment	11,558	482	-	12,040
Salaries and wages	698,444	82,968	48,270	829,682
Technology	35,015	1,083	-	36,098
Telephone	10,949	1,217	-	12,166
Temporary services	78,408	-	-	78,408
Travel and transportation	86,002	19,351	2,150	107,503
	<u>\$ 4,682,101</u>	<u>178,909</u>	<u>164,709</u>	<u>5,025,719</u>

*See accompanying notes to financial statements*

# Community Food Bank of Central Alabama

## Statement of Cash Flows

Year Ended December 31, 2017

<i>Cash flows from operating activities</i>	
Change in net assets	\$ 1,031,181
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:	
Depreciation	178,749
(Increase) decrease in operating assets:	
Accounts receivable	25,634
Due from other agency	3,983
Food inventory	(220,227)
Increase (decrease) in operating liabilities:	
Accrued expenses	(2,672)
Accounts payable	47,170
Deferred revenue	36,404
	<hr/>
<i>Net cash provided (used) by operating activities</i>	1,100,222
 <i>Cash flows from investing activities</i>	
Purchase of property and equipment	(470,413)
Certificate of deposit cashed in	197,097
	<hr/>
<i>Net cash provided (used) by investing activities</i>	(273,316)
 <i>Net increase (decrease) in cash</i>	826,906
 <i>Cash, beginning of year</i>	916,305
	<hr/>
 <i>Cash, end of year</i>	<u>\$ 1,743,211</u>

*See accompanying notes to financial statements*

**Community Food Bank of Central Alabama**  
**Notes to Financial Statements**  
December 31, 2017

**(1) Summary of Significant Accounting Policies**

(a) Organization and nature of activities

Community Food Bank of Central Alabama (the Organization) was incorporated under the laws of the State of Alabama in December 1982. The Organization operates as a central clearing house for collecting food, which would otherwise be wasted. The Organization sorts, stores, and distributes food to qualified organizations, which serve the needy through their programs.

During 2017, the Organization distributed food to approximately 247 qualified organizations. These organizations and the direct service programs, in turn, distributed food to between 52,928 – 71,845 residents per month.

(b) Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting

(c) Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent revenues and expenses related to the operation and management of the Organization's primary programs and supporting services. If funds are raised and set aside by the Board for future use, these are considered unrestricted. Temporarily restricted contributions that are expended for their restricted purpose in the same reporting period as received may be recorded as unrestricted.

Temporarily restricted net assets represent resources available for use, but expendable only for the purposes specifically stated by the donor.

**Community Food Bank of Central Alabama**  
**Notes to Financial Statements**  
*(Continued)*

(1) **Summary of Significant Accounting Policies** *(Continued)*

(c) Financial statement presentation *(continued)*

Permanently restricted net assets are assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

The Organization is also required to present a statement of cash flows.

Government grants are accounted for as unrestricted, exchange transactions. Income from these and other exchange transactions is deferred and recognized over the periods to which it is related.

(d) Food inventory

Food items obtained from the United States Department of Agriculture (USDA) are presented at donated value. Other donated food has not been recognized in the financial statements since there is no objective basis available to measure the value. Food inventory is valued at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

(e) Property and equipment

Property and equipment is recorded at cost to the Organization or, if donated, at the estimated fair value at the time of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$2,000. Depreciation is based on the straight line method over the estimated useful lives of the assets acquired.

**Community Food Bank of Central Alabama**  
**Notes to Financial Statements**  
*(Continued)*

(1) **Summary of Significant Accounting Policies** *(Continued)*

(f) Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(g) Income tax status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(c). The Organization's Department of the Treasury information returns are subject to examination, generally for three years after the filing date.

(h) Distribution charges

The Organization bills food shipped to authorized 501(c)(3) nonprofit agencies. Shipments were generally billed at 16 cents per pound for donated product. Net distribution revenue represents the total billings less accounts written off as uncollectable. The Organization shipped approximately 13,010,681 pounds of food during the year ended December 31, 2017. Of this amount, approximately 5,999,200 pounds were shipped without charge.

(i) Promises to give

Unconditional promises to give are recognized in the period received, both as revenues or gains and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Community Food Bank of Central Alabama**  
**Notes to Financial Statements**  
*(Continued)*

(1) **Summary of Significant Accounting Policies** *(Continued)*

(j) Donated services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

(k) Compensated absences

Employees are entitled to paid vacations, sick days and personal days off, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. It is the Organization's policy to recognize the cost of compensated absence when actually paid.

(l) Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(m) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that can affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(n) Advertising

Advertising and promotional costs are charged to expense as incurred.

**Community Food Bank of Central Alabama**  
**Notes to Financial Statements**  
*(Continued)*

**(2) Investments**

Investments is comprised of \$240,068 in certificates of deposit.

**(3) Accounts receivable**

Accounts receivable consists of the following at December 31, 2017:

Primarily qualified 501(c)(3) agencies	\$ 135,705
Less allowance for doubtful accounts	( <u>9,600</u> )
	<u>\$ 126,105</u>

**(4) Property and equipment**

Property and equipment consists of the following at December 31, 2017:

Land	\$ 350,749
Building	960,852
Office:	
Equipment and software	\$ 98,333
Furniture and fixtures	<u>7,838</u>
	106,171
Warehouse:	
Equipment	678,764
Furniture and fixtures	81,232
Vehicles	<u>802,291</u>
	<u>1,562,287</u>
Total property and equipment	2,980,059
Less accumulated depreciation	( <u>1,312,536</u> )
	<u>\$ 1,667,523</u>

**Community Food Bank of Central Alabama**  
**Notes to Financial Statements**  
*(Continued)*

**(5) Accrued expenses**

Accrued expenses are liabilities related to payroll obligations.

**(6) Food inventory**

Inventory on hand at December 31, 2017 consists of food with a value of \$857,323 donated by the USDA, \$347,888 purchased with general operating funds, and none purchased with FEMA funds.

Following is additional related information for the year ended December 31, 2017:

Pounds of food donated through Feeding America, approximately	6,370,917
Pounds of food donated by the United States Department of Agriculture (USDA)	4,358,979
Pounds of food donated by local corporations, approximately	1,597,325
Pounds of food received through other food banks, approximately	<u>29,370</u>
Total donated pounds of food	12,356,591
Pounds of food purchased with funds allocated from United Way and FEMA, approximately	<u>1,313,450</u>
Total	<u>13,670,041</u>

The Organization receives some product that is donated but unusable, so must discard it.

**Community Food Bank of Central Alabama**  
**Notes to Financial Statements**  
*(Continued)*

**(7) Related party transactions**

Historically the Organization has occasionally made arms-length purchases of food from corporations related to members of the Organization's Board of Directors. No purchases were made from such corporations during the year. Landscaping services totaling \$1,775 were purchased from a company owned by a board member.

**(8) Grants and contracts**

Grants and contracts consists of support from the Federal Emergency Management Agency (FEMA), the United States Department of Agriculture (USDA), and the United States Department of Health and Human Services (DHHS). Revenue from FEMA of \$48,604 was recognized for the year ended December 31, 2017. USDA commodities valued at \$2,416,561 were recognized as revenue in the year ended December 31, 2017. The USDA also provided support of \$298,385 for administrative costs. USDA commodities in inventory at year end totaled \$857,323. Revenue recognition for these commodities was deferred.

**(9) Note receivable**

On April 30, 2017 advances to Mothers' Milk Bank of Alabama were converted into a note. Under the terms of the note, no specific payments are required. However, the terms specify an interest rate of 1%, with all outstanding and accrued interest due and payable December 31, 2021. At December 31, 2017 the balance on the note was \$144,992.

**(10) Pension plan**

The Organization has established a defined contribution plan under Section 401(k) of the Internal Revenue Code. Under this plan, the Organization contributes, as a percent of salary, to the accounts of all employees who are at least twenty one years old, have one year's service, and work at least one thousand hours a year. The plan has a five-year graded vesting schedule. Pension expense amounted to \$28,529 for the year ended December 31, 2017 and is included in employee benefits in the financial statements.

**Community Food Bank of Central Alabama**  
**Notes to Financial Statements**  
*(Continued)*

**(11) Functional programs**

The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

**(12) Designation of unrestricted net assets**

It is the policy of the Organization's Board of Directors to periodically review the Organization's needs and goals regarding future needed repairs, improvements and renovations, and equipment needs in the future. The Board may then designate appropriate sums of unrestricted net assets to ensure adequate financing of such improvements and acquisitions.

**(13) Restrictions on net assets**

Temporarily restricted net assets are available for certain projects consistent with the established purposes of the Organization.

**(14) Evaluation of subsequent events**

The Organization evaluated subsequent events through the date of the auditor's report (which is also the date the financial statements were available to be issued) and concluded that no events or transactions occurred during that period which require recognition or disclosure.

**Community Food Bank  
of Central Alabama**  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2017

<u>Federal Grantor / Pass-through grantor / Program title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<i>U. S. Department of Agriculture</i>		
United States Department of Agriculture/ Alabama Department of Education:		
Emergency Food Assistance Program	10.569	\$ 2,416,561
Emergency Food Assistance Program (Admin)	10.568	<u>298,385</u>
		2,714,946
 <i>Federal Emergency Management Agency</i>		
Direct Program:		
Emergency Food and Shelter National Board Program	97.024	<u>48,604</u>
		<u>\$ 2,763,550</u>

**Community Food Bank of Central Alabama**  
**Notes to Schedule of Expenditures of Federal Awards**  
December 31, 2017

(1) **Summary of Significant Accounting Policies**

(a) Basis of accounting

The schedule of expenditures of federal awards of Community Food Bank of Central Alabama has been prepared on the accrual basis of accounting. This basis is consistent with that of the general purpose financial statements.

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## 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*

Board of Directors  
Community Food Bank of Central Alabama

We 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 Community Food Bank of Central Alabama (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 May 4, 2018.

### **Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered Community Food Bank of Central Alabama's internal control over financial reporting (internal control) to determine the 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 Community Food Bank of Central Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified. We consider the deficiency “2017—1” described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

### **Compliance and other matters**

As part of obtaining reasonable assurance about whether Community Food Bank of Central Alabama’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 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 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.



May 4, 2018

Tim Clark & Associates, P.C.  
Birmingham, Alabama

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Community Food Bank of Central Alabama

### **Report on compliance for each major federal program**

We have audited Community Food Bank of Central Alabama'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 Community Food Bank of Central Alabama's major federal programs for the year ended December 31, 2017. Community Food Bank of Central Alabama'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on compliance for each of Community Food Bank of Central Alabama's major federal programs based on our audit of the types of compliance requirements referred to above. 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; 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). Those standards and the Uniform Guidance require that we 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 Community Food Bank of Central Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community Food Bank of Central Alabama's compliance.

### ***Opinion on each major federal program***

In our opinion, Community Food Bank of Central Alabama 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 December 31, 2017.

### **Report on internal control over compliance**

Management of Community Food Bank of Central Alabama is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Food Bank of Central Alabama'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, we do not express an opinion on the effectiveness of Community Food Bank of Central Alabama'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.

Our 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. We 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 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.

*Tim Clark & Associates, P.C.*

May 4, 2018

Tim Clark & Associates, P.C.  
Birmingham, Alabama

**Community Food Bank of Central Alabama**  
**Schedule of Findings and Questioned Costs**  
Year Ended December 31, 2017

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

2017-1      *Condition* : The size of the Organization precludes the desired segregation of duties with regard to cash receipts and disbursements.  
*Criteria* : Ideally, all functions related to financial transactions involving cash and the related recording and reporting of transactions would be segregated. Also, additional controls related to books of account and originating documents would be required.  
*Effect* : The size of the Organization precludes the ideal segregation of duties, and therefore there is potential for error or fraud to occur occur and not be identified in the normal course of duties.  
*Recommendation* : We understand that the size of the Organization precludes an ideal broad set of controls. In addition, the Organization will find itself limited in its options considering cost and benefits. However, we believe it is our professional responsibility to make management and the Board aware of these items. Perhaps management and the Board could periodically consider the design and implementation of procedures with a view to evaluating effectiveness of design as well as the scope of implementation of and performance. This could lead to eliminating, adding, or changing the design and implementation of procedures. One possible procedure would be to select one month each quarter and review each item for propriety and proper recording.

Any noncompliance material to financial statements noted? No

**Community Food Bank of Central Alabama**  
**Schedule of Findings and Questioned Costs**  
Year Ended December 31, 2017

Federal Awards

Internal control over major programs:	
Any material weakness identified?	No
Any reportable condition identified not considered to be material weakness?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any findings disclosed that are required to be reported in accordance with the Uniform Guidance	No

Identification of major programs:

CFDA numbers	Name of Federal Program or Cluster
10.568 / 10.569	U. S. Department of Agriculture Alabama Department of Education Emergency Food Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes



## CORRECTIVE ACTION PLAN

May 4, 2018

United States Department of Agriculture

Community Food Bank of Central Alabama respectfully submits the following corrective action plan for the year ended December 31, 2017.

Name and address of the independent public accounting firm:

Tim Clark & Associates, P.C.  
2 Riverchase Office Plaza  
Suite 200  
Birmingham, Alabama 35244

Audit period: Year ended December 31, 2017

The findings from the December 31, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **Findings—financial statement audit**

2017—1 Cash receipts and disbursements.

*Recommendation:* Periodic review of procedures and periodic review to ascertain that the controls that have been designed and implemented are continuing to be performed in the normal course of employees performing their duties.

*Action taken:* We understand and concur with the observation that we are unable to design and implement controls that will serve to segregate all functions related to the receipt and disbursement of cash. In addition, due to the size and nature of our operations, it would not be cost-effective to hire enough personnel and undertake measures to completely remedy this situation. However, we will periodically review our procedures to determine whether there are any areas in which we could improve. In addition, we will periodically check documentation to ensure that the procedures we have implemented continue to be performed.