

**FEEDING THE GULF COAST  
FINANCIAL REPORT  
DECEMBER 31, 2016**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Feeding the Gulf Coast  
Mobile, Alabama

**Report on the Financial Statements**

I have audited the accompanying financial statements of Feeding the Gulf Coast (a nonprofit organization), which comprise the statements of financial position as of December 31, 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**

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 Feeding the Gulf Coast as of December 31, 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**

### **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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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 17, 2017, on my consideration of Feeding the Gulf Coast'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 Feeding the Gulf Coast's internal control over financial reporting and compliance.

*Kim K. Enikeieff*

Mobile, Alabama  
February 17, 2017

**FEEDING THE GULF COAST**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Assets		
Cash	\$ 334,571	\$ 244,852
Promises to give	39,399	17,710
Accounts receivable, less allowance for doubtful accounts of \$50,000 for 2016 and \$50,000 for 2015	69,212	138,286
Grants and other receivables	239,834	269,243
Inventory		
Contributed food	2,122,472	1,475,137
Purchased food	216,150	259,306
Prepaid expenses	38,622	34,484
Investments	105,854	98,577
Property, plant and equipment - net	<u>4,336,034</u>	<u>4,120,488</u>
Total assets	<u>\$ 7,502,148</u>	<u>\$ 6,658,083</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and other accrued expenses	\$ 51,570	\$ 54,907
Accrued payroll and related taxes	78,537	75,353
Accrued vacation pay	59,817	55,310
Deferred revenue	633,737	444,709
Notes payable	<u>307,737</u>	<u>268,550</u>
Total liabilities	<u>1,131,398</u>	<u>898,829</u>
Net assets		
Unrestricted		
Operating	4,248,278	4,284,117
Contributed food	<u>2,122,472</u>	<u>1,475,137</u>
Total unrestricted	6,370,750	5,759,254
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>6,370,750</u>	<u>5,759,254</u>
Total liabilities and net assets	<u>\$ 7,502,148</u>	<u>\$ 6,658,083</u>

See notes to financial statements.

**FEEDING THE GULF COAST**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2016**

	Unrestricted			2016 Total
	Food Bank	Contributed Food	Temporarily Restricted	
Support and revenue				
Support				
Contributed food received	\$ -	\$ 29,498,521	\$ -	\$ 29,498,521
Fees and grants from government agencies	354,620	-	-	354,620
Child Nutrition Program	2,010,369	-	-	2,010,369
Supplemental Nutrition Assistance Program	165,084	-	-	165,084
United Way Allocation	61,003	-	-	61,003
Emergency Food and Shelter	38,641	-	-	38,641
Contributions and grants	1,656,844	-	-	1,656,844
Total support	4,286,561	29,498,521	-	33,785,082
Revenue				
Shared maintenance - Mobile	1,490,632	-	-	1,490,632
Shared maintenance - Milton	562,486	-	-	562,486
Membership fees	47,110	-	-	47,110
Investment income	7,469	-	-	7,469
Other income	43,356	-	-	43,356
Fund-raising	67,125	-	-	67,125
Gain (loss) on disposal of equipment	1,293	-	-	1,293
Total revenue	2,219,471	-	-	2,219,471
Net assets released from restrictions	-	-	-	-
Total support and revenue	6,506,032	29,498,521	-	36,004,553
Expenses				
Program services				
Contributed food distributed	-	28,851,186	-	28,851,186
Transportation	690,365	-	-	690,365
Supplemental Nutrition Assistance Program	256,807	-	-	256,807
Nutrition programs	2,159,999	-	-	2,159,999
Agency volunteer services	235,541	-	-	235,541
Mobile facility	666,390	-	-	666,390
Milton facility	404,000	-	-	404,000
Mississippi facility	58,604	-	-	58,604
Operations general	825,420	-	-	825,420
Total program services	5,297,126	28,851,186	-	34,148,312
Supporting services				
Management and general	809,388	-	-	809,388
Fund-raising	435,357	-	-	435,357
Total expenses	6,541,871	28,851,186	-	35,393,057
Change in net assets	(35,839)	647,335	-	611,496
Net assets, beginning of period	4,284,117	1,475,137	-	5,759,254
Net assets, end of period	\$ 4,248,278	\$ 2,122,472	\$ -	\$ 6,370,750

See notes to financial statements.

**FEEDING THE GULF COAST**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

	Unrestricted			2015 Total
	Food Bank	Contributed Food	Temporarily Restricted	
Support and revenue				
Support				
Contributed food received	\$ -	\$ 26,806,139	\$ -	\$ 26,806,139
Fees and grants from government agencies	326,207	-	-	326,207
City of Mobile	20,000	-	-	20,000
Child Nutrition Program	1,661,982	-	-	1,661,982
Supplemental Nutrition Assistance Program	114,048	-	-	114,048
United Way Allocation	118,427	-	-	118,427
Emergency Food and Shelter	33,796	-	-	33,796
Contributions and grants	1,611,581	-	-	1,611,581
Total support	3,886,041	26,806,139	-	30,692,180
Revenue				
Shared maintenance - Mobile	1,468,254	-	-	1,468,254
Shared maintenance - Milton	598,943	-	-	598,943
Membership fees	51,710	-	-	51,710
Investment income	(1,087)	-	-	(1,087)
Other income	69,381	-	-	69,381
Fund-raising	61,128	-	-	61,128
Gain (loss) on disposal of equipment	-	-	-	-
Total revenue	2,248,329	-	-	2,248,329
Net assets released from restrictions	-	-	-	-
Total support and revenue	6,134,370	26,806,139	-	32,940,509
Expenses				
Program services				
Contributed food distributed	-	27,481,934	-	27,481,934
Transportation	599,986	-	-	599,986
Supplemental Nutrition Assistance Program	166,576	-	-	166,576
Nutrition programs	1,803,132	-	-	1,803,132
Agency volunteer services	195,221	-	-	195,221
Mobile facility	568,168	-	-	568,168
Milton facility	725,313	-	-	725,313
Mississippi facility	-	-	-	-
Operations general	757,358	-	-	757,358
Total program services	4,815,754	27,481,934	-	32,297,688
Supporting services				
Management and general	826,025	-	-	826,025
Fund-raising	473,964	-	-	473,964
Total expenses	6,115,743	27,481,934	-	33,597,677
Change in net assets	18,627	(675,795)	-	(657,168)
Net assets, beginning of period	4,265,490	2,150,932	-	6,416,422
Net assets, end of period	\$ 4,284,117	\$ 1,475,137	\$ -	\$ 5,759,254

See notes to financial statements.

**FEEDING THE GULF COAST**

**STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2016**

	PROGRAM SERVICES							SUPPORTING SERVICES				
	Transportation	Supplemental Nutrition Assistance Program	Nutrition Programs	Agency Volunteer Services	Mobile Facility	Milton Facility	Mississippi Facility	Operations General	Total	Management and General	Fund-raising	2016 Total Expenses
Salaries	\$ 272,319	\$ 209,206	\$ 347,493	\$ 193,539	\$ 178,412	\$ 184,167	\$ -	\$ 201,562	\$ 1,586,698	\$ 433,955	\$ 76,051	\$ 2,096,704
Payroll taxes	21,816	16,760	27,837	15,505	14,293	14,754	-	16,147	127,112	34,764	6,092	167,968
Employee benefits	37,282	28,641	47,574	26,497	24,426	25,214	-	27,595	217,229	59,411	10,412	287,052
Total personnel	331,417	254,607	422,904	235,541	217,131	224,135	-	245,304	1,931,039	528,130	92,555	2,551,724
Bad debt expense	-	-	-	-	-	-	-	-	-	67	-	67
Bank charges	-	-	-	-	-	-	-	-	-	4,715	-	4,715
Conferences	-	-	-	-	-	-	-	-	-	42,571	-	42,571
Contract labor	-	-	-	-	68,522	-	-	-	68,522	-	-	68,522
Direct mail expense	-	-	-	-	-	-	-	-	-	-	186,806	186,806
Dues and membership fees	-	-	-	-	-	-	-	-	-	31,187	-	31,187
Equipment rental	-	-	-	-	9,876	-	-	-	9,876	8,254	-	18,130
Food procurement	-	-	1,674,604	-	-	-	-	525,721	2,200,325	-	-	2,200,325
Freight-in	-	-	-	-	-	-	-	22,845	22,845	-	-	22,845
Gas and oil	106,825	-	-	-	-	-	-	-	106,825	-	-	106,825
Insurance	47,029	-	-	-	37,275	37,275	18,639	-	140,218	3,383	-	143,601
Information system expense	-	-	-	-	-	-	-	-	-	71,512	-	71,512
Interest expense	-	-	-	-	-	-	11,513	-	11,513	948	-	12,461
Marketing expense	-	-	-	-	-	-	-	-	-	-	128,984	128,984
Miscellaneous	-	-	62,491	-	37,581	2,812	-	31,550	134,434	4,974	-	139,408
Professional fees	-	-	-	-	-	-	-	-	-	51,393	-	51,393
Rent	-	2,200	-	-	-	-	4,641	-	6,841	-	-	6,841
Repairs and maintenance	133,987	-	-	-	77,200	16,007	2,686	-	229,880	-	-	229,880
Special events	-	-	-	-	-	-	-	-	-	-	11,692	11,692
Supplies and postage	-	-	-	-	14,828	6,546	6,763	-	28,137	32,176	15,320	75,633
Travel	-	-	-	-	-	-	-	-	-	8,093	-	8,093
Utilities	-	-	-	-	128,188	41,435	8,097	-	177,720	-	-	177,720
Total expenses before contributed food distributed and depreciation	619,258	256,807	2,159,999	235,541	590,601	328,210	52,339	825,420	5,068,175	787,403	435,357	6,290,935
Contributed food distributed	-	-	-	-	-	-	-	28,851,186	28,851,186	-	-	28,851,186
Depreciation	71,107	-	-	-	75,789	75,790	6,265	-	228,951	21,985	-	250,936
Total expenses	\$ 690,365	\$ 256,807	\$ 2,159,999	\$ 235,541	\$ 666,390	\$ 404,000	\$ 58,604	\$ 29,676,606	\$ 34,148,312	\$ 809,388	\$ 435,357	\$ 35,393,057

See notes to financial statements.



**FEEDING THE GULF COAST**

**STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2015**

	PROGRAM SERVICES							SUPPORTING SERVICES			2015 Total Expenses	
	Transportation	Supplemental Nutrition Assistance Program	Nutrition Programs	Agency Volunteer Services	Mobile Facility	Milton Facility	Mississippi Facility	Operations General	Total	Management and General	Fund-raising	
Salaries	\$ 187,577	\$ 133,854	\$ 271,028	\$ 161,332	\$ 174,327	\$ 442,611	\$ -	\$ 135,157	\$ 1,505,886	\$ 398,079	\$ 69,459	\$ 1,973,424
Payroll taxes	15,505	11,065	22,403	13,336	14,410	36,586	-	11,173	124,478	32,905	5,741	163,124
Employee benefits	23,897	17,022	34,559	20,553	22,209	56,690	-	17,219	192,149	50,714	8,849	251,712
Total personnel	226,979	161,941	327,990	195,221	210,946	535,887	-	163,549	1,822,513	481,698	84,049	2,388,260
Bad debt expense	-	-	-	-	-	-	-	-	-	1,260	-	1,260
Bank charges	-	-	-	-	-	-	-	-	-	9,261	-	9,261
Conferences	-	-	-	-	-	-	-	-	-	54,507	-	54,507
Contract labor	-	-	-	-	-	-	-	-	-	51,448	-	51,448
Direct mail expense	-	-	-	-	-	-	-	-	-	-	242,936	242,936
Dues and membership fees	-	-	-	-	-	-	-	-	-	30,303	-	30,303
Equipment rental	12,399	-	-	-	695	-	-	-	13,094	6,874	-	19,968
Food procurement	-	-	1,452,170	-	-	-	-	564,263	2,016,433	-	-	2,016,433
Freight-in	-	-	-	-	-	-	-	29,546	29,546	-	-	29,546
Gas and oil	124,283	-	-	-	-	-	-	-	124,283	-	-	124,283
Insurance	41,613	-	-	-	36,607	36,607	-	-	114,827	3,345	-	118,172
Information system expense	-	-	-	-	-	-	-	-	-	70,250	-	70,250
Interest expense	-	-	-	-	-	-	-	-	-	680	-	680
Marketing expense	-	-	-	-	-	-	-	-	-	-	121,096	121,096
Miscellaneous	-	-	12,673	-	45,394	4,220	-	-	62,287	1,553	-	63,840
Professional fees	-	-	-	-	-	-	-	-	-	50,076	-	50,076
Rent	-	4,635	8,209	-	-	-	-	-	12,844	-	-	12,844
Repairs and maintenance	130,659	-	-	-	55,583	22,706	-	-	208,948	-	-	208,948
Special events	-	-	-	-	-	-	-	-	-	-	12,836	12,836
Supplies and postage	-	-	-	-	21,709	15,480	-	-	37,189	29,648	13,047	79,884
Travel	-	-	-	-	-	-	-	-	-	10,988	-	10,988
Utilities	-	-	2,090	-	127,283	40,462	-	-	169,835	-	-	169,835
Total expenses before contributed food distributed and depreciation	535,933	166,576	1,803,132	195,221	498,217	655,362	-	757,358	4,611,799	801,891	473,964	5,887,654
Contributed food distributed	-	-	-	-	-	-	-	27,481,934	27,481,934	-	-	27,481,934
Depreciation	64,053	-	-	-	69,951	69,951	-	-	203,955	24,134	-	228,089
Total expenses	\$ 599,986	\$ 166,576	\$ 1,803,132	\$ 195,221	\$ 568,168	\$ 725,313	\$ -	\$ 28,239,292	\$ 32,297,688	\$ 826,025	\$ 473,964	\$ 33,597,677

See notes to financial statements.

**FEEDING THE GULF COAST**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2016 and 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 611,496	\$ (657,168)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	250,936	228,089
Bad debt expense	67	1,260
Donated stocks and bonds	(19,865)	(1,723)
Net realized and unrealized (gain) loss on investments	(7,469)	1,096
Gain on the disposal of equipment	(1,293)	-
(Increase) decrease in:		
Unconditional promises to give	(21,756)	5,814
Accounts receivable	69,074	15,980
Grants and other receivables	29,409	(78,213)
Inventory	(604,179)	623,435
Prepaid expenses	(4,138)	(1,716)
Increase (decrease) in:		
Accounts payable and accrued expenses	(3,337)	30,004
Accrued payroll and related taxes	3,184	18,016
Accrued vacation pay	4,507	5,212
Deferred revenue	189,028	121,627
Net cash provided by operating activities	495,664	311,713
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Distribution from investment account	20,057	-
Proceeds from the sale of property, plant and equipment	6,400	-
Purchases of property, plant and equipment	(471,589)	(431,969)
Net cash used by investing activities	(445,132)	(431,969)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long term debt	70,000	250,000
Payments of long term debt	(30,813)	(8,215)
Net cash provided by financing activities	39,187	241,785
Net increase in cash	89,719	121,529
Cash, beginning of year	244,852	123,323
Cash, end of year	\$ 334,571	\$ 244,852
<b>Supplemental disclosures:</b>		
Cash paid during the year for interest	\$ 12,461	\$ 449

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### Organization

Feeding the Gulf Coast 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, 2016 and 2015 was \$50,000 and \$50,000, 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 \$1.67 per pound for 2016 and \$1.70 per pound for 2015 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 \$250,936 and \$228,089 in 2016 and 2015, 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, 2016 or December 31, 2015.

### **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.

### **Reclassifications**

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. Such reclassifications had no effect on previously reported change in net assets.

### **Evaluation of subsequent events**

The Organization has evaluated subsequent events through February 17, 2017, 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>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 39,399	\$ 17,710
Receivable in one to five years	-	-
Total unconditional promises to give	<u>39,399</u>	<u>17,710</u>
Less allowance for uncollectible promises	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 39,399</u>	<u>\$ 17,710</u>

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

## Investments

2016

Fair value measurements using

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 2,443	\$ -	\$ -	\$ 2,443
Bond Funds	10,578	-	-	10,578
Equity Funds	19,849	-	-	19,849
Other Assets	72,984	-	-	72,984
Total	<u>\$ 105,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,854</u>

2015

Fair value measurements using

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 1,008	\$ -	\$ -	\$ 1,008
Bond Funds	10,288	-	-	10,288
Equity Funds	19,053	-	-	19,053
Other Assets	68,228	-	-	68,228
Total	<u>\$ 98,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,577</u>

### Investments (continued)

Investment return for the years ended December 31, 2016 and 2015 are summarized as follows:

	<u>2016</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Interest and dividend income	\$ 1,991	\$ -	\$ -	\$ 1,991
Realized gains (losses)	(579)	-	-	(579)
Unrealized gains (losses)	6,057	-	-	6,057
Administrative fees	-	-	-	-
Total	<u>\$ 7,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,469</u>

  

	<u>2015</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Interest and dividend income	\$ 2,231	\$ -	\$ -	\$ 2,231
Realized gains (losses)	-	-	-	-
Unrealized gains (losses)	(3,318)	-	-	(3,318)
Administrative fees	-	-	-	-
Total	<u>\$ (1,087)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,087)</u>

### Furniture, Fixtures and Equipment

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

	<u>2016</u>	<u>2015</u>
Land	\$ 253,345	\$ 253,345
Building and improvements	4,665,435	4,465,586
Warehouse equipment	644,409	628,335
Office equipment	353,499	353,499
Transportation equipment	1,190,491	1,039,556
Construction in progress	-	5,058
	<u>7,107,179</u>	<u>6,745,379</u>
Less accumulated depreciation	<u>2,771,145</u>	<u>2,624,891</u>
Total	<u>\$ 4,336,034</u>	<u>\$ 4,120,488</u>

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

## Borrowings

### Line of Credit

On May 13, 2015, the Organization obtained a \$750,000 revolving line of credit with no commitment as of December 31, 2016. 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 2.186% and the principal due at maturity which is May 13, 2018. The line of credit is secured by real estate.

### Notes Payable

Notes payable consist of the following:

	<u>2016</u>	<u>2015</u>
Monthly installments through December, 2016 of \$330 including interest at 2.40%. The note is secured by a vehicle.	\$ -	\$ 3,912
Monthly installments through March, 2019 of \$381 including interest at 1.00%. The note is secured by a vehicle.	10,180	14,638
Monthly installments through December, 2025 of \$2,550 including interest at a rate of 4.09%. The mortgage is secured by real estate.	229,449	250,000
Monthly installments through May, 2021 of \$521 including interest at a rate of 4.15%. A balloon payment of \$52,144 will be due in May 2021. The note is secured by real estate.	<u>68,108</u>	<u>-</u>
Total	<u>\$ 307,737</u>	<u>\$ 268,550</u>

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

2017	\$ 29,602
2018	30,696
2019	28,417
2020	28,395
2021	78,679
Thereafter	<u>111,948</u>
Total	<u>\$ 307,737</u>

## Operating Leases

The Organization leases office space and storage space under short-term arrangements. Rent expense for the years ended December 31, 2016 and 2015 was \$6,841 and \$12,844 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 \$43,029 and \$42,978 for the years ended December 31, 2016 and 2015, respectively.

**Concentration of Credit Risk**

The Organization serves various nonprofit agencies located in Alabama, Florida, and Mississippi 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, 2016, the Organization had \$77,385 in 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

**FEEDING THE GULF COAST**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2016**

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Emergency Food Assistance Cluster				
U. S. Department of Agriculture Pass Through Programs From:				
Emergency Food Assistance Program (Administrative Costs) - State of Alabama Department of Education	10.568		\$ 168,475	\$ -
Emergency Food Assistance Program (Food Commodities) - State of Alabama Department of Education	10.569		1,904,836	-
Emergency Food Assistance Program (Administrative Costs) - Florida Department of Agriculture and Consumer Services	10.568	16951	186,145	-
Emergency Food Assistance Program (Food Commodities) - Florida Department of Agriculture and Consumer Services	10.569	16951	<u>1,972,438</u>	-
Total Emergency Food Assistance Program Cluster			<u>\$ 4,231,894</u>	<u>\$ -</u>
Child and Adult Care Food Program - State of Alabama Department of Education	10.558	AM4	\$ 612,916	\$ -
Child and Adult Care Food Program - State of Mississippi Department of Education	10.558	V0002082760	204,826	-
Child and Adult Care Food Program - State of Florida Department of Health	10.558	A-3222	<u>52,567</u>	-
Total Child and Adult Care Food Program			<u>\$ 870,309</u>	<u>\$ -</u>
Summer Food Service Program for Children - State of Alabama Department of Education	10.559	AM4	\$ 815,509	\$ -
Summer Food Service Program for Children - State of Mississippi Department of Education	10.559	V0002082760	162,463	-
Summer Food Service Program for Children - Florida Department of Agriculture and Consumer Services	10.559	04-0293	<u>162,088</u>	-
Total Summer Food Service Program for Children			<u>\$ 1,140,060</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

**FEEDING THE GULF COAST**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2016**

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
State Administrative Matching Grants for Supplemental Nutrition Assistance Program - State of Alabama Department of Human Resources	10.561	4531	\$ 104,671	\$ -
State Administrative Matching Grants for Supplemental Nutrition Assistance Program - State of Mississippi Department of Human Services	10.561	015B4411	<u>60,413</u>	<u>-</u>
Total State Administrative Matching Grants for Supplemental Nutrition Assistance Program			<u>\$ 165,084</u>	<u>\$ -</u>
Total U. S. Department of Agriculture			<u>\$ 6,407,347</u>	<u>\$ -</u>
Department of Homeland Security Pass Through Programs From:				
Emergency Food and Shelter - United Way of Southwest Alabama, Inc.	97.114	013200-007	\$ 35,820	\$ -
Emergency Food and Shelter - United Way of Washington County	97.114	017000-001	<u>2,821</u>	<u>-</u>
Total Department of Homeland Security			<u>\$ 38,641</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ 6,445,988</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

## **FEEDING THE GULF COAST**

### **NOTES to the SCHEDULE of EXPENDITURES of FEDERAL AWARDS For the Year Ended December 31, 2016**

#### **NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Feeding the Gulf Coast under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Organization.

#### **NOTE 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Feeding the Gulf Coast has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **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, 2016, the Organization had USDA food commodities totaling \$723,600.

Pass-through identifying numbers are presented where available.

**FEEDING THE GULF COAST**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended December 31, 2016**

There is no schedule of prior year audit findings as of and for the year ended December 31, 2016.

**Kim K. Enikeieff**  
**Certified Public Accountant**  
*Post Office Box 8754*  
*Mobile, Alabama 36689*  
*Telephone 251/591-1357*

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Feeding the Gulf Coast  
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 Feeding the Gulf Coast (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 17, 2017.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Feeding the Gulf Coast'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 Feeding the Gulf Coast's internal control. Accordingly, I do not express an opinion on the effectiveness of Feeding the Gulf Coast'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 Feeding the Gulf Coast's financial statements are free from 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 17, 2017



**Kim K. Enikeieff**  
**Certified Public Accountant**  
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Telephone 251-591-1357

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

To the Board of Directors  
Feeding the Gulf Coast  
Mobile, Alabama

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

I have audited Feeding the Gulf Coast's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Feeding the Gulf Coast's major federal programs for the year ended December 31, 2016. Feeding the Gulf Coast's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of Feeding the Gulf Coast'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that 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 Feeding the Gulf Coast'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 Feeding the Gulf Coast's compliance.

**Opinion on Each Major Federal Program**

In my opinion, Feeding the Gulf Coast, 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, 2016.

## **Report on Internal Control Over Compliance**

Management of Feeding the Gulf Coast, 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 Feeding the Gulf Coast's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Feeding the Gulf Coast'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.

### **Purpose of this Report**

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Kim K. Enikeieff*

February 17, 2017

## **FEEDING THE GULF COAST**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016**

#### **SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Feeding the Gulf Coast were prepared in accordance with GAAP.
2. There were no significant deficiencies disclosed during the audit of the financial statements of Feeding the Gulf Coast. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Feeding the Gulf Coast 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 Feeding the Gulf Coast.
5. The auditor's report on compliance for the major federal award programs for Feeding the Gulf Coast expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516 (a) 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), CFDA 10.559 U.S. Department of Agriculture Summer Food Service Program for Children, and CFDA 10.558 U.S. Department of Agriculture Child and Adult Care Food Program.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Feeding the Gulf Coast was determined to be a low-risk auditee.

#### **FINDINGS-FINANCIAL STATEMENT AUDIT**

NONE

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

NONE