

**FEEDING THE GULF COAST**

**FINANCIAL REPORT**

**DECEMBER 31, 2017**

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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, 2017 and 2016, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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, 2017 and 2016, 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 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 23, 2018, 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. Erikeyeff*

Mobile, Alabama  
February 23, 2018

**FEEDING THE GULF COAST**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
<b>Assets</b>		
Cash	\$ 742,959	\$ 334,571
Promises to give	30,305	39,399
Accounts receivable, less allowance for doubtful accounts of \$50,000 for 2017 and \$50,000 for 2016	146,453	69,212
Grants and other receivables	244,370	239,834
Inventory		
Contributed food	1,767,022	2,122,472
Purchased food	370,164	216,150
Prepaid expenses	45,435	38,622
Investments	136,164	105,854
Property, plant and equipment - net	4,282,479	4,336,034
<b>Total assets</b>	<b>\$ 7,765,351</b>	<b>\$ 7,502,148</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and other accrued expenses	\$ 125,355	\$ 51,570
Accrued payroll and related taxes	91,697	78,537
Accrued vacation pay	60,305	59,817
Deferred revenue	581,123	633,737
Notes payable	278,266	307,737
<b>Total liabilities</b>	<b>1,136,748</b>	<b>1,131,398</b>
<b>Net assets</b>		
<b>Unrestricted</b>		
Operating	4,861,583	4,248,278
Contributed food	1,767,022	2,122,472
<b>Total unrestricted</b>	6,628,605	6,370,750
Temporarily restricted	-	-
Permanently restricted	-	-
<b>Total net assets</b>	<b>6,628,605</b>	<b>6,370,750</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,765,351</b>	<b>\$ 7,502,148</b>

See notes to financial statements.

**FEEDING THE GULF COAST**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017**

	Unrestricted			2017 Total
	Food Bank	Contributed Food	Temporarily Restricted	
<b>Support and revenue</b>				
Support				
Contributed food received	\$ -	\$ 29,194,696	\$ -	\$ 29,194,696
Fees and grants from government agencies	447,321	-	-	447,321
Child Nutrition Program	2,451,290	-	-	2,451,290
Supplemental Nutrition Assistance Program	207,385	-	-	207,385
United Way Allocation	54,197	-	-	54,197
Emergency Food and Shelter	44,351	-	-	44,351
Contributions and grants	2,085,810	-	-	2,085,810
<b>Total support</b>	<b>5,290,354</b>	<b>29,194,696</b>	<b>-</b>	<b>34,485,050</b>
<b>Revenue</b>				
Shared maintenance - Mobile	1,601,307	-	-	1,601,307
Shared maintenance - Milton	574,019	-	-	574,019
Membership fees	47,311	-	-	47,311
Investment income	16,967	-	-	16,967
Other income	60,136	-	-	60,136
Fund-raising	112,215	-	-	112,215
Gain (loss) on disposal of equipment	42,477	-	-	42,477
<b>Total revenue</b>	<b>2,454,432</b>	<b>-</b>	<b>-</b>	<b>2,454,432</b>
<b>Net assets released from restrictions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total support and revenue</b>	<b>7,744,786</b>	<b>29,194,696</b>	<b>-</b>	<b>36,939,482</b>
<b>Expenses</b>				
Program services				
Contributed food distributed	-	29,550,146	-	29,550,146
Transportation	793,632	-	-	793,632
Supplemental Nutrition Assistance Program	384,548	-	-	384,548
Nutrition programs	2,580,440	-	-	2,580,440
Agency volunteer services	294,903	-	-	294,903
Operations general	1,950,750	-	-	1,950,750
<b>Total program services</b>	<b>6,004,273</b>	<b>29,550,146</b>	<b>-</b>	<b>35,554,419</b>
Supporting services				
Management and general	659,658	-	-	659,658
Fund-raising	467,550	-	-	467,550
<b>Total expenses</b>	<b>7,131,481</b>	<b>29,550,146</b>	<b>-</b>	<b>36,681,627</b>
<b>Change in net assets</b>	<b>613,305</b>	<b>(355,450)</b>	<b>-</b>	<b>257,855</b>
<b>Net assets, beginning of period</b>	<b>4,248,278</b>	<b>2,122,472</b>	<b>-</b>	<b>6,370,750</b>
<b>Net assets, end of period</b>	<b>\$ 4,861,583</b>	<b>\$ 1,767,022</b>	<b>\$ -</b>	<b>\$ 6,628,605</b>

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
<b>Total support</b>	<b>4,286,561</b>	<b>29,498,521</b>	<b>-</b>	<b>33,785,082</b>
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
<b>Total revenue</b>	<b>2,219,471</b>	<b>-</b>	<b>-</b>	<b>2,219,471</b>
Net assets released from restrictions	-	-	-	-
<b>Total support and revenue</b>	<b>6,506,032</b>	<b>29,498,521</b>	<b>-</b>	<b>36,004,553</b>
Expenses				
Program services				
Contributed food distributed	-	28,851,186	-	28,851,186
Transportation	690,365	-	-	690,365
Supplemental Nutrition Assistance Program	307,130	-	-	307,130
Nutrition programs	2,203,977	-	-	2,203,977
Agency volunteer services	235,541	-	-	235,541
Operations general	2,093,521	-	-	2,093,521
<b>Total program services</b>	<b>5,530,534</b>	<b>28,851,186</b>	<b>-</b>	<b>34,381,720</b>
Supporting services				
Management and general	704,964	-	-	704,964
Fund-raising	306,373	-	-	306,373
<b>Total expenses</b>	<b>6,541,871</b>	<b>28,851,186</b>	<b>-</b>	<b>35,393,057</b>
Change in net assets	(35,839)	647,335	-	611,496
Net assets, beginning of period	4,284,117	1,475,137	-	5,759,254
<b>Net assets, end of period</b>	<b>\$ 4,248,278</b>	<b>\$ 2,122,472</b>	<b>\$ -</b>	<b>\$ 6,370,750</b>

See notes to financial statements.

FEEDING THE GULF COAST

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2017

SUPPORTING SERVICES

PROGRAM SERVICES

	Supplemental Nutrition Assistance Program	Nutrition Programs	Agency Volunteer Services	Operations and Facilities	Total	Management and General	Fund-raising	2017 Total Expenses
Salaries	\$ 313,528	\$ 388,460	\$ 244,062	\$ 454,580	\$ 1,653,267	\$ 424,409	\$ 107,184	\$ 2,184,880
Payroll taxes	24,292	32,744	18,388	36,339	131,966	29,456	6,542	169,894
Employee benefits	47,431	44,881	24,708	80,971	237,858	44,552	24,531	306,941
Total personnel	385,251	466,085	287,188	571,890	2,023,141	498,417	140,257	2,661,815
Bad debt expense	-	-	-	500	500	-	-	500
Bank charges	-	-	-	36	36	6,045	118	6,199
Conferences	123	11,939	2,085	16,740	42,877	11,738	-	54,615
Contract labor	2,307	1,260	-	31,786	35,353	21,590	-	56,943
Direct mail expense	-	-	-	-	-	-	223,508	223,508
Dues and membership fees	-	443	10	18,545	19,051	13,501	908	33,460
Equipment rental	12,912	9,955	-	13,974	36,906	-	-	36,906
Food procurement	-	2,027,569	-	503,172	2,530,731	-	-	2,530,731
Freight-in	-	778	-	45,580	46,358	-	-	46,358
Gas and oil	111,839	354	-	103	112,337	21	-	112,358
Insurance	51,087	-	-	128,330	179,417	-	-	179,417
Information system expense	-	333	2,500	58,673	65,201	8,035	2,751	75,967
Interest expense	70	-	-	12,083	12,153	-	-	12,153
Marketing expense	5,321	23,850	1,531	16,340	68,109	25,685	4,376	98,170
Miscellaneous	1,901	21,709	265	59,526	84,505	15,517	66,300	166,322
Professional fees	-	-	-	779	779	27,242	-	28,021
Rent	-	-	-	126,724	126,724	-	-	126,724
Repairs and maintenance	137,586	4,863	19	-	269,026	-	-	269,026
Special events	-	-	-	29,283	29,283	11,293	26,327	26,327
Supplies and postage	567	6,896	1,079	679	9,388	242	2,786	79,786
Travel	47	4,616	216	145,408	150,784	9	209	9,839
Utilities	3,298	-	-	-	3,298	-	-	3,298
Total expenses before contributed food distributed and depreciation	712,307	2,580,440	294,903	1,780,151	5,752,349	639,335	467,550	6,859,234
Contributed food distributed	-	-	-	29,550,146	29,550,146	-	-	29,550,146
Depreciation	81,325	-	-	170,598	251,924	20,323	-	272,247
Total expenses	\$ 793,632	\$ 2,580,440	\$ 294,903	\$ 31,500,896	\$ 35,554,419	\$ 659,658	\$ 467,550	\$ 36,681,627

See notes to financial statements.



FEEDING THE GULF COAST

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

	PROGRAM SERVICES						SUPPORTING SERVICES			2016 Total
	Supplemental Nutrition Assistance Program	Nutrition Programs	Agency Volunteer Services	Operations General	Management and General	Fund-raising	Management and General	Fund-raising	2016 Total	
Salaries	\$ 272,319	\$ 347,493	\$ 193,539	\$ 584,141	\$ 433,955	\$ 76,051	\$ 433,955	\$ 76,051	\$ 2,086,704	
Payroll taxes	21,816	27,837	15,505	45,184	34,784	6,082	34,784	6,082	167,988	
Employee benefits	37,282	47,574	26,497	77,235	59,411	10,412	59,411	10,412	287,052	
Total personnel	331,417	422,904	235,541	686,570	528,130	92,555	528,130	92,555	2,551,724	
Bed debt expense	-	-	-	67	-	-	-	-	67	
Bank charges	-	-	-	-	4,715	-	4,715	-	4,715	
Conferences	-	8,515	-	17,026	8,515	-	8,515	-	42,571	
Contract labor	-	-	-	68,522	-	-	-	-	68,522	
Direct mail expense	-	-	-	-	-	186,806	-	186,806	186,806	
Dues and membership fees	-	-	-	17,152	14,035	-	14,035	-	31,187	
Equipment rental	-	-	-	18,130	18,130	-	18,130	-	18,130	
Food procurement	-	1,674,604	-	525,721	-	-	-	-	2,200,325	
Freight-in	-	-	-	22,845	-	-	-	-	22,845	
Gas and oil	106,825	-	-	-	-	-	-	-	106,825	
Insurance	47,029	-	-	93,189	-	-	3,383	-	143,601	
Information system expense	-	-	-	64,382	7,150	-	7,150	-	71,512	
Interest expense	-	-	-	11,513	948	-	948	-	12,461	
Marketing expense	-	32,246	-	32,246	32,246	-	32,246	-	128,984	
Miscellaneous	-	62,491	-	71,943	4,974	-	4,974	-	139,408	
Professional fees	-	-	-	-	51,393	-	51,393	-	51,393	
Rent	-	2,200	-	4,641	-	-	-	-	6,841	
Repairs and maintenance	133,987	-	-	95,893	-	-	-	-	229,880	
Special events	-	-	-	28,137	19,397	11,692	19,397	11,692	11,692	
Supplies and postage	-	9,562	-	-	8,093	15,320	8,093	15,320	75,633	
Travel	-	-	-	-	-	-	-	-	8,093	
Utilities	-	-	-	177,720	-	-	-	-	177,720	
Total expenses before contributed food distributed and depreciation	619,258	307,130	235,541	1,935,677	682,979	306,373	682,979	306,373	6,290,935	
Contributed food distributed	-	-	-	28,851,186	-	-	-	-	28,851,186	
Depreciation	71,107	-	-	157,844	21,985	-	21,985	-	250,936	
Total expenses	\$ 690,365	\$ 307,130	\$ 235,541	\$ 30,944,707	\$ 704,964	\$ 306,373	\$ 704,964	\$ 306,373	\$ 35,393,057	

See notes to financial statements.

**FEEDING THE GULF COAST**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 257,855	\$ 611,498
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	272,247	250,936
Bad debt expense	500	67
Donated stocks and bonds	(13,343)	(19,865)
Net realized and unrealized (gain) loss on investments	(16,967)	(7,469)
Gain on the disposal of equipment	(42,477)	(1,293)
(Increase) decrease in:		
Unconditional promises to give	9,094	(21,756)
Accounts receivable	(77,741)	69,074
Grants and other receivables	(4,536)	29,409
Inventory	201,436	(604,179)
Prepaid expenses	(6,813)	(4,138)
Increase (decrease) in:		
Accounts payable and accrued expenses	73,785	(3,337)
Accrued payroll and related taxes	13,160	3,184
Accrued vacation pay	488	4,507
Deferred revenue	<u>(52,614)</u>	<u>189,028</u>
Net cash provided by operating activities	<u>614,074</u>	<u>495,664</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Distribution from investment account	-	20,057
Proceeds from the sale of property, plant and equipment	79,189	6,400
Purchases of property, plant and equipment	<u>(255,404)</u>	<u>(471,589)</u>
Net cash used by investing activities	<u>(176,215)</u>	<u>(445,132)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long term debt	-	70,000
Payments of long term debt	<u>(29,471)</u>	<u>(30,813)</u>
Net cash (used) provided by financing activities	<u>(29,471)</u>	<u>39,187</u>
Net increase in cash	408,388	89,719
Cash, beginning of year	<u>334,571</u>	<u>244,852</u>
Cash, end of year	<u>\$ 742,959</u>	<u>\$ 334,571</u>
<b>Supplemental disclosures:</b>		
Cash paid during the year for interest	<u>\$ 12,153</u>	<u>\$ 12,461</u>

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, 2017 and 2016 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 \$1.73 per pound for 2017 and \$1.67 per pound for 2016 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 \$1,000. Depreciation is provided principally on the straight-line method over the estimated useful lives of the depreciable assets. Depreciation expense was \$272,247 and \$250,936 in 2017 and 2016, 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, 2017 or December 31, 2016.

### **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 2016 financial statements have been reclassified to conform to the 2017 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 23, 2018, the date which the financial statements were available to be issued.

**Promises to Give**

Unconditional promises to give at December 31 are as follows:

	2017	2016
Receivable in less than one year	\$ 30,305	\$ 39,399
Receivable in one to five years	-	-
Total unconditional promises to give	30,305	39,399
Less allowance for uncollectible promises	-	-
Net unconditional promises to give	\$ 30,305	\$ 39,399

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

**Investments**

2017

Fair value measurements using

	Level 1	Level 2	Level 3	Total
Cash	\$ 2,384	\$ -	\$ -	\$ 2,384
Equities	6,691	-	-	6,691
Bond Funds	17,854	-	-	17,854
Equity Funds	25,239	-	-	25,239
Other Assets	83,996	-	-	83,996
Total	\$ 136,164	\$ -	\$ -	\$ 136,164

2016

Fair value measurements using

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

**Investments (continued)**

Investment return for the years ended December 31, 2017 and 2016 are summarized as follows:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividend income	\$ 2,441	\$ -	\$ -	\$ 2,441
Realized gains (losses)	(965)	-	-	(965)
Unrealized gains (losses)	15,491	-	-	15,491
Administrative fees	-	-	-	-
<b>Total</b>	<b>\$ 16,967</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,967</b>

  

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

**Furniture, Fixtures and Equipment**

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

	2017	2016
Land	\$ 253,345	\$ 253,345
Building and improvements	4,665,435	4,665,435
Warehouse equipment	662,895	644,409
Office equipment	278,599	353,499
Transportation equipment	1,137,179	1,190,491
Construction in progress	7,604	-
	<b>7,005,057</b>	<b>7,107,179</b>
Less accumulated depreciation	<b>2,722,578</b>	<b>2,771,145</b>
<b>Total</b>	<b>\$ 4,282,479</b>	<b>\$ 4,336,034</b>

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, 2017. 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>2017</u>	<u>2016</u>
Monthly installments through March, 2019 of \$381 including interest at 1.00%. The note is secured by a vehicle.	\$ 5,681	\$ 10,180
Monthly installments through December, 2025 of \$2,550 including interest at a rate of 4.09%. The mortgage is secured by real estate.	207,932	229,449
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>64,653</u>	<u>68,108</u>
Total	<u>\$ 278,266</u>	<u>\$ 307,737</u>

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

2018	\$ 30,696
2019	28,405
2020	28,395
2021	78,717
2022	26,518
Thereafter	<u>85,535</u>
Total	<u>\$ 278,266</u>

### Operating Leases

The Organization leases office space and storage space under short-term arrangements. Rent expense for the years ended December 31, 2017 and 2016 was \$0 and \$6,841 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 \$43,867 and \$43,029 for the years ended December 31, 2017 and 2016, 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, 2017, the Organization had approximately \$525,000 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, 2017**

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		\$ 192,787	\$ -
Emergency Food Assistance Program (Administrative Costs) - Florida Department of Agriculture and Consumer Services	10.568	16951	254,534	-
Total Emergency Food Assistance Program (Administrative Costs)			\$ 447,321	\$ -
Emergency Food Assistance Program (Food Commodities) - State of Alabama Department of Education	10.569		1,649,465	-
Emergency Food Assistance Program (Food Commodities) - Florida Department of Agriculture and Consumer Services	10.569	16951	1,665,830	-
Total Emergency Food Assistance Program (Food Commodities)			\$ 3,315,295	\$ -
Total Food Distribution Cluster			\$ 3,762,616	\$ -
Child and Adult Care Food Program - State of Alabama Department of Education	10.558	AM4	\$ 715,278	\$ -
Child and Adult Care Food Program - State of Mississippi Department of Education	10.558	V0002082760	248,453	-
Child and Adult Care Food Program - State of Florida Department of Health	10.558	A-3222	50,712	-
Total Child and Adult Care Food Program			\$ 1,014,443	\$ -
Summer Food Service Program for Children - State of Alabama Department of Education	10.559	AM4	\$ 1,019,346	\$ -
Summer Food Service Program for Children - State of Mississippi Department of Education	10.559	V0002082760	212,281	-
Summer Food Service Program for Children - Florida Department of Agriculture and Consumer Services	10.559	04-0293	205,220	-
Total Summer Food Service Program for Children			\$ 1,436,847	\$ -

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, 2017

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	\$ 120,233	\$ -
State Administrative Matching Grants for Supplemental Nutrition Assistance Program - State of Mississippi Department of Human Services	10.561	015B4411	87,152	-
Total State Administrative Matching Grants for Supplemental Nutrition Assistance Program			\$ 207,385	\$ -
Total U. S. Department of Agriculture			\$ 6,421,281	\$ -
Department of Homeland Security Pass Through Programs From:				
Emergency Food and Shelter - Unified Way of Southwest Alabama, Inc.	97.114	013200-007	\$ 40,736	\$ -
Emergency Food and Shelter - Unified Way of Washington County	97.114	017000-001	3,615	-
Total Department of Homeland Security			\$ 44,351	\$ -
Total Expenditures of Federal Awards			\$ 6,465,642	\$ -

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, 2017**

#### **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, 2017. 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 Feeding the Gulf Coast, it is not intended to and does not present the financial position, changes in net position, or cash flows of Feeding the Gulf Coast.

#### **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, 2017, the Organization had USDA food commodities totaling \$644,800.

Pass-through identifying numbers are presented where available.

**FEEDING THE GULF COAST**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended December 31, 2017**

There is no schedule of prior year audit findings as of and for the year ended December 31, 2017.

**Kim K. Enikeieff**  
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**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, 2017, 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 23, 2018.

**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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 communication is not suitable for any other purpose.

*Kim K. Enikeieff*

February 23, 2018



**Kim K. Enikeieff**  
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**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, 2017. 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, 2017.

## **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 23, 2018

**FEEDING THE GULF COAST**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2017**

**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