

**BAY AREA FOOD BANK, INCORPORATED**

**FINANCIAL REPORT**

**DECEMBER 31, 2014**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Bay Area Food Bank, Incorporated  
Mobile, Alabama

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

I have audited the accompanying financial statements of Bay Area Food Bank, Incorporated (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, 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**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bay Area Food Bank, Incorporated as of December 31, 2014 and 2013, 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**

### Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated February 24, 2015, on my consideration of Bay Area Food Bank, Incorporated's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bay Area Food Bank, Incorporated's internal control over financial reporting and compliance.

*Kim K. Enikeieff*

Mobile, Alabama  
February 24, 2015

**BAY AREA FOOD BANK, INCORPORATED**

**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2014 and 2013**

|   | <u>2014</u>                | <u>2013</u>                |
|---|----------------------------|----------------------------|
| <b>ASSETS</b>   |                            |                            |
| Assets  |                            |                            |
| Cash  | \$ 123,323                 | \$ 66,245                  |
| Promises to give  | 23,524                     | 39,936                     |
| Accounts receivable, less allowance for doubtful<br>accounts of \$50,000 for 2014 and \$40,000 for 2013 | 155,526                    | 149,597                    |
| Grants and other receivables  | 191,030                    | 161,490                    |
| Inventory   | 2,357,878                  | 3,344,630                  |
| Prepaid expenses  | 32,768                     | 29,505                     |
| Investments   | 97,950                     | 89,534                     |
| Property, plant and equipment - net   | <u>3,916,608</u>           | <u>4,049,996</u>           |
| <b>Total assets</b>   | <u><b>\$ 6,898,607</b></u> | <u><b>\$ 7,930,933</b></u> |
| <b>LIABILITIES AND NET ASSETS</b>   |                            |                            |
| Liabilities   |                            |                            |
| Accounts payable and other accrued expenses   | \$ 24,903                  | \$ 107,617                 |
| Accrued payroll and related taxes   | 57,337                     | 53,307                     |
| Accrued vacation pay  | 50,098                     | 46,371                     |
| Deferred revenue  | 323,082                    | 34,996                     |
| Notes payable   | <u>26,765</u>              | <u>11,415</u>              |
| <b>Total liabilities</b>  | <u><b>482,185</b></u>      | <u><b>253,706</b></u>      |
| <b>Net assets</b>   |                            |                            |
| Unrestricted  |                            |                            |
| Operating   | 4,265,490                  | 4,332,597                  |
| Contributed food  | <u>2,150,932</u>           | <u>3,344,630</u>           |
| <b>Total unrestricted</b>   | <b>6,416,422</b>           | <b>7,677,227</b>           |
| Temporarily restricted  | -                          | -                          |
| Permanently restricted  | <u>-</u>                   | <u>-</u>                   |
| <b>Total net assets</b>   | <u><b>6,416,422</b></u>    | <u><b>7,677,227</b></u>    |
| <b>Total liabilities and net assets</b>   | <u><b>\$ 6,898,607</b></u> | <u><b>\$ 7,930,933</b></u> |

See notes to financial statements.

**BAY AREA FOOD BANK, INCORPORATED**

**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2014

|   | <u>Unrestricted</u> |                             |                                   |                       |
|---|---------------------|-----------------------------|-----------------------------------|-----------------------|
|   | <u>Food Bank</u>    | <u>Contributed<br/>Food</u> | <u>Temporarily<br/>Restricted</u> | <u>2014<br/>Total</u> |
| Support and revenue                       |                     |                             |                                   |                       |
| Support                                   |                     |                             |                                   |                       |
| Contributed food received                 | \$ -                | \$ 28,197,617               | \$ -                              | \$ 28,197,617         |
| Fees and grants from government agencies  | 346,304             | -                           | -                                 | 346,304               |
| City of Mobile                            | 9,800               | -                           | -                                 | 9,800                 |
| Child Nutrition Program                   | 1,060,202           | -                           | -                                 | 1,060,202             |
| Supplemental Nutrition Assistance Program | 102,514             | -                           | -                                 | 102,514               |
| United Way Allocation                     | 148,163             | -                           | -                                 | 148,163               |
| Emergency Food and Shelter                | 19,879              | -                           | -                                 | 19,879                |
| Contributions and grants                  | <u>1,214,819</u>    | <u>-</u>                    | <u>-</u>                          | <u>1,214,819</u>      |
| Total support                             | <u>2,901,681</u>    | <u>28,197,617</u>           | <u>-</u>                          | <u>31,099,298</u>     |
| Revenue                                   |                     |                             |                                   |                       |
| Shared maintenance - Mobile               | 1,426,312           | -                           | -                                 | 1,426,312             |
| Shared maintenance - Milton               | 757,909             | -                           | -                                 | 757,909               |
| Investment income                         | 4,853               | -                           | -                                 | 4,853                 |
| Other income                              | 30,430              | -                           | -                                 | 30,430                |
| Fund-raising                              | <u>59,985</u>       | <u>-</u>                    | <u>-</u>                          | <u>59,985</u>         |
| Total revenue                             | <u>2,279,489</u>    | <u>-</u>                    | <u>-</u>                          | <u>2,279,489</u>      |
| Net assets released from restrictions     | <u>-</u>            | <u>-</u>                    | <u>-</u>                          | <u>-</u>              |
| Total support and revenue                 | <u>5,181,170</u>    | <u>28,197,617</u>           | <u>-</u>                          | <u>33,378,787</u>     |
| Expenses                                  |                     |                             |                                   |                       |
| Program services                          |                     |                             |                                   |                       |
| Contributed food distributed              | -                   | 29,391,315                  | -                                 | 29,391,315            |
| Food procurement                          | 1,330,356           | -                           | -                                 | 1,330,356             |
| Transportation                            | 756,245             | -                           | -                                 | 756,245               |
| Nutrition programs                        | 601,717             | -                           | -                                 | 601,717               |
| Agency volunteer services                 | 114,095             | -                           | -                                 | 114,095               |
| Mobile facility                           | 583,614             | -                           | -                                 | 583,614               |
| Milton facility                           | <u>674,615</u>      | <u>-</u>                    | <u>-</u>                          | <u>674,615</u>        |
| Total program services                    | 4,060,642           | 29,391,315                  | -                                 | 33,451,957            |
| Supporting services                       |                     |                             |                                   |                       |
| Management and general                    | 845,461             | -                           | -                                 | 845,461               |
| Fundraising                               | <u>342,174</u>      | <u>-</u>                    | <u>-</u>                          | <u>342,174</u>        |
| Total expenses                            | <u>5,248,277</u>    | <u>29,391,315</u>           | <u>-</u>                          | <u>34,639,592</u>     |
| Change in net assets                      | (67,107)            | (1,193,698)                 | -                                 | (1,260,805)           |
| Net assets, beginning of period           | <u>4,332,597</u>    | <u>3,344,630</u>            | <u>-</u>                          | <u>7,677,227</u>      |
| Net assets, end of period                 | <u>\$ 4,265,490</u> | <u>\$ 2,150,932</u>         | <u>\$ -</u>                       | <u>\$ 6,416,422</u>   |

See notes to financial statements.

**BAY AREA FOOD BANK, INCORPORATED**

**STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2013**

|   | Unrestricted        |                     |                           |                     |
|---|---------------------|---------------------|---------------------------|---------------------|
|   | Food Bank           | Contributed<br>Food | Temporarily<br>Restricted | 2013<br>Total       |
| Support and revenue                       |                     |                     |                           |                     |
| Support                                   |                     |                     |                           |                     |
| Contributed food received                 | \$ -                | \$ 28,589,230       | \$ -                      | \$ 28,589,230       |
| Fees and grants from government agencies  | 282,496             | -                   | -                         | 282,496             |
| City of Mobile                            | 15,746              | -                   | -                         | 15,746              |
| Child Nutrition Program                   | 886,386             | -                   | -                         | 886,386             |
| Supplemental Nutrition Assistance Program | 69,252              | -                   | -                         | 69,252              |
| United Way Allocation                     | 149,172             | -                   | -                         | 149,172             |
| Emergency Food and Shelter                | 64,689              | -                   | -                         | 64,689              |
| Contributions and grants                  | 1,652,439           | -                   | -                         | 1,652,439           |
| <b>Total support</b>                      | <b>3,120,180</b>    | <b>28,589,230</b>   | <b>-</b>                  | <b>31,709,410</b>   |
| Revenue                                   |                     |                     |                           |                     |
| Shared maintenance - Mobile               | 1,613,845           | -                   | -                         | 1,613,845           |
| Shared maintenance - Milton               | 363,352             | -                   | -                         | 363,352             |
| Investment income                         | 6,602               | -                   | -                         | 6,602               |
| Other income                              | 36,709              | -                   | -                         | 36,709              |
| Fund-raising                              | 34,836              | -                   | -                         | 34,836              |
| Gain (loss) on disposal of equipment      | 815                 | -                   | -                         | 815                 |
| <b>Total revenue</b>                      | <b>2,056,159</b>    | <b>-</b>            | <b>-</b>                  | <b>2,056,159</b>    |
| Net assets released from restrictions     | -                   | -                   | -                         | -                   |
| <b>Total support and revenue</b>          | <b>5,176,339</b>    | <b>28,589,230</b>   | <b>-</b>                  | <b>33,765,569</b>   |
| Expenses                                  |                     |                     |                           |                     |
| Program services                          |                     |                     |                           |                     |
| Contributed food distributed              | -                   | 28,827,444          | -                         | 28,827,444          |
| Food procurement                          | 1,541,707           | -                   | -                         | 1,541,707           |
| Transportation                            | 738,450             | -                   | -                         | 738,450             |
| Nutrition programs                        | 480,675             | -                   | -                         | 480,675             |
| Agency volunteer services                 | 160,905             | -                   | -                         | 160,905             |
| Mobile facility                           | 611,591             | -                   | -                         | 611,591             |
| Milton facility                           | 530,988             | -                   | -                         | 530,988             |
| <b>Total program services</b>             | <b>4,064,316</b>    | <b>28,827,444</b>   | <b>-</b>                  | <b>32,891,760</b>   |
| Supporting services                       |                     |                     |                           |                     |
| Management and general                    | 724,584             | -                   | -                         | 724,584             |
| Fundraising                               | 269,195             | -                   | -                         | 269,195             |
| <b>Total expenses</b>                     | <b>5,058,095</b>    | <b>28,827,444</b>   | <b>-</b>                  | <b>33,885,539</b>   |
| Change in net assets                      | 118,244             | (238,214)           | -                         | (119,970)           |
| Net assets, beginning of period           | 4,214,353           | 3,582,844           | -                         | 7,797,197           |
| <b>Net assets, end of period</b>          | <b>\$ 4,332,597</b> | <b>\$ 3,344,630</b> | <b>\$ -</b>               | <b>\$ 7,677,227</b> |

See notes to financial statements.

**BAY AREA FOOD BANK, INCORPORATED**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2014

|   | PROGRAM SERVICES    |                |                       |                                 |                    |                    | SUPPORTING SERVICES |                           |             | 2014<br>Total<br>Expenses |
|---|---------------------|----------------|-----------------------|---------------------------------|--------------------|--------------------|---------------------|---------------------------|-------------|---------------------------|
|   | Food<br>Procurement | Transportation | Nutrition<br>Programs | Agency<br>Volunteer<br>Services | Mobile<br>Facility | Milton<br>Facility | Total               | Management<br>and General | Fundraising |                           |
| Salaries  | \$ 345              | \$ 223,393     | \$ 480,228            | \$ 94,605                       | \$ 193,057         | \$ 423,015         | \$ 1,414,643        | \$ 532,258                | \$ 33,534   | \$ 1,980,435              |
| Payroll taxes   | 29                  | 18,888         | 40,604                | 7,999                           | 16,340             | 35,767             | 119,627             | 44,989                    | 2,835       | 167,451                   |
| Employee benefits   | 42                  | 27,134         | 58,330                | 11,491                          | 23,469             | 51,381             | 171,847             | 64,629                    | 4,073       | 240,549                   |
| Total personnel   | 416                 | 269,415        | 579,162               | 114,095                         | 232,866            | 510,163            | 1,706,117           | 641,876                   | 40,442      | 2,388,435                 |
| Bad debt expense  | -                   | -              | -                     | -                               | -                  | -                  | -                   | 12,961                    | -           | 12,961                    |
| Bank charges  | -                   | -              | -                     | -                               | -                  | -                  | -                   | 6,238                     | -           | 6,238                     |
| Conferences   | -                   | -              | -                     | -                               | -                  | -                  | -                   | 38,879                    | -           | 38,879                    |
| Contract labor  | -                   | -              | -                     | -                               | -                  | -                  | -                   | 15,259                    | -           | 15,259                    |
| Direct mail expense   | -                   | -              | -                     | -                               | -                  | -                  | -                   | -                         | 228,040     | 228,040                   |
| Dues and membership fees  | -                   | -              | -                     | -                               | -                  | -                  | -                   | 10,679                    | -           | 10,679                    |
| Equipment rental  | -                   | 47,352         | -                     | -                               | 3,097              | -                  | 50,449              | 7,025                     | -           | 57,474                    |
| Food procurement  | 1,280,376           | -              | -                     | -                               | -                  | -                  | 1,280,376           | -                         | -           | 1,280,376                 |
| Freight-in  | 49,564              | -              | -                     | -                               | -                  | -                  | 49,564              | -                         | -           | 49,564                    |
| Gas and oil   | -                   | 208,876        | -                     | -                               | -                  | -                  | 208,876             | -                         | -           | 208,876                   |
| Insurance   | -                   | 41,178         | -                     | -                               | 35,466             | -                  | 112,110             | 3,264                     | -           | 115,374                   |
| Information system expense  | -                   | -              | -                     | -                               | -                  | -                  | -                   | 19,566                    | -           | 19,566                    |
| Interest expense  | -                   | -              | -                     | -                               | -                  | -                  | -                   | 1,661                     | -           | 1,661                     |
| Marketing and development   | -                   | -              | 12,985                | -                               | -                  | -                  | -                   | -                         | 48,738      | 48,738                    |
| Miscellaneous   | -                   | -              | -                     | -                               | 31,774             | -                  | 47,061              | -                         | -           | 47,061                    |
| Professional fees   | -                   | -              | -                     | -                               | -                  | -                  | -                   | 28,726                    | -           | 28,726                    |
| Rent  | -                   | -              | 6,718                 | -                               | -                  | -                  | 6,718               | -                         | -           | 6,718                     |
| Repairs and maintenance   | -                   | 124,778        | -                     | -                               | 59,392             | 9,797              | 193,967             | -                         | -           | 193,967                   |
| Special events  | -                   | -              | -                     | -                               | -                  | -                  | -                   | -                         | 14,976      | 14,976                    |
| Supplies and postage  | -                   | -              | -                     | -                               | 35,300             | 3,293              | 38,593              | 25,284                    | 9,978       | 73,855                    |
| Travel  | -                   | -              | -                     | -                               | -                  | -                  | -                   | 20,380                    | -           | 20,380                    |
| Utilities   | -                   | -              | 2,852                 | -                               | 114,430            | 42,305             | 159,587             | -                         | -           | 159,587                   |
| Total expenses before contributed food distributed and depreciation | 1,330,356           | 691,599        | 601,717               | 114,095                         | 512,325            | 603,326            | 3,853,418           | 831,798                   | 342,174     | 5,027,390                 |
| Contributed food distributed  | 29,391,315          | -              | -                     | -                               | -                  | -                  | 29,391,315          | -                         | -           | 29,391,315                |
| Depreciation  | -                   | 64,646         | -                     | -                               | 71,289             | 71,289             | 207,224             | 13,663                    | -           | 220,887                   |
| Total expenses  | \$ 30,721,671       | \$ 756,245     | \$ 601,717            | \$ 114,095                      | \$ 583,614         | \$ 674,615         | \$ 33,451,957       | \$ 845,461                | \$ 342,174  | \$ 34,639,592             |

See notes to financial statements.



**BAY AREA FOOD BANK, INCORPORATED**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2013**

**PROGRAM SERVICES** **SUPPORTING SERVICES**

|   | Food Procurement | Transportation | Nutrition Programs | Agency Volunteer Services | Mobile Facility | Milton Facility | Total         | Management and General | Fundraising | 2013 Total Expenses |
|---|------------------|----------------|--------------------|---------------------------|-----------------|-----------------|---------------|------------------------|-------------|---------------------|
| Salaries  | \$ 38,762        | \$ 228,015     | \$ 378,605         | \$ 129,497                | \$ 249,787      | \$ 315,907      | \$ 1,340,573  | \$ 424,740             | \$ 17,734   | \$ 1,783,047        |
| Payroll taxes   | 3,187            | 18,748         | 31,130             | 10,647                    | 20,538          | 25,974          | 110,224       | 34,922                 | 1,458       | 146,604             |
| Employee benefits   | 4,715            | 27,735         | 46,053             | 15,752                    | 30,384          | 38,427          | 163,066       | 51,665                 | 2,157       | 216,888             |
| Total personnel   | 46,664           | 274,498        | 455,788            | 155,896                   | 300,709         | 380,308         | 1,613,863     | 511,327                | 21,349      | 2,146,539           |
| Bad debt expense  | -                | -              | -                  | -                         | -               | -               | -             | -                      | -           | -                   |
| Bank charges  | -                | -              | -                  | -                         | -               | -               | -             | 5,593                  | -           | 5,593               |
| Conferences   | -                | -              | -                  | -                         | -               | -               | -             | 13,324                 | -           | 13,324              |
| Contract labor  | -                | -              | -                  | -                         | -               | -               | -             | 38,663                 | -           | 38,663              |
| Direct mail expense   | -                | -              | -                  | -                         | -               | -               | -             | -                      | 181,143     | 181,143             |
| Dues and membership fees  | -                | -              | -                  | -                         | -               | -               | -             | 11,155                 | -           | 11,155              |
| Equipment rental  | -                | 30,776         | -                  | -                         | 2,545           | -               | 33,321        | 6,017                  | -           | 39,338              |
| Food procurement  | 1,422,349        | -              | -                  | -                         | -               | -               | 1,422,349     | -                      | -           | 1,422,349           |
| Freight-in  | 52,694           | -              | -                  | -                         | -               | -               | 52,694        | -                      | -           | 52,694              |
| Gas and oil   | -                | 204,140        | -                  | -                         | -               | -               | 204,140       | -                      | -           | 204,140             |
| Insurance   | -                | 35,885         | -                  | -                         | 30,455          | -               | 96,795        | 3,133                  | -           | 99,928              |
| Information system expense  | -                | -              | -                  | -                         | -               | -               | -             | 28,003                 | -           | 28,003              |
| Interest expense  | -                | -              | -                  | -                         | -               | -               | -             | 3,426                  | -           | 3,426               |
| Marketing and development   | -                | -              | -                  | -                         | -               | -               | -             | 15,567                 | 28,642      | 44,209              |
| Meals and lodging   | -                | -              | -                  | -                         | -               | -               | -             | -                      | -           | -                   |
| Miscellaneous   | 20,000           | -              | -                  | -                         | 25,981          | 2,839           | 48,820        | -                      | -           | 48,820              |
| Printing and publications   | -                | -              | -                  | -                         | -               | 19              | 19            | -                      | 20,423      | 20,442              |
| Professional fees   | -                | -              | -                  | -                         | -               | -               | -             | 18,382                 | -           | 18,382              |
| Rent  | -                | -              | 4,150              | -                         | -               | -               | 4,150         | -                      | -           | 4,150               |
| Repairs and maintenance   | -                | 123,986        | -                  | -                         | 66,065          | 12,497          | 202,548       | -                      | -           | 202,548             |
| Special events  | -                | -              | -                  | -                         | -               | -               | -             | -                      | 8,560       | 8,560               |
| Supplies and postage  | -                | -              | 20,346             | -                         | 10,531          | 1,638           | 32,515        | 30,851                 | 9,078       | 72,444              |
| Travel  | -                | -              | -                  | -                         | -               | -               | -             | 27,306                 | -           | 27,306              |
| Utilities   | -                | -              | 391                | -                         | 107,520         | 35,447          | 143,358       | -                      | -           | 143,358             |
| Volunteer recognition   | -                | -              | -                  | 5,009                     | -               | -               | 5,009         | -                      | -           | 5,009               |
| Total expenses before contributed food distributed and depreciation | 1,541,707        | 669,285        | 480,675            | 160,905                   | 543,806         | 463,203         | 3,859,581     | 712,747                | 269,195     | 4,841,523           |
| Contributed food distributed  | 28,827,444       | -              | -                  | -                         | -               | -               | 28,827,444    | -                      | -           | 28,827,444          |
| Depreciation  | -                | 69,165         | -                  | -                         | 67,785          | 67,785          | 204,735       | 11,837                 | -           | 216,572             |
| Total expenses  | \$ 30,369,151    | \$ 738,450     | \$ 480,675         | \$ 160,905                | \$ 611,591      | \$ 530,988      | \$ 32,891,760 | \$ 724,584             | \$ 269,195  | \$ 33,885,539       |

See notes to financial statements.

**BAY AREA FOOD BANK, INCORPORATED**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2014 and 2013**

|  | <u>2014</u>       | <u>2013</u>      |
|--|-------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                   |                  |
| Change in net assets   | \$ (1,260,805)    | \$ (119,970)     |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                   |                  |
| Depreciation   | 220,887           | 216,572          |
| Bad debt expense   | 12,961            | -                |
| Donated stocks and bonds   | (3,584)           | -                |
| Net realized and unrealized (gain) loss on investments   | (4,832)           | (6,508)          |
| Gain on the disposal of equipment  | -                 | (815)            |
| (Increase) decrease in:  |                   |                  |
| Unconditional promises to give   | 16,412            | 539              |
| Accounts receivable  | (18,890)          | (44,706)         |
| Grants and other receivables   | (29,540)          | 60,276           |
| Inventory  | 986,752           | 238,214          |
| Prepaid expenses   | (3,263)           | (26,914)         |
| Increase (decrease) in:  |                   |                  |
| Accounts payable and accrued expenses  | (82,714)          | (20,285)         |
| Accrued payroll and related taxes  | 4,030             | 15,651           |
| Accrued vacation pay   | 3,727             | 6,958            |
| Deferred revenue   | <u>288,086</u>    | <u>(15,004)</u>  |
| Net cash provided by operating activities  | <u>129,227</u>    | <u>304,008</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                   |                  |
| Purchases of property, plant and equipment   | (87,499)          | (213,682)        |
| Proceeds from the sale of equipment  | <u>-</u>          | <u>815</u>       |
| Net cash used by investing activities  | <u>(87,499)</u>   | <u>(212,867)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                   |                  |
| Net borrowings from line of credit   | -                 | (27,360)         |
| Proceeds from long term debt   | 19,417            | 11,415           |
| Payments of long term debt   | <u>(4,067)</u>    | <u>(23,928)</u>  |
| Net cash provided (used) by financing activities   | <u>15,350</u>     | <u>(39,873)</u>  |
| Net increase in cash   | 57,078            | 51,268           |
| Cash, beginning of year  | <u>66,245</u>     | <u>14,977</u>    |
| Cash, end of year  | <u>\$ 123,323</u> | <u>\$ 66,245</u> |
| <b>Supplemental disclosures:</b>   |                   |                  |
| Cash paid during the year for interest   | <u>\$ 2,551</u>   | <u>\$ 2,694</u>  |

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### Organization

Bay Area Food Bank, Incorporated is a nonprofit, tax exempt food distribution center committed to providing nutritionally balanced food for hungry people in 24 counties located in Alabama, Florida and Mississippi. The Organization solicits, obtains and distributes donated and purchased foods to soup kitchens, pantries, shelters, and other organizations which are member agencies. These agencies provide the food to hungry people.

The Organization is directed by an active Board of Directors whose members serve without compensation.

### Summary of Significant Accounting Policies

#### Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

#### Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations.

#### Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### Permanently restricted

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

### Recognition of donor restricted contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

### Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

## **Summary of Significant Accounting Policies (continued)**

### **Cash**

For purposes of the statement of cash flows, cash includes petty cash on hand and cash deposited with local commercial banks.

### **Accounts receivable**

Accounts receivable 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 receivable. 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 the applicable accounts receivable. The allowance for doubtful accounts at December 31, 2014 and 2013 was \$50,000 and \$40,000, respectively. Changes in the valuation allowance have not been material to the financial statements.

### **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy that prioritizes the inputs to valuation techniques is used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into the following three levels, based on the reliability of the inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are observable at the measurement date;

Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and

Level 3: Significant unobservable inputs for the asset or liability that reflect the reporting organization's own estimates about the assumptions that market participants would use in pricing the asset or liability.

### **Inventory**

Contributed food is valued on a modified first-in, first-out basis using a weighted average wholesale price per pound. Food is distributed based on the earlier of the purchase date or expiration date. Feeding America provides a Product Valuation Survey that details price per pound by product categories. The Organization uses this survey to calculate the weighted-average price per pound for its inventory by category. This amount was \$1.72 per pound for 2014 and \$1.69 per pound for 2013 as determined by Feeding America.

Purchased food products are valued at the lower of cost (first-in, first-out) or market (net realizable value).

## **Summary of Significant Accounting Policies (continued)**

### **Property and equipment**

Property and equipment owned by the Organization is recorded at cost or at fair market value at date received if donated. The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is provided principally on the straight-line method over the estimated useful lives of the depreciable assets. Depreciation expense was \$220,887 and \$216,572 in 2014 and 2013, respectively.

### **Income taxes**

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501 (c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

A policy for accounting for uncertainty in income taxes was adopted in prior years that require the Organization to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. The Organization has no uncertain tax positions that qualified for either recognition or disclosure in the financial statements at December 31, 2014 or December 31, 2013.

### **Donated materials and services**

Donated materials or equipment, when received, are reflected as contributions in the accompanying financial statements at their estimated fair market values at the date of receipt. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organization's program services.

### **Functional expenses**

Functional expenses have been allocated among the program and supporting services based upon an analysis of the expenses and benefits derived.

### **Estimates**

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

### **Evaluation of subsequent events**

The Organization has evaluated subsequent events through February 24, 2015, the date which the financial statements were available to be issued.

## Promises to Give

Unconditional promises to give at December 31 are as follows:

|   | <u>2014</u>      | <u>2013</u>      |
|---|------------------|------------------|
| Receivable in less than one year          | \$ 23,524        | \$ 39,936        |
| Receivable in one to five years           | -                | -                |
| Total unconditional promises to give      | <u>23,524</u>    | <u>39,936</u>    |
| Less allowance for uncollectible promises | -                | -                |
| Net unconditional promises to give        | <u>\$ 23,524</u> | <u>\$ 39,936</u> |

The discount on the long-term promises to give to determine the net present value was not significant.

## Investments

2014

Fair value measurements using

|              | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>     |
|--------------|------------------|----------------|----------------|------------------|
| Cash         | \$ 752           | \$ -           | \$ -           | \$ 752           |
| Equities     | 3,531            | -              | -              | 3,531            |
| Bond Funds   | 15,853           | -              | -              | 15,853           |
| Equity Funds | 14,185           | -              | -              | 14,185           |
| Other Assets | 63,629           | -              | -              | 63,629           |
| Total        | <u>\$ 97,950</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 97,950</u> |

2013

Fair value measurements using

|              | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>     |
|--------------|------------------|----------------|----------------|------------------|
| Cash         | \$ 4,022         | \$ -           | \$ -           | \$ 4,022         |
| Bond Funds   | 15,979           | -              | -              | 15,979           |
| Equity Funds | 18,081           | -              | -              | 18,081           |
| Other Assets | 51,452           | -              | -              | 51,452           |
| Total        | <u>\$ 89,534</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 89,534</u> |

## Investments (continued)

Investment return for the years ended December 31, 2014 and 2013 are summarized as follows:

|                              | <u>2014</u>         |                               |                               | <u>Total</u>    |
|------------------------------|---------------------|-------------------------------|-------------------------------|-----------------|
|                              | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> |                 |
| Interest and dividend income | \$ 2,113            | \$ -                          | \$ -                          | \$ 2,113        |
| Realized gains (losses)      | -                   | -                             | -                             | -               |
| Unrealized gains (losses)    | 2,740               | -                             | -                             | 2,740           |
| Administrative fees          | -                   | -                             | -                             | -               |
| <b>Total</b>                 | <b>\$ 4,853</b>     | <b>\$ -</b>                   | <b>\$ -</b>                   | <b>\$ 4,853</b> |

  

|                              | <u>2013</u>         |                               |                               | <u>Total</u>    |
|------------------------------|---------------------|-------------------------------|-------------------------------|-----------------|
|                              | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> |                 |
| Interest and dividend income | \$ 1,441            | \$ -                          | \$ -                          | \$ 1,441        |
| Realized gains (losses)      | -                   | -                             | -                             | -               |
| Unrealized gains (losses)    | 5,161               | -                             | -                             | 5,161           |
| Administrative fees          | -                   | -                             | -                             | -               |
| <b>Total</b>                 | <b>\$ 6,602</b>     | <b>\$ -</b>                   | <b>\$ -</b>                   | <b>\$ 6,602</b> |

## Furniture, Fixtures and Equipment

Furniture, fixtures and equipment at December 31 are summarized as follows:

|                               | <u>2014</u>         | <u>2013</u>         |
|-------------------------------|---------------------|---------------------|
| Land                          | \$ 203,345          | \$ 203,345          |
| Building and improvements     | 4,263,661           | 4,263,661           |
| Warehouse equipment           | 503,415             | 498,321             |
| Office equipment              | 343,999             | 251,317             |
| Transportation equipment      | 998,990             | 1,009,267           |
|                               | <u>6,313,410</u>    | <u>6,225,911</u>    |
| Less accumulated depreciation | <u>2,396,802</u>    | <u>2,175,915</u>    |
| <b>Total</b>                  | <b>\$ 3,916,608</b> | <b>\$ 4,049,996</b> |

The Organization capitalizes interest expense as part of the cost of construction of facilities and equipment.

## Borrowings

### Line of Credit

On July 5, 2012, the Organization obtained a \$500,000 revolving line of credit with no commitment as of December 31, 2014. The loan is a demand note, but if no demand is made, the terms of the line of credit call for interest to be payable monthly at 2.465% and the principal due at maturity which is July 5, 2015. The line of credit is secured by real estate.

### Notes Payable

Notes payable consist of the following:

|   | <u>2014</u>      | <u>2013</u>      |
|---|------------------|------------------|
| Monthly installments through December, 2016 of \$330 including interest at 2.40%. The note is secured by a vehicle. | \$ 7,727         | \$ 11,415        |
| Monthly installments through March, 2019 of \$381 including interest at 1.00%. The note is secured by a vehicle.    | <u>19,038</u>    | <u>-</u>         |
| Total   | <u>\$ 26,765</u> | <u>\$ 11,415</u> |

Aggregate maturities or payments required on principal under notes payable for each of the succeeding years are as follows:

|            |                  |
|------------|------------------|
| 2015       | \$ 8,225         |
| 2016       | 8,365            |
| 2017       | 4,492            |
| 2018       | 4,533            |
| 2019       | 1,150            |
| Thereafter | <u>-</u>         |
| Total      | <u>\$ 26,765</u> |

## Operating Lease

The Organization leases office space and storage space under short-term arrangements. Rent expense for the years ended December 31, 2014 and 2013 was \$6,718 and \$4,150 respectively.

## Retirement Plan

The Organization sponsors a savings incentive match plan in which substantially all employees are eligible to participate. This plan allows eligible employees to save a portion of their salary on a pre-tax basis. The Organization makes monthly contributions to this plan which aggregated \$39,535 and \$35,266 for the years ended December 31, 2014 and 2013, respectively.



### **Concentration of Credit Risk**

The Organization serves various nonprofit agencies located in South Alabama through the operation of a food bank. The Organization is dependent on the generosity of food suppliers and the general public for contributions. The Organization also receives grants from United Way.

At various times during the year, the Organization's cash in bank balances exceeded federally insured limits. At December 31, 2014, the Organization did not have any uninsured cash. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

SUPPLEMENTARY INFORMATION

**BAY AREA FOOD BANK, INCORPORATED**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2014**

| Federal Grantor/Program Title  | Federal<br>CFDA<br>Number | Pass<br>Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
|--|---------------------------|--|-------------------------|
| Emergency Food Assistance Cluster  |                           |  |                         |
| U. S. Department of Agriculture<br>Pass Through Programs From:   |                           |  |                         |
| Emergency Food Assistance Program (Administrative Costs) - State of Alabama Department of Education                | 10.568                    |  | \$ 148,238              |
| Emergency Food Assistance Program (Food Commodities) - State of Alabama Department of Education                    | 10.569                    |  | 1,389,758               |
| Emergency Food Assistance Program (Administrative Costs) - Florida Department of Agriculture and Consumer Services | 10.568                    | 16951  | 198,066                 |
| Emergency Food Assistance Program (Food Commodities) - Florida Department of Agriculture and Consumer Services     | 10.569                    | 16951  | <u>1,308,814</u>        |
| Total Emergency Food Assistance Program Cluster  |                           |  | <u>\$ 3,044,876</u>     |
| Child and Adult Care Food Program - State of Alabama Department of Education                                       | 10.558                    | AM4  | \$ 207,892              |
| Child and Adult Care Food Program - State of Mississippi Department of Education                                   | 10.558                    | V0002082760  | 104,633                 |
| Child and Adult Care Food Program - State of Florida Department of Health  | 10.558                    | A-3222   | <u>20,893</u>           |
| Total Child and Adult Care Food Program  |                           |  | <u>\$ 333,418</u>       |
| Summer Food Service Program for Children - State of Alabama Department of Education                                | 10.559                    | AM4  | \$ 472,260              |
| Summer Food Service Program for Children - State of Mississippi Department of Education                            | 10.559                    | V0002082760  | 70,578                  |
| Summer Food Service Program for Children - Florida Department of Agriculture and Consumer Services                 | 10.559                    | 04-0293  | <u>183,946</u>          |
| Total Summer Food Service Program for Children   |                           |  | <u>\$ 726,784</u>       |

The accompanying notes are an integral part of this schedule.

**BAY AREA FOOD BANK, INCORPORATED**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2014**

| Federal Grantor/Program Title  | Federal<br>CFDA<br>Number | Pass<br>Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
|--|---------------------------|--|-------------------------|
| State Administrative Matching Grants for Supplemental Nutrition Assistance Program - State of Alabama Department of Human Resources    | 10.561                    | 4531   | \$ 78,505               |
| State Administrative Matching Grants for Supplemental Nutrition Assistance Program - State of Mississippi Department of Human Services | 10.561                    | 015B4411   | 24,009                  |
| Total State Administrative Matching Grants for Supplemental Nutrition Assistance Program   |                           |  | <u>\$ 102,514</u>       |
| Total U. S. Department of Agriculture  |                           |  | <u>\$ 4,207,592</u>     |
| Department of Homeland Security<br>Pass Through Programs From:   |                           |  |                         |
| Emergency Food and Shelter - United Way of Southwest Alabama, Inc.   | 97.114                    | 013200-007   | 13,803                  |
| Emergency Food and Shelter - United Way of Washington County   | 97.114                    | 017000-001   | 984                     |
| Emergency Food and Shelter - United Way of Escambia County   | 97.114                    | 161200-014   | 5,092                   |
| Total Department of Homeland Security  |                           |  | <u>\$ 19,879</u>        |
| Total Expenditures of Federal Awards   |                           |  | <u>\$ 4,227,471</u>     |

The accompanying notes are an integral part of this schedule.

**BAY AREA FOOD BANK, INCORPORATED**

**NOTES to the SCHEDULE of EXPENDITURES of FEDERAL AWARDS  
For the Year Ended December 31, 2014**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Bay Area Food Bank, Incorporated under programs of the federal government for the year ended December 31, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organization*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C – INSURANCE COVERAGE**

Insurance was in effect for the year to replace the contents of the buildings in the amount of \$900,000.

**NOTE D – FOOD DONATION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At December 31, 2014, the Organization had food commodities totaling \$2,357,878.

Pass-through identifying numbers are presented where available.

**BAY AREA FOOD BANK, INCORPORATED**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended December 31, 2014**

There is no schedule of prior year audit findings as of and for the year ended December 31, 2014.

**Kim K. Enikeieff**  
**Certified Public Accountant**

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**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**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Bay Area Food Bank, Incorporated  
Mobile, Alabama

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bay Area Food Bank, Incorporated (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated February 24, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Bay Area Food Bank, Incorporated's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay Area Food Bank, Incorporated's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bay Area Food Bank, Incorporated's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Kim K. Enikeieff*

February 24, 2015



**Kim K. Enikeieff**  
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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Bay Area Food Bank, Incorporated  
Mobile, Alabama

**Report on Compliance for Each Major Federal Program**

I have audited Bay Area Food Bank, Incorporated's compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bay Area Food Bank, Incorporated's major federal programs for the year ended December 31, 2014. Bay Area Food Bank, Incorporated'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**

My responsibility is to express an opinion on compliance for each of Bay Area Food Bank, Incorporated's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bay Area Food Bank, Incorporated's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Bay Area Food Bank, Incorporated's compliance.

## Opinion on Each Major Federal Program

In my opinion, Bay Area Food Bank, Incorporated 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, 2014.

## Report on Internal Control Over Compliance

Management of Bay Area Food Bank, Incorporated is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Bay Area Food Bank, Incorporated'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Bay Area Food Bank, Incorporated's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Kim K. Enikeieff*

February 24, 2015

**BAY AREA FOOD BANK, INCORPORATED**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2014**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of Bay Area Food Bank, Incorporated.
2. No significant deficiencies or material weaknesses were disclosed in the audit of the financial statements of Bay Area Food Bank, Incorporated.
3. No instances of noncompliance material to the financial statements of Bay Area Food Bank, Incorporated were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit of the financial statements of Bay Area Food Bank, Incorporated.
5. The auditor's report on compliance for the major federal award programs for Bay Area Food Bank, Incorporated expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs were: CFDA 10.568 - U.S. Department of Agriculture Emergency Food Assistance Program (Administrative Costs), CFDA 10.569 U.S. Department of Agriculture Emergency Food Assistance Program (Food Commodities), and CFDA 10.559 U.S. Department of Agriculture Summer Food Service Program for Children.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Bay Area Food Bank, Incorporated was determined to be a low-risk auditee.

**FINDINGS-FINANCIAL STATEMENT AUDIT**

NONE

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

NONE