

MONTGOMERY AREA FOOD BANK, INC.
Financial Statements
with
Additional Information
and
Other Required Reports
June 30, 2016 and 2015

MONTGOMERY AREA FOOD BANK, INC.

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Parker, Gill, Eisen
& Stevenson, P.C.
Certified Public Accountants

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Independent Auditors' Report

To the Board of Directors of
Montgomery Area Food Bank, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Montgomery Area Food Bank, Inc., which comprises the statements of financial position as of June 30, 2016 and 2015, 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 positions of Montgomery Area Food Bank, Inc. as of June 30, 2016 and 2015, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 12, 2016 on our consideration of Montgomery Area Food Bank, Inc.'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 Montgomery Area Food Bank, Inc.'s internal control over financial reporting and compliance.

Montgomery, Alabama
September 12, 2016

Parker, Hill, & Eisen
Er Stevenson, P.C.

Montgomery Area Food Bank, Inc.

Statements of Financial Position June 30, 2016 and 2015

	Assets	
	2016	2015
Cash and cash equivalents	\$ 695,141	\$ 750,220
Accounts receivable, net	85,996	86,923
Food inventory net of reserve for unsalvageable food of \$116,890 and \$176,047, respectively	2,012,550	2,088,897
Prepaid expenses	25,177	27,581
Property, plant and equipment, net	3,905,861	3,935,127
Total assets	\$ 6,724,725	\$ 6,888,748
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 27,074	\$ 35,977
Payroll liabilities and withholdings	4,014	3,572
Deferred revenue - advance deposits on food	59,495	85,770
Total liabilities	90,583	125,319
Net Assets:		
Unrestricted	6,634,142	6,763,429
Total net assets	6,634,142	6,763,429
Total liabilities and net assets	\$ 6,724,725	\$ 6,888,748

The accompanying notes are an integral part of the financial statements.

Montgomery Area Food Bank, Inc.

Statements of Activities June 30, 2016 and 2015

	2016	2015
Unrestricted Revenues, Gains and Other Support:		
Food contributions	\$ 25,000,917	\$ 25,847,507
Rejected food	1,095	1,005
Contributions from the public	907,969	917,451
Fundraising income	669,951	611,071
In-kind services contributions	13,500	42,564
Shared maintenance fees	1,247,218	1,237,229
Delivery fees	6,295	7,770
U.S. Department of Agriculture grant	3,784,685	2,869,693
U.S. Department of Agriculture handling fees	322,588	309,332
Interest income	1,203	1,908
CFC/SCC funds	45,803	55,857
Miscellaneous income	3,504	2,133
Gain from disposition of assets	1,247	-
	<u>32,005,975</u>	<u>31,903,520</u>
Net assets released from restrictions	4,308	4,308
	<u>32,010,283</u>	<u>31,907,828</u>
Expenses:		
Program services	31,624,049	31,076,881
Management and general	213,945	219,411
Fund raising	301,576	309,900
	<u>32,139,570</u>	<u>31,606,192</u>
	<u>(129,287)</u>	<u>301,636</u>
Changes in Temporarily-Restricted Net Assets:		
Government grants	4,308	4,308
Net assets released from restrictions	(4,308)	(4,308)
	<u>-</u>	<u>-</u>
(Decrease) increase in Net Assets	(129,287)	301,636
Net Assets, Beginning of Year	6,763,429	6,461,793
Net Assets, End of Year	\$ 6,634,142	\$ 6,763,429

The accompanying notes are an integral part of the financial statements.

Montgomery Area Food Bank, Inc.

Statement of Functional Expenses
June 30, 2016

Account Description	Program Services			Management and General	Fund Raising	Total
	Distribution	Education	Total			
Salaries	\$ 934,547	\$ 90,405	\$ 1,024,952	\$ 73,896	\$ 86,035	\$ 1,184,883
Employee benefits	194,084	18,775	212,859	15,346	17,867	246,072
Payroll taxes	76,584	4,694	81,278	4,694	6,582	92,554
Total salaries and related expenses	1,205,215	113,874	1,319,089	93,936	110,484	1,523,509
Building maintenance	57,336	3,185	60,521	3,185	-	63,706
Conference costs	2,492	415	2,907	1,246	-	4,153
Food purchases	303,783	-	303,783	-	-	303,783
Dues and subscriptions	22,851	3,809	26,660	1,505	9,921	38,086
Equipment repairs and maintenance	103,614	5,756	109,370	5,756	-	115,126
Food donation to agencies	28,861,949	-	28,861,949	-	-	28,861,949
USDA handling fees to PDO's	213,724	-	213,724	-	-	213,724
Insurance	33,111	3,368	36,479	3,368	-	39,847
Miscellaneous	8,868	-	8,868	-	-	8,868
Postage and shipping	91,993	12,961	104,954	12,961	-	117,915
Printing	6,247	18,742	24,989	6,247	-	31,236
Professional fees	35,940	3,450	39,390	27,603	181,171	248,164
Professional training	-	-	-	602	-	602
Rent	8,000	-	8,000	-	-	8,000
Supplies	65,983	4,623	70,606	13,869	-	84,475
Taxes and licenses	-	-	-	-	-	-
Telephone	9,558	1,593	11,151	4,779	-	15,930
Travel	63,305	7,913	71,218	7,913	-	79,131
Utilities	124,549	6,919	131,468	6,919	-	138,387
Grants	2,420	-	2,420	-	-	2,420
In-kind expenses	4,000	500	4,500	500	-	5,000
Total expenses before depreciation	31,224,938	187,108	31,412,046	190,389	301,576	31,904,011
Depreciation	188,447	23,556	212,003	23,556	-	235,559
Total expenses	\$ 31,413,385	\$ 210,664	\$ 31,624,049	\$ 213,945	\$ 301,576	\$ 32,139,570

The accompanying notes are an integral part of the financial statements.

Montgomery Area Food Bank, Inc.

Statement of Functional Expenses
June 30, 2015

Account Description	Program Services			Management and General	Fund Raising	Total
	Distribution	Education	Public			
Salaries	\$ 865,765	\$ 85,601	\$ 951,366	\$ 70,356	\$ 83,870	\$ 1,105,592
Employee benefits	195,597	19,339	214,936	15,895	18,948	249,779
Payroll taxes	71,116	4,315	75,431	4,315	6,416	86,162
Total salaries and related expenses	1,132,478	109,255	1,241,733	90,566	109,234	1,441,533
Building maintenance	45,324	2,518	47,842	2,518	-	50,360
Conference costs	2,223	370	2,593	1,111	-	3,704
Food purchases	308,872	-	308,872	-	-	308,872
Dues and subscriptions	20,968	3,495	24,463	1,381	9,103	34,947
Equipment repairs and maintenance	129,358	7,187	136,545	7,187	-	143,732
Food donation to agencies	28,363,314	-	28,363,314	-	-	28,363,314
USDA handling fees	215,291	-	215,291	-	-	215,291
Insurance	39,644	3,964	43,608	3,964	-	47,572
Miscellaneous	-	-	-	6,080	-	6,080
Postage and shipping	103,102	12,555	115,657	12,555	-	128,212
Printing	7,398	22,194	29,592	7,398	-	36,990
Professional fees	35,325	3,555	38,880	28,439	191,563	258,882
Professional training	-	-	-	865	-	865
Rent	4,226	-	4,226	-	-	4,226
Supplies	57,888	4,222	62,110	12,667	-	74,777
Taxes and licenses	3,104	-	3,104	-	-	3,104
Telephone	8,128	1,355	9,483	4,064	-	13,547
Travel	85,566	10,696	96,262	10,696	-	106,958
Utilities	111,923	6,218	118,141	6,218	-	124,359
Grants	629	-	629	-	-	629
In-kind expenses	15,166	1,896	17,062	1,895	-	18,957
Bad debt	1,211	-	1,211	-	-	1,211
Loss on assets	261	33	294	33	-	327
Total expenses before depreciation	30,691,399	189,513	30,880,912	197,637	309,900	31,388,449
Depreciation	174,195	21,774	195,969	21,774	-	217,743
Total expenses	\$ 30,865,594	\$ 211,287	\$ 31,076,881	\$ 219,411	\$ 309,900	\$ 31,606,192

The accompanying notes are an integral part of the financial statements.

Montgomery Area Food Bank, Inc.

Statements of Cash Flows June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
(Decrease) increase in net assets	\$ (129,287)	\$ 301,636
Adjustments to reconcile decrease in net assets to net cash provided by operating activities -		
Depreciation	235,559	217,743
(Gain) loss on disposition of assets	(1,170)	327
Decrease in accounts receivable	927	13,551
(Increase) decrease in food inventory	76,347	(353,886)
Decrease in prepaid expenses	2,404	1,325
Decrease in accounts payable	(8,903)	(11,447)
Increase in payroll taxes and withholdings	442	531
Decrease in advance deposits on food	(26,275)	(128,833)
Net cash provided by operating activities	<u>150,044</u>	<u>40,947</u>
Cash Flows from Investing Activities:		
Proceeds from sale of assets	15,300	-
Purchase of fixed assets	(220,423)	(202,831)
Net cash used by investing activities	<u>(205,123)</u>	<u>(202,831)</u>
Net decrease in Cash and Cash Equivalents	(55,079)	(161,884)
Cash and Cash Equivalents, Beginning of Year	<u>750,220</u>	<u>912,104</u>
Cash and Cash Equivalents, End of Year	<u>\$ 695,141</u>	<u>\$ 750,220</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

Montgomery Area Food Bank, Inc.

Notes to Financial Statements

1. Organization

Montgomery Area Food Bank, Inc. is a nonprofit organization operating as a central clearinghouse for the collection, sorting, storing and distribution of edible food to qualified member agencies. Any charitable, nonprofit organization within the assigned Feeding America service area may apply to become a member of the Food Bank. As part of the application process, the donee organization must document its exemption with the IRS under Section 501(c)(3). It must also certify that the food will go to only needy individuals at no charge, that the food will be in clean, sanitary, and secure conditions, that the food will not be sold, bartered, swapped, or traded, and that it will maintain records of accountability. After reviewing the application, the Food Bank staff visits the organization to review the program. The staff prepares a report to the Board of Directors which by formal resolution either accepts or rejects the application for membership based upon merit.

The Food Bank operates as a fully certified member of the Feeding America national network of food banks.

The Organization assesses its member agencies a handling fee on a per pound of food issued basis, which it anticipates will defray a substantial portion of the overall expense of operations. The balance of support is expected to come from public contribution, USDA handling administrative income, and from FEMA.

2. Significant Accounting Policies

Financial Statement Presentation

The Organization maintains its accounting records on the accrual basis of accounting and classifies its financial statements based on the existence or absence of donor-imposed restrictions. Accordingly, net assets in the financial statements are reported in three categories, as follows:

- Unrestricted net assets are not restricted by donors, or donor-imposed restrictions have expired. Contributions received are considered available for unrestricted use unless specifically restricted by the donor.
- Temporarily-restricted net assets are subject to donor-imposed restrictions that permit the Organization to use or expend the assets as specified. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily-restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. The restriction is considered to expire upon use of the funds by the program.
- Permanently-restricted net assets are subject to donor-imposed stipulations that principal is maintained in perpetuity and only income is expended for specific purposes.

Montgomery Area Food Bank, Inc.

Notes to Financial Statements

Management 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 revenues and expenses for the year then ended. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and short-term investments with original maturities of three months or less. The Organization maintains portions of its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes that the Organization is not exposed to any significant credit risk related to cash.

Donated Food

Food contributions received by the Organization are capitalized as food inventory and recorded as unrestricted revenue. Upon distribution, food inventory is recorded as a decrease in unrestricted net assets and is charged to expense as food donations to agencies.

Contributed Merchandise and Other In-Kind Contributions

Contributed merchandise and other in-kind contributions, including equipment, are reflected as contributions at their estimated fair values when received or when an unconditional promise to give has been received by the Organization.

Property and Equipment

Purchased property and equipment are recorded at cost. The Organization capitalizes property and equipment purchased with government grants, where the property is legally owned by the granting agency, if management considers it probable that the Organization will be permitted to keep the property and equipment for the estimated useful lives of the assets.

Depreciation is provided using the straight-line method over the estimated useful lives of 10 to 40 years on the building and improvements, 5 years is used to compute depreciation on warehouse, automotive and office equipment and 7 years is used to compute depreciation on office furniture.

The carrying values of long-lived assets are reviewed when events or changes in circumstances indicate that the carrying amounts of assets may not be recoverable. If the undiscounted future cash flows (without interest charges) are less than the carrying amount of an asset, an impairment loss is recognized to the extent the asset's carrying amount exceeds its fair value. No impairment loss was recognized in 2016 or 2015.

Grant Expenditures

Grant expenditures are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Organization does not expect such amounts, if any, to have a material effect on the Organization's financial statements.

Montgomery Area Food Bank, Inc.

Notes to Financial Statements

Deferred Revenue

Deferred revenue represents donations collected in advance that are deferred until the related event is held and services are provided.

Contributed Services

Unpaid volunteers assist in the warehousing, boxing, weighing and carrying of food for agencies. The value of these contributed services is not reflected in the accompanying financial statements, as the services provided do not meet the criteria for recognition according to accounting principles generally accepted in the United States of America.

Shared Maintenance Fees

The Organization distributes food to 285 agencies that are charged for products on a per pound basis, not to exceed eighteen cents per pound. Also, subsidiary distribution organizations are charged for products on a per pound basis, not to exceed eight cents per pound. These charges are reflected as shared maintenance fees in the accompanying financial statements.

Allocation of Functional Expenses

Certain costs of the Organization are detailed in the accompanying statement of functional expenses. These costs have been allocated among program services, management and general, and fund raising expense classifications based on management's estimates of resources consumed by these functions.

Tax Status

The Organization is a nonprofit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization has been classified as an organization that is not a private foundation. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Accounts Receivable

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. \$5,000 has been accrued for allowance for doubtful accounts at June 30, 2016 and 2015, respectively. Changes in the valuation allowance have not been material to the financial statements.

Montgomery Area Food Bank, Inc.

Notes to Financial Statements

3. Food Inventory

The following summarizes food inventory transactions:

	June 30, 2016		June 30, 2015	
	Pounds	Value	Pounds	Value
Balance, beginning of year	1,384,213	\$ 2,264,944	1,285,274	\$ 1,868,999
Food contributions and purchases	21,197,081	29,059,865	19,869,189	29,010,328
Food distributions	(21,101,415)	(30,052,334)	(19,627,552)	(29,020,203)
valuation adjustments	(51,256)	856,965	(142,698)	405,820
Balance, end of year	1,428,623	2,129,440	1,384,213	2,264,944
Allowance for unsalvageable food	(69,994)	(116,890)	(103,557)	(176,047)
Net food inventory	1,358,629	\$ 2,012,550	1,280,656	\$ 2,088,897

At June 30, 2016 and 2015, food inventory was valued at \$1.67 and \$1.70 per pound, respectively, for all food on hand from sources other than the United States Department of Agriculture (USDA). This value was based on the results of a product valuation survey provided by Feeding America. For food received from the USDA, a weighted average per pound was used based on the USDA's estimate of the average wholesale value per pound of food.

4. Property and Equipment

Property and equipment consisted of the following:

	June 30, 2016	June 30, 2015
Land	\$ 328,234	\$ 328,234
Building	4,294,682	4,248,132
Equipment and vehicles	1,709,143	1,610,313
Office furniture	21,510	20,465
Leasehold improvements	5,825	5,825
	6,359,394	6,212,969
Accumulated depreciation	2,453,533	2,277,842
	\$ 3,905,861	\$ 3,935,127

Montgomery Area Food Bank, Inc.

Notes to Financial Statements

5. Retirement Plan

The Organization maintains a SIMPLE employee pension plan to which the Organization contributes monthly amounts based on the employees' current salaries. Employees that have reached twenty-one years of age and completed six months of full-time employment are eligible to participate in the plan. For the years ended June 30, 2016 and 2015, five percent of all eligible employees' salaries were contributed to the plan. Employees do not have to contribute to the pension plan and employer contributions vest immediately. The related pension expense was \$55,575 and \$50,966 for the years ended June 30, 2016 and 2015, respectively.

6. Operating Lease Commitment

The Organization entered into an operating lease for copiers in 2014 requiring lease payments of \$15,924 annually. The Organization also entered a 63 month lease for a postage meter in January 2016 with monthly payments of \$364. Lease expense for the years ended June 30, 2016 and 2015 were \$18,108 and \$12,184, respectively. Future minimum lease payments are as follows:

2017	\$	20,292
2018		20,292
2019		11,003
2020		4,368
2021		3,276
		<hr/>
	\$	59,231

7. Related Party

The Organization purchased insurance through a company owned by one of its board members during the years ended June 30, 2016 and 2015, which totaled \$43,182 and \$48,777, respectively.

The Organization had cash on deposit with a financial institution in which board members are management during the years June 30, 2016 and 2015, which totaled \$252,165 and \$251,188, respectively.

The Organization purchased advertising through a company operated by one of its board members during the year ended June 30, 2016 which totaled \$29,510.

Montgomery Area Food Bank, Inc.

Notes to Financial Statements

8. Expense Measurements

Program expenses, management and general and fundraising expenses make up the following percentages of total expenses without and with inventory valuations as follows:

	<u>2016</u>		<u>2015</u>	
Program expenses without inventory valuations	\$ 2,762,100	84%	\$ 2,713,567	84%
Management and general	213,945	7%	219,411	7%
Fund raising	<u>301,576</u>	<u>9%</u>	<u>309,900</u>	<u>9%</u>
	<u>\$ 3,277,621</u>	<u>100%</u>	<u>\$ 3,242,878</u>	<u>100%</u>
	<u>2016</u>		<u>2015</u>	
Program expenses with inventory valuations	\$ 31,624,049	98%	\$ 31,076,881	98%
Management and general	213,945	1%	219,411	1%
Fund raising	<u>301,576</u>	<u>1%</u>	<u>309,900</u>	<u>1%</u>
	<u>\$ 32,139,570</u>	<u>100%</u>	<u>\$ 31,606,192</u>	<u>100%</u>

9. Other Commitments

At June 30, 2016, the Organization had an unused line of credit with a financial institution in the amount of \$500,000. This letter of credit expires on May 28, 2018.

10. Accounts Receivable

Accounts receivable are shown, net of allowance for doubtful accounts, from the following sources:

Pledges	\$ 24,794
Other	<u>66,202</u>
	90,996
Less allowance for doubtful accounts	<u>(5,000)</u>
	<u>\$ 85,996</u>

Montgomery Area Food Bank, Inc.

Notes to Financial Statements

During 2012, the Organization started a capital campaign drive and received pledges during the year ended June 30, 2014 in the amount of \$597,372. Of this amount, \$10,000 and \$12,333 were collected during the years ended June 30, 2016 and June 30, 2015, respectively. Pledges are to be collected over a one to five year time period. A discounted rate of 3.25% was used in computing the present value of the estimated future cash flows. The amounts of the pledges are as follows:

	<u>Actual</u>	<u>Present Value</u>
2017	\$ 15,600	\$ 14,140
2018	<u>10,000</u>	<u>10,654</u>
	<u>\$ 25,600</u>	<u>\$ 24,794</u>

11. Subsequent Events

Management has considered subsequent events through September 12, 2016, the financial statement reporting date.

12. Concentration of Credit Risk

At June 30, 2016, the Organization had \$330,313 in excess of the insured Federal Deposit Insurance Corporation (FDIC) limit on deposit with one institution.

Additional Information

Parker, Gill, Eisen
& Stevenson, P.C.
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**Independent Auditors' Report
on Additional Information**

To the Board of Directors of
Montgomery Area Food Bank, Inc.

We have audited the financial statements of the Montgomery Area Food Bank, Inc. as of and for the years ended June 30, 2016 and 2015 and have issued our report thereon dated September 12, 2016, which contained an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of financial position and activities without inventory valuations, schedule of expenditures of federal awards, schedule of findings and questioned cost, and the summary of prior audit findings are presented for the 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 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.

*Parker, Gill, Eisen
& Stevenson, P.C.*

Montgomery, Alabama
September 12, 2016

Montgomery Area Food Bank, Inc.

Statements of Financial Position without Inventory June 30, 2016 and 2015

	Assets	
	<u>2016</u>	<u>2015</u>
Cash and cash equivalents - unrestricted	\$ 695,141	\$ 750,220
Accounts receivable, net	85,996	86,923
Prepaid expenses	25,177	27,581
Property, plant and equipment, net	<u>3,905,861</u>	<u>3,935,127</u>
Total assets	<u>\$ 4,712,175</u>	<u>\$ 4,799,851</u>
	Liabilities and Net Assets	
Liabilities:		
Accounts payable	\$ 27,074	\$ 35,977
Payroll liabilities and withholdings	4,014	3,572
Deferred revenue - advanced deposits on food	<u>59,495</u>	<u>85,770</u>
	<u>90,583</u>	<u>125,319</u>
Net Assets:		
Unrestricted	<u>4,621,592</u>	<u>4,674,532</u>
	<u>4,621,592</u>	<u>4,674,532</u>
Total liabilities and net assets	<u>\$ 4,712,175</u>	<u>\$ 4,799,851</u>

See Independent Auditors' Report on Additional Information

Montgomery Area Food Bank, Inc.

Statements of Activities without Inventory Valuations June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues, Gains and Support:		
Contributions from the public	\$ 907,969	\$ 905,118
Rejected food	1,095	1,005
Special events-fundraising	669,951	611,071
Capital campaign contributions	-	12,333
Shared maintenance fees	1,247,218	1,237,229
U.S. Department of Agriculture handling fee	322,588	309,332
FEMA grant	4,308	4,308
Delivery fees	6,295	7,770
Interest income	1,203	1,908
In-kind services contribution	13,500	42,564
CFC/SCC funds	45,803	55,857
Miscellaneous income	3,504	2,133
Gain from disposition of assets	1,247	-
	<u>3,224,681</u>	<u>3,190,628</u>
Total revenues, gains and other support		
	<u>3,224,681</u>	<u>3,190,628</u>
Expenses:		
Program services	2,762,100	2,713,567
Management and general	213,945	219,411
Fund raising	301,576	309,900
	<u>3,277,621</u>	<u>3,242,878</u>
Total expenses		
	<u>3,277,621</u>	<u>3,242,878</u>
Decrease in Net Assets	(52,940)	(52,250)
Net Assets, Beginning of Year	<u>4,674,532</u>	<u>4,726,782</u>
Net Assets, End of Year	<u>\$ 4,621,592</u>	<u>\$ 4,674,532</u>

See Independent Auditors' Report on Additional Information

Montgomery Area Food Bank, Inc.

Schedule of Expenditures of Federal Awards
June 30, 2016

Grantor/Pass Through Grantors Program Title	Federal CFDA #	Program Award Amount	Federal Expenditures	Pass Through Grantor #
FEMA	97.024	\$ 4,308	\$ 4,308	Emergency Food & Shelter Program 31-0080-00 003 E9
USDA, FNS The Emergency Food Assistance Program Administrative Costs	10.568	322,588	322,588	State Department of Education 12-3507-01-605
USDA, FNS The Emergency Food Assistance Program - Food Commodities	10.569	<u>3,784,685</u>	<u>3,652,091</u>	State Department of Education 12-3505-0-1-605
		<u>\$ 4,111,581</u>	<u>\$ 3,978,987</u>	

Note: The accrual basis of accounting has been used to prepare this schedule.

Montgomery Area Food Bank, Inc.

**Schedule of Findings and Questioned Costs
June 30, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes No

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.569 and 10.568	USDA, FNS 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 No

Other Required Reports

**Independent Auditors' 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***

The Board of Directors of
Montgomery Area Food Bank, Inc.
Montgomery, 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 Montgomery Area Food Bank, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montgomery Area Food Bank, Inc.'s internal control over financial reporting 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Montgomery Area Food Bank, Inc.'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 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 Montgomery Area Food Bank, Inc.'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Montgomery, Alabama
September 12, 2016

Parker, Hill, Eisen
Er Stevenson, P.C.

**Independent Auditors' Report on
Compliance For Each Major Federal Program; and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

The Board of Directors of
Montgomery Area Food Bank, Inc.
Montgomery, Alabama

Report on Compliance for Each Major Federal Program

We have audited Montgomery Area Food Bank, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct material effect on each of Montgomery Area Food Bank, Inc.'s major federal programs for the year ended June 30, 2016. The Organization'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 Montgomery Area Food Bank, Inc.'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 Uniform Guide 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 Organization'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 Montgomery Area Food Bank, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Montgomery Area Food Bank, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization'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 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 Montgomery Area Food Bank, Inc.'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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Montgomery, Alabama
September 12, 2016

Parker, Hill, Kisen
Er Stevenson, P.C.