

**COMMUNITY FOOD BANK
OF CENTRAL ALABAMA
(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Community Food Bank of Central Alabama
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December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Food Bank of Central Alabama
Birmingham, Alabama

We have audited the accompanying financial statements of the Community Food Bank of Central Alabama (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 the Community Food Bank of Central Alabama as of December 31, 2018, 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 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 23, 2019, on our consideration of the 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 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 the Community Food Bank of Central Alabama'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 the Community Food Bank of Central Alabama's internal control over financial reporting and compliance.

Haynes Downard LLP

Haynes Downard LLP
Birmingham, Alabama

May 23, 2019

**STATEMENT OF FINANCIAL POSITION
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2018**

ASSETS

Current Assets

| | |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 2,352,442 |
| Accounts receivable, net | 111,770 |
| Certificates of deposit | 395,247 |
| Inventory | <u>1,422,942</u> |

Total current assets 4,282,401

Note Receivable

140,353

Property and Equipment, net

1,556,389

Total Assets

\$ 5,979,143

LIABILITIES AND NET ASSETS

Current Liabilities

| | |
|--------------------------------------|--------------|
| Accounts payable | \$ 12,016 |
| USDA inventory held for distribution | 1,254,540 |
| Accrued expenses | <u>7,784</u> |

Total current liabilities 1,274,340

Net Assets

| | |
|---|------------------|
| Without donor restrictions | |
| Designated for capital maintenance and capital improvements | 600,000 |
| Designated for emergency reserve operating fund | 716,000 |
| Undesignated | <u>2,923,035</u> |

Total without donor restrictions 4,239,035

With donor restrictions 465,768

Total net assets 4,704,803

Total Liabilities and Net Assets

\$ 5,979,143

**STATEMENT OF ACTIVITIES
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| Revenues, support and other income | | | |
| Donated food and goods | \$ 17,491,447 | \$ - | \$ 17,491,447 |
| United Way contributions | 352,530 | - | 352,530 |
| Contributions | 892,317 | 598,195 | 1,490,512 |
| Grants and contracts | 346,330 | - | 346,330 |
| Program revenue | 1,522,991 | - | 1,522,991 |
| Interest income | 15,186 | - | 15,186 |
| Miscellaneous income | 17,836 | - | 17,836 |
| Releases from restrictions | 371,638 | (371,638) | - |
| | - | | |
| Total revenues and support | 21,010,275 | 226,557 | 21,236,832 |
| Expenses | | | |
| Commodity distribution | 20,338,464 | - | 20,338,464 |
| Management and general | 184,718 | - | 184,718 |
| Fundraising | 157,294 | - | 157,294 |
| Total expenses | 20,680,476 | - | 20,680,476 |
| Change in Net Assets | 329,799 | 226,557 | 556,356 |
| Net assets, beginning of year | 3,909,236 | 239,211 | 4,148,447 |
| Net assets, end of year | <u>\$ 4,239,035</u> | <u>\$ 465,768</u> | <u>\$ 4,704,803</u> |

**STATEMENT OF CASH FLOWS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
FOR THE YEAR ENDED DECEMBER 31, 2018**

Cash Flows from Operating Activities

| | |
|--|------------|
| Change in net assets | \$ 556,356 |
| Adjustments to reconcile changes in net assets to cash provided by operating activities: | |
| Depreciation | 182,877 |
| (Increase) decrease in operating assets: | |
| Accounts receivable | 18,974 |
| Food inventory | (217,731) |
| (Increase) decrease in operating liabilities: | |
| Accrued expenses | 1,244 |
| Accounts payable | (102,784) |
| USDA inventory held for distribution | 397,217 |
| | 836,153 |
| Net cash provided by operating activities | 836,153 |

Cash Flows from Investing Activities

| | |
|---|-----------|
| Purchase of property and equipment | (71,743) |
| Purchase of certificates of deposit | (155,179) |
| | (226,922) |
| Net cash (used in) investing activities | (226,922) |

Net Change in Cash

| | |
|-------------------------|--------------|
| | 609,231 |
| Cash, beginning of year | 1,743,211 |
| | 1,743,211 |
| Cash, end of year | \$ 2,352,442 |

**STATEMENT OF FUNCTIONAL EXPENSES
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Commodity Distribution | Management and General | Fundraising | Total |
|------------------------------------|-----------------------------------|-----------------------------------|--------------------|----------------------|
| Conferences, training and meetings | \$ 13,857 | \$ 2,446 | \$ - | \$ 16,303 |
| Cost of commodities | 18,615,517 | - | - | 18,615,517 |
| Depreciation | 160,932 | 21,945 | - | 182,877 |
| Direct mail | - | - | 85,299 | 85,299 |
| Dues to national affiliate | 15,159 | 1,685 | - | 16,844 |
| Employee benefits | 132,736 | 15,768 | 9,174 | 157,677 |
| Insurance | 59,050 | 6,561 | - | 65,611 |
| Membership dues and subscriptions | 16,779 | 1,864 | - | 18,643 |
| Occupancy | 120,360 | 10,466 | - | 130,826 |
| Supplies | 60,063 | 4,570 | 653 | 65,286 |
| Other | 22,495 | 938 | - | 23,433 |
| Payroll taxes | 54,969 | 6,530 | 3,799 | 65,298 |
| Postage and shipping | 12,558 | 529 | 132 | 13,219 |
| Professional fees | 16,427 | 2,899 | - | 19,326 |
| Program partnership | 42,789 | - | - | 42,789 |
| Promotion and advertising | 21,899 | - | 5,476 | 27,375 |
| Rent and maintenance of equipment | 29,776 | 1,242 | - | 31,018 |
| Salaries and wages | 735,221 | 87,337 | 50,812 | 873,369 |
| Technology | 49,098 | 1,519 | - | 50,617 |
| Telephone | 7,801 | 867 | - | 8,668 |
| Temporary services | 72,972 | - | - | 72,972 |
| Travel and transportation | 78,007 | 17,552 | 1,950 | 97,509 |
| | <u>\$ 20,338,464</u> | <u>\$ 184,718</u> | <u>\$ 157,294</u> | <u>\$ 20,680,476</u> |

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Community Food Bank of Central Alabama ("the Organization") is an Alabama non-profit organization incorporated 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.

The Organization is a member of Feeding America. It supplies food to over 225 charitable feeding programs and direct food assistance to special populations at risk of food insecurity such as people living in isolated areas, children at risk of hunger during school breaks, and patients facing chronic illness. Its service area includes 12 counties in Central Alabama.

Basis of Accounting and Financial Statements Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). In August 2016, the FASB issued ASU No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

This amendment reduces the classes of net assets to net assets with donor restrictions and net assets without donor restrictions; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for the Organization for the year ending December 31, 2018. Descriptions of the two net assets categories and the types of transaction affecting each category follow:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of gifts without restrictions, previously restricted gifts whose donor-imposed restrictions were met during the year, investment income, and the expenses associated with the core activities of the Organization: grant making and other programs, management and general, and fundraising expenses.

**NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Financial Statements Presentation

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio or otherwise encumbered.

Accounts Receivable

Balances represent agency support fees that have not yet been collected. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are written off based on the specific circumstances of the agencies. As of December 31, 2018, the Organization reserved an allowance for doubtful accounts of \$9,600.

Certificates of Deposit

Certificates of deposit are recorded at cost and have interest rates ranging from 2.00% to 2.225%. Maturities range from August, 2019 through October, 2020.

Inventory

Purchased food inventory is valued at the cost of products purchased as determined by the first-in, first-out method. Donated commodities inventory received from the USDA is valued based on prices provided by the USDA. A liability has been recorded for the value of the donated product received from the USDA remaining at year end, as revenue and corresponding expense is not recognized by the Organization until the products are distributed.

**NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment with unit costs of \$5,000 or more are capitalized at cost if purchased and at fair value if contributed. Depreciation of property and equipment is computed on the straight-line method based upon the estimated useful lives of the assets, which range from 1 to 30 years.

Contributions

Contributions are recorded as "without donor restrictions or "with donor restrictions" support depending on the existence and/or nature of any donor restrictions. Grants and contributions are recognized when unconditionally promised to the Organization. Amounts of restricted contributions are subsequently released to net assets without donor restrictions when expenses have been incurred in satisfaction of those restrictions.

Program Revenue

The Organization bills for handling fees associated with donated food shipped to authorized 501(c)(3) nonprofit agencies. Shipments are generally billed at no more than \$0.16 per pound for donated product. Net distribution revenue represents the total billings less accounts written off as uncollectible. The Organization distributed 13,522,316 pounds of food during the year ended December 31, 2018. Of this amount, 6,678,108 pounds was distributed at no charge.

Functional Expenses

Expenses incurred directly for program services are charged to the programs. Accordingly, certain costs are allocated among the program and supporting services benefited based on the time expended, space utilized, or by another rational basis.

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.

A total of 2,558 volunteers performed a total of 6,019 hours of service during the year ended December 31, 2018.

**NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Food and Commodities

The Organization receives donated food and commodities from local area merchants, the USDA, and Feeding America. During the year ended December 31, 2018, the Organization received donated food and commodities in the pounds shown below:

| | |
|--|--------------------------|
| Feeding America | 7,069,391 |
| United States Department of Agriculture (USDA) | 4,486,242 |
| Local corporations | <u>1,498,012</u> |
| Total food and commodities donated to the Organization (lbs) | <u><u>13,053,645</u></u> |

In-kind contributions of commodities and other foods (Non-USDA sourced) have been valued at \$1.68 per pound as calculated based on national averages by Feeding America, and is included in donated food and goods on the statement of activities and in cost of commodities on the statement of functional expenses.

In-kind contributions of commodities from the USDA have been valued based on specific information provided by the USDA and and is included in donated food and goods income on the statement of activities and in cost of commodities on the statement of functional expenses.

The following schedule details the monetary value of these contributions received and distributed during 2018:

| | |
|--|----------------------------|
| In-kind contributions (Non-USDA sources) | \$14,391,095 |
| In-kind contributions (USDA) | <u>3,100,352</u> |
| In-kind contributions | <u><u>\$17,491,447</u></u> |

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as

**NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - Continued

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

NOTE 2. PROPERTY AND EQUIPMENT

The Organization's property and equipment are comprised of the following as of December 31, 2018:

| | | | |
|--------------------------------|----|----------------|----------------------------|
| Land | | \$ | 350,749 |
| Building | | | 960,852 |
| Office: | | | |
| Equipment and software | \$ | 98,332 | |
| Furniture and fixtures | | <u>7,838</u> | |
| | | | 106,170 |
| Warehouse: | | | |
| Equipment | | 728,039 | |
| Furniture and fixtures | | 81,232 | |
| Vehicles | | <u>824,760</u> | |
| | | | 1,634,031 |
| Total property and equipment | | | 3,051,802 |
| Less: accumulated depreciation | | | <u>(1,495,413)</u> |
| Net property and equipment | | | <u><u>\$ 1,556,389</u></u> |

**NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2018**

NOTE 3. NOTE RECEIVABLE

The Organization holds a note receivable from Mother's Milk Bank of Alabama. 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 at December 31, 2021. At December 31, 2018, the balance on the note was \$140,353.

NOTE 4. COMMITMENTS AND CONTINGENCIES

The Organization leases lighting equipment under a capital lease that expires January, 2021. Monthly payments are approximately \$842. Under the lease agreement, the Organization has the option to purchase the equipment for \$4,705 upon the expiration of the lease

Future minimum lease payments under this lease are:

| Year Ending <u>December 31,</u> | |
|------------------------------------|-------------------------|
| 2019 | \$ 8,193 |
| 2020 | <u>9,262</u> |
| Total | <u><u>\$ 17,455</u></u> |

NOTE 5. RESTRICTED NET ASSETS

Net assets with donor restrictions are available for the following purposes at December 31, 2018:

| | |
|------------------------------------|--------------------------|
| Future periods | \$ 447,821 |
| Equipment purchases | <u>17,947</u> |
| Net assets with donor restrictions | <u><u>\$ 465,768</u></u> |

Net assets were released from donor restrictions during the year ended December 31, 2018 in satisfaction of the following purposes:

| | |
|---------------------------------------|--------------------------|
| Time restrictions | \$ 357,773 |
| Equipment purchased | <u>13,865</u> |
| Net assets released from restrictions | <u><u>\$ 371,638</u></u> |

**NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2018**

NOTE 6. RETIREMENT PLAN

The Organization has a defined contribution retirement plan under Code Section 401(k). 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 1,000 hours per year. The Plan has a five-year graded vesting schedule. Retirement expense amounted to \$16,883 for the year ended December 31, 2018 and is included in employee benefits in the financial statements.

NOTE 7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 23, 2019, which is the date the financial statements were available to be issued.

NOTE 8. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2018, financial assets and liquidity resources available within one year for general expenditures and other purposes are as follows:

| | |
|---|--------------------------------|
| Financial assets: | |
| Cash and cash equivalents | \$ 2,352,442 |
| Certificates of deposit | 395,247 |
| Accounts receivable | <u>111,770</u> |
| Total financial assets available within one year | 2,859,459 |
| Total financial assets available within one year - with donor restrictions | <u>(465,768)</u> |
| Total financial assets available within one year - without donor restrictions | <u><u>\$ 2,393,691</u></u> |

SUPPLEMENTARY INFORMATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
FOR THE YEAR ENDED DECEMBER 31, 2018**

| <u>Federal Grantor/Pass-through grantor/Program title</u> | <u>CFDA NUMBER</u> | <u>FEDERAL EXPENDITURES</u> |
|---|------------------------|---------------------------------|
| U.S. Department of Agriculture | | |
| U.S. Department of Agriculture/ Alabama Department of Education: | | |
| Emergency Food Assistance Program | 10.569 | \$ 3,100,352 |
| Emergency Food Assistance Program (Admin) | 10.568 | <u>329,112</u> |
| | | 3,429,464 |
| Federal Emergency Management Agency | | |
| Direct Program: | | |
| Emergency Food and Shelter National Board Program | 97.024 | <u>17,218</u> |
| | | <u>\$ 3,446,682</u> |

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
Community Food Bank of Central Alabama
Birmingham, 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 the Community Food Bank of Central Alabama (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 23, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Community Food Bank of Central Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the Community Food Bank of Central Alabama'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

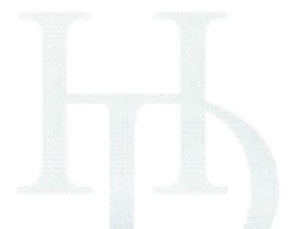
Purpose of this Report

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.

Haynes Downard LLP

Haynes Downard LLP
Birmingham, Alabama

May 23, 2019



**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
Birmingham, Alabama

We have audited the 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, 2018. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the 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 the Community Food Bank of Central Alabama's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2018.

Report on Internal Control over Compliance

Management of the 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 the 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 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 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.

Haynes Downard LLP

Haynes Downard LLP
Birmingham, Alabama

May 23, 2019

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2018**

SUMMARY OF AUDIT RESULTS

Financial Statements

| | | | |
|---|-------------------|----------------------------|--|
| Type of auditor's report issued: | Unqualified | | |
| Internal control over financial reporting: | | | |
| Are material weaknesses identified? | <u> </u> Yes | <u> X </u> No | |
| Are significant deficiencies that are not considered to be material weaknesses identified? | <u> </u> Yes | <u> X </u> None reported | |
| Is noncompliance which could have a material effect on the financial statements identified? | <u> </u> Yes | <u> X </u> No | |

Federal Awards

| | | | |
|---|-------------------|----------------------------|--|
| Internal control over major programs: | | | |
| Are material weaknesses identified? | <u> </u> Yes | <u> X </u> No | |
| Are significant deficiencies that are not considered to be material weaknesses identified? | <u> </u> Yes | <u> X </u> None reported | |
| Type of report issued on compliance with requirements applicable to each major program: | Unqualified | | |
| Are there any audit findings that are required to be reported in accordance with the Uniform Guidance | <u> </u> Yes | <u> X </u> No | |
| Is the auditee identified as a low-risk auditee? | <u> X </u> Yes | <u> </u> No | |

