

**COMMUNITY FOOD BANK
OF CENTRAL ALABAMA
(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**



Community Food Bank of Central Alabama
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December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of Community Food Bank of Central Alabama (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, Community Food Bank of Central Alabama adopted Accounting Standards Update (ASU) No. 2018-08, "*Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*". Our opinion is not modified with respect to this matter.

Other Matters

Revision to Schedule of Expenditures of Federal Awards

As described in Note 3 to the accompanying supplementary information, Community Food Bank of Central Alabama revised the Schedule of Expenditures of Federal Awards for the year ended December 31, 2019 in correction of an error, which was discovered subsequent to our original report dated September 1, 2020. The discovery of this error resulted in our finding of a material weakness in internal control over financial reporting. Our opinion is not modified with respect to this matter.

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 September 1, 2020 (except for the other matter described above for which the date is February 25, 2021), 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
Birmingham, Alabama

September 1, 2020

(except for the other matters as described above,
for which the date is February 25, 2021)



**STATEMENTS OF FINANCIAL POSITION
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,981,242	\$ 2,597,437
Accounts receivable, net	202,105	111,770
Prepaid expenses	12,293	-
Certificates of deposit	1,315,246	150,252
Inventory	2,355,876	1,422,942
Total current assets	6,866,762	4,282,401
Other Assets		
Note receivable	130,353	140,353
Property and equipment, net	1,751,318	1,556,389
Total other assets	1,881,671	1,696,742
Total Assets	\$ 8,748,433	\$ 5,979,143
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 4,394	\$ 12,016
Accrued expenses	8,136	7,784
Total current liabilities	12,530	19,800
Total liabilities	12,530	19,800
Net Assets		
Without donor restrictions:		
Designated for capital maintenance and capital improvements	1,800,000	600,000
Designated for emergency reserve operating fund	716,000	716,000
Undesignated	5,678,938	4,177,575
Total without donor restrictions	8,194,938	5,493,575
With donor restrictions	540,965	465,768
Total net assets	8,735,903	5,959,343
Total Liabilities and Net Assets	\$ 8,748,433	\$ 5,979,143

See notes to financial statements.



**STATEMENT OF ACTIVITIES
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Donated food and commodities	\$ 21,489,365	\$ -	\$ 21,489,365
Contributions	1,005,586	672,546	1,678,132
United Way contributions	353,284	-	353,284
Program revenue	1,587,193	-	1,587,193
Grants and contracts	977,973	-	977,973
Interest income	35,659	-	35,659
Miscellaneous income	29,733	-	29,733
Releases from restrictions	597,349	(597,349)	-
	-		
Total revenues and support	26,076,142	75,197	26,151,339
Expenses			
Commodity distribution	22,997,248	-	22,997,248
Management and general	201,030	-	201,030
Fundraising	176,501	-	176,501
Total expenses	23,374,779	-	23,374,779
Change in Net Assets	2,701,363	75,197	2,776,560
Net assets, beginning of year	5,493,575	465,768	5,959,343
Net assets, end of year	<u>\$ 8,194,938</u>	<u>\$ 540,965</u>	<u>\$ 8,735,903</u>



**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 and Support			
Donated food and commodities	\$ 17,888,664	\$ -	\$ 17,888,664
Contributions	892,317	598,195	1,490,512
United Way contributions	352,530	-	352,530
Program revenue	1,522,991	-	1,522,991
Grants and contracts	346,330	-	346,330
Interest income	15,186	-	15,186
Miscellaneous income	17,836	-	17,836
Releases from restrictions	371,638	(371,638)	-
	<hr/>	<hr/>	<hr/>
Total revenues and support	21,407,492	226,557	21,634,049
Expenses			
Commodity distribution	20,338,463	-	20,338,463
Management and general	184,718	-	184,718
Fundraising	157,295	-	157,295
	<hr/>	<hr/>	<hr/>
Total expenses	20,680,476	-	20,680,476
	<hr/>	<hr/>	<hr/>
Change in Net Assets	727,016	226,557	953,573
Net assets, beginning of year			
As previously reported	3,909,236	239,211	4,148,447
Retrospective adjustment	857,323	-	857,323
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year - restated	4,766,559	239,211	5,005,770
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 5,493,575	\$ 465,768	\$ 5,959,343
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**STATEMENT OF FUNCTIONAL EXPENSES
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Commodity Distribution</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 804,194	\$ 95,530	\$ 55,578	\$ 955,302
Employee benefits	117,209	13,923	8,100	139,232
Payroll taxes	60,718	7,212	4,196	72,126
Cost of commodities	21,116,292	-	-	21,116,292
Depreciation	163,315	22,270	-	185,585
Travel and transportation	91,475	20,582	2,287	114,344
Rent and maintenance of equipment	106,546	4,443	-	110,989
Temporary services	105,404	-	-	105,404
Occupancy	96,565	8,397	-	104,962
Direct mail	-	-	101,308	101,308
Supplies	83,286	6,338	906	90,530
Insurance	64,841	7,205	-	72,046
Membership dues and subscriptions	30,093	3,344	-	33,437
Technology	43,382	1,342	-	44,724
Promotion and advertising	16,101	-	4,026	20,127
Dues to national affiliate	15,498	1,722	-	17,220
Other	15,859	662	-	16,521
Conferences, training and meetings	13,193	2,329	-	15,522
Professional fees	27,369	4,830	-	32,199
Program partnership	11,912	-	-	11,912
Postage and shipping	9,480	399	100	9,979
Telephone	4,516	502	-	5,018
Total Expenses	<u>\$ 22,997,248</u>	<u>\$ 201,030</u>	<u>\$ 176,501</u>	<u>\$ 23,374,779</u>



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

	<u>Commodity Distribution</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 735,220	\$ 87,337	\$ 50,812	\$ 873,369
Employee benefits	132,735	15,768	9,174	157,677
Payroll taxes	54,969	6,530	3,799	65,298
Cost of commodities	18,615,517	-	-	18,615,517
Depreciation	160,932	21,945	-	182,877
Occupancy	120,360	10,466	-	130,826
Travel and transportation	78,007	17,552	1,950	97,509
Direct mail	-	-	85,299	85,299
Temporary services	72,972	-	-	72,972
Insurance	59,050	6,561	-	65,611
Supplies	60,063	4,570	653	65,286
Technology	49,098	1,519	-	50,617
Program partnership	42,789	-	-	42,789
Rent and maintenance of equipment	29,776	1,242	-	31,018
Promotion and advertising	21,899	-	5,476	27,375
Other	22,495	938	-	23,433
Professional fees	16,427	2,899	-	19,326
Membership dues and subscriptions	16,779	1,864	-	18,643
Dues to national affiliate	15,159	1,685	-	16,844
Conferences, training and meetings	13,857	2,446	-	16,303
Postage and shipping	12,558	529	132	13,219
Telephone	7,801	867	-	8,668
Total Expenses	<u>\$ 20,338,463</u>	<u>\$ 184,718</u>	<u>\$ 157,295</u>	<u>\$ 20,680,476</u>



**STATEMENTS OF CASH FLOWS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 2,776,560	\$ 953,573
Adjustments to reconcile changes in total net assets to net cash provided by operating activities:		
Depreciation	185,585	182,877
Increase in donated inventory	(1,036,160)	(425,522)
Change in:		
(Increase) decrease in accounts receivable	(90,335)	18,974
(Increase) in prepaid expenses	(12,293)	-
Decrease in purchased food inventory	103,226	207,791
(Decrease) in accounts payable	(7,622)	(102,784)
Increase in accrued expenses	352	1,244
	<u>1,919,313</u>	<u>836,153</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(380,514)	(71,743)
Purchase of certificates of deposit	(1,164,994)	(150,252)
Proceeds from note receivable	10,000	-
	<u>(1,535,508)</u>	<u>(221,995)</u>
Net Change in Cash and Cash Equivalents	383,805	614,158
Cash and cash equivalents, beginning of year	<u>2,597,437</u>	<u>1,983,279</u>
Cash and cash equivalents, end of year	<u>\$ 2,981,242</u>	<u>\$ 2,597,437</u>



NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2019 AND 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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 Presentation and Use of Estimates

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the statement of financial position date and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Classification of Net Assets

Resources are classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. 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 satisfied during the year, investment income, and the expenses associated with the core activities of the Organization.

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. This includes gifts for which donor-imposed restrictions have not been met in the year of receipt, and gifts with donor stipulations limiting the use of the donated assets. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.



**NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2019 AND 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Certificates of Deposit

Certificates of deposit are recorded at cost, which approximates fair value.

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, 2019 and 2018, the Organization reserved an allowance for doubtful accounts of \$9,600.

Inventory

Purchased food is valued at the cost of products purchased as determined by the first-in, first-out method. Donated commodities received from the United States Department of Agriculture (USDA) are valued based on prices provided by the USDA.

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.



**NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2019 AND 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Food and Commodities

The Organization receives in-kind contributions of food and commodities from the USDA, Feeding America, and local area merchants. The value of these contributions are included in donated foods and commodities on the statements of activities and in the cost of commodities on the statements of functional expenses.

Donated food and commodities (Non-USDA sourced) have been valued at \$1.62 and \$1.68 per pound for the years ended December 31, 2019 and 2018, respectively. These values are calculated based on national averages by Feeding America. Donated food and commodities from the USDA have been valued based on specific information provided by the USDA.

Contributions

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, and is recognized as the related service is performed. The Organization distributed 16,570,737 and 13,522,316 pounds of food during the years ended December 31, 2019 and 2018, respectively.

Functional Expenses

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

Compensated Absences

Employees are entitled to paid vacations, sick days, and personal days off, depending on job classification, length of services, 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 absences when actually paid.



**NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2019 AND 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Income Taxes

The Organization is a tax-exempt entity 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 an organization that is not a private foundation under Section 509(a)(c). The Organization's information returns are subject to examination, generally for three years after the filing date.

Newly Adopted Accounting Standards

On January 1, 2019, the Organization adopted ASU 2018-08, "*Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*". This new standard clarified the criteria for evaluating whether contributions are unconditional or conditional. Adoption of the new standard was applied using the full retrospective approach, resulting in the following changes to the Organization's liabilities, revenues, and net assets as of and for the year ended December 31:

	2017		
	As Previously Reported	Effects of Applying New Guidance	As Reported
<u>Liabilities</u>			
USDA inventory held for distribution	\$ 857,323	\$ (857,323)	\$ -
Total liabilities	978,663	(857,323)	121,340
<u>Net Assets</u>			
Without donor restrictions	3,909,236	857,323	4,766,559
Total net assets	4,148,447	857,323	5,005,770



**NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2019 AND 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Accounting Standards (Continued)

	2018		
	As Previously Reported	Effects of Applying New Guidance	As Reported
<u>Liabilities</u>			
USDA inventory held for distribution	\$ 1,254,540	\$ (1,254,540)	\$ -
Total liabilities	1,274,340	(1,254,540)	19,800
<u>Revenue</u>			
Donated food and commodities	17,491,447	397,217	17,888,664
Total revenue	21,236,832	397,217	21,634,049
<u>Net Assets</u>			
Without donor restrictions	4,239,035	1,254,540	5,493,575
Total net assets	4,704,803	1,254,540	5,959,343

Reclassifications

Certain items in the prior year presentation have been reclassified to conform to the current year presentation.

Evaluation of Subsequent Events

The Organization has evaluated subsequent events through September 1, 2020, which is the date the financial statements were available to be issued.

NOTE 2. INVENTORY

Inventory consists of the following at December 31:

	2019	2018
USDA Inventory	\$ 2,270,996	\$ 1,254,540
FEMA Inventory	48,189	28,485
Purchased inventory	36,691	139,917
	<u>\$ 2,355,876</u>	<u>\$ 1,422,942</u>



**NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2019 AND 2018**

NOTE 3. DONATED FOOD AND COMMODITIES

The Organization received donated food and commodities for the years ended December 31, in the pounds as shown below:

	<u>2019</u>	<u>2018</u>
Feeding America	5,633,014	7,069,391
USDA	7,832,764	4,486,242
Local corporations	<u>2,216,452</u>	<u>1,498,012</u>
Donated food and commodities (lbs)	<u><u>15,682,230</u></u>	<u><u>13,053,645</u></u>

The monetary value of these contributions received and distributed during the years ended December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Received from Non-USDA sources	\$ 13,811,065	\$ 14,391,095
Received from USDA	<u>6,661,844</u>	<u>3,100,352</u>
Donated food and commodities	<u><u>\$ 20,472,909</u></u>	<u><u>\$ 17,491,447</u></u>

NOTE 4. CERTIFICATES OF DEPOSIT

Certificates of deposit have interest rates ranging from 1.5% to 2.71%. Maturities range from June, 2020 through July, 2021.

NOTE 5. 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. The balance on the note as of December 31, 2019 and 2018 was \$130,353 and \$140,353, respectively.



**NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2019 AND 2018**

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 350,749	350,749
Building	1,057,163	960,852
Office equipment and software	109,688	98,332
Office furniture and fixtures	7,838	7,838
Warehouse equipment	777,825	728,039
Warehouse furniture and fixtures	81,232	81,232
Vehicles	<u>1,047,821</u>	<u>824,760</u>
Total property and equipment	3,432,316	3,051,802
Less: accumulated depreciation	<u>(1,680,998)</u>	<u>(1,495,413)</u>
Property and equipment, net	<u>\$ 1,751,318</u>	<u>\$ 1,556,389</u>

NOTE 7. RESTRICTED NET ASSETS

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

	<u>2019</u>	<u>2018</u>
Future periods	\$ 363,343	\$ 297,821
Equipment purchases	<u>177,622</u>	<u>167,947</u>
Net assets with donor restrictions	<u>\$ 540,965</u>	<u>\$ 465,768</u>

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

	<u>2019</u>	<u>2018</u>
Future periods	\$ 417,024	\$ 357,773
Equipment purchased	<u>180,325</u>	<u>13,865</u>
Net assets released from restrictions	<u>\$ 597,349</u>	<u>\$ 371,638</u>



**NOTES TO FINANCIAL STATEMENTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2019 AND 2018**

NOTE 8. 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 \$24,216 and \$16,883 for the years ended December 31, 2019 and 2018, respectively, and is included in employee benefits in the accompanying financial statements.

NOTE 9. CONCENTRATIONS AND RISKS

The Organization has deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits. Uninsured amounts were approximately \$1,765,000 and \$890,000 for the years ended December 31, 2019 and 2018, respectively.

The Organization receives a substantial portion of its revenue from government programs. Reductions in government funding would negatively impact the Organization.

NOTE 10. LIQUIDITY AND AVAILABILITY

Financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,981,242	\$ 2,597,437
Accounts receivable	202,105	111,770
Certificates of deposit	<u>1,315,246</u>	<u>150,252</u>
Financial assets available within one year	4,498,593	2,859,459
Less: net assets with donor restrictions	<u>(540,965)</u>	<u>(465,768)</u>
Financial assets available within one year - without donor restrictions	<u>\$ 3,957,628</u>	<u>\$ 2,393,691</u>



SUPPLEMENTARY INFORMATION



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Federal Grantor/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Food Commodities Provided to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture				
Food Distribution Cluster:				
Passed through Alabama State Department of Education				
Commodity Supplemental Food Program	10.565	VC000106112	\$ 188,295	\$ 370,267
Emergency Food Assistance Program				
Administrative costs	10.568	VC000106112	-	548,700
Food commodities	10.569	VC000106112	6,661,844	6,661,844
Total U.S. Department of Agriculture (Food Distribution Cluster)			6,850,139	7,580,811
Trade Mitigation Program	10.178	VC000106112	-	194,683
Total U.S. Department of Agriculture			6,850,139	7,775,494
U.S. Department of Homeland Security				
Emergency Food and Shelter National Board Program	97.024	000601-003	-	52,618
Total U.S. Department of Homeland Security			-	52,618
Total Expenditures of Federal Awards			<u>\$ 6,850,139</u>	<u>\$ 7,828,112</u>



**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes all federal grant activity for Community Food Bank of Central Alabama (the "Organization") under programs of the federal government for the year ended December 31, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Organization.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The Organization has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

NOTE 3. REVISION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Organization's original Schedule of Expenditures of Federal Awards for the year ended December 31, 2019 presented expenditures for CFDA number 10.568 in the amount of \$743,383. \$194,683 of this amount should have been presented under CFDA number 10.178. The Schedule of Expenditures of Federal Awards has been adjusted to reflect this change, resulting in the adjusted amount for CFDA number 10.568 of \$548,700 and the adjusted amount for CFDA number 10.178 of \$194,683.



**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, 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 our report thereon dated September 1, 2020, which contained an *Emphasis of Matter* paragraph regarding a change in accounting principle, (except for a revision for other matters for which the date is February 25, 2021).

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

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*.

Community Food Bank of Central Alabama's Response to Findings

Community Food Bank of Central Alabama's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Food Bank of Central Alabama's response was not subjected to auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

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
Birmingham, Alabama

September 1, 2020

(except for the identification of a material weakness in internal control as described above,
for which the date is February 25, 2021)



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

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

Report on Compliance for Each Major Program

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 the Community Food Bank of Central Alabama's major federal program for the year ended December 31, 2019. The Community Food Bank of Central Alabama's major federal program is 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 the Community Food Bank of Central Alabama's major federal program 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 The 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 its major federal program for the year ended December 31, 2019.

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 the 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.

Purpose of this Report

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.

Other Matter

This report replaces our previously issued report dated September 1, 2020. The Organization has revised the Schedule of Expenditures of Federal Awards (SEFA) for the year ended December 31, 2019, as described in Note 3 to the SEFA. The changes to the SEFA did not result in changes to the Organization's major federal program and did not result in additional auditing procedures to be performed. Accordingly, there are no changes to our previously issued report.



Haynes Downard LLP
Birmingham, Alabama

September 1, 2020

(except for the other matter as described above,
for which the date is February 25, 2021)



**SCHEDULE OF AUDIT FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2019**

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Community Food Bank of Central Alabama.
2. A material weakness in internal control over financial reporting is disclosed in the 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*.
3. No instances of noncompliance material to the financial statements of Community Food Bank of Central Alabama which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weakness in internal control over major federal award programs in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on each Major Program and on the Internal Control over Compliance in Accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.
5. The auditor's report on compliance with requirements applicable to the major program expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with The Uniform Guidance.
7. The U.S Department of Agriculture Food Distribution Cluster was tested as a major program and includes the following:
 - 10.565 Commodity Supplemental Food Program
 - 10.568 Emergency Food Assistance Program (Administrative Costs)
 - 10.569 Emergency Food Assistance Program (Food Commodities)
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Community Food Bank of Central Alabama qualified as a low-risk auditee.



**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
COMMUNITY FOOD BANK OF CENTRAL ALABAMA
DECEMBER 31, 2019 AND 2018**

FINDINGS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

2019-001 Schedule of Expenditures of Federal Awards Preparation

Condition:

The Organization records USDA receipts to one general ledger account. This makes it difficult for the Organization to capture information required to be reported under various CFDA numbers on the schedule of expenditures of federal awards.

Criteria:

Internal controls should be designed to capture the information needed for a correct presentation of the schedule of expenditures of federal awards.

Effect:

Federal awards in the amount of \$194,683 received under the Trade Mitigation Program (CFDA number 10.178) were presented as amounts received under the Emergency Food Assistance Program (CFDA number 10.568), resulting in an inaccurate presentation of the schedule of expenditures of federal awards.

Recommendation:

Management should establish unique general ledger accounts for each of its federal grant programs and devise a procedure to ensure that amounts are recorded to the correct general ledger account.





February 25, 2021

Haynes Downard LLP
Birmingham, AL

2019-001 Schedule of Expenditures of Federal Awards Preparation

Management's Response:

Management agrees with the findings of the auditor's report concerning the failure in internal controls in regards to capturing the information needed for an accurate presentation of 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 of Federal Awards*.

Corrective Action Plan:

The procedure needed to ensure the information is presented accurately has been re-evaluated and modified to include another layer of reconciliation by the Business Manager. This new procedure will ensure that federal awards receipts and expenditures are properly segregated and accurately recorded on the general ledger and that the Schedule of Expenditures of Federal Awards is accurately presented.