

**FEEDING THE GULF COAST  
FINANCIAL REPORT  
DECEMBER 31, 2019**

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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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 March 3, 2020, 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 solely 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 the effectiveness of Feeding the Gulf Coast's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Feeding the Gulf Coast's internal control over financial reporting and compliance.

*Kim K. Enikeieff*

Mobile, Alabama  
March 3, 2020

**FEEDING THE GULF COAST**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Assets</b>		
Cash	\$ 1,944,622	\$ 1,499,279
Promises to give without donor restrictions	60,709	39,318
Promises to give with donor restrictions	-	10,000
Accounts receivable, less allowance for doubtful accounts of \$50,000 for 2019 and \$50,000 for 2018	32,415	56,458
Grants	254,785	352,401
Inventory		
Contributed food	2,589,955	2,513,519
Purchased food	267,896	278,059
Prepaid expenses	16,214	45,870
Investments	209,037	150,461
Property, plant and equipment - net	<u>4,775,068</u>	<u>4,306,868</u>
<b>Total assets</b>	<u><b>\$ 10,150,701</b></u>	<u><b>\$ 9,252,233</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and other accrued expenses	\$ 190,975	\$ 162,198
Accrued payroll and related taxes	146,650	114,788
Accrued vacation pay	85,674	76,224
Grants payable	-	32,644
Notes payable	<u>219,796</u>	<u>246,879</u>
<b>Total liabilities</b>	<u><b>643,095</b></u>	<u><b>632,733</b></u>
<b>Net assets</b>		
Without donor restrictions	5,334,945	4,681,543
Without donor restrictions - contributed food	<u>2,589,955</u>	<u>2,513,519</u>
<b>Total without donor restrictions</b>	<u><b>7,924,900</b></u>	<u><b>7,195,062</b></u>
With donor restrictions	<u>1,582,706</u>	<u>1,424,438</u>
<b>Total net assets</b>	<u><b>9,507,606</b></u>	<u><b>8,619,500</b></u>
<b>Total liabilities and net assets</b>	<u><b>\$ 10,150,701</b></u>	<u><b>\$ 9,252,233</b></u>

See notes to financial statements.

**FEEDING THE GULF COAST**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2019**

	Without Donor Restrictions		With Donor Restrictions	2019 Total
	Food Bank	Contributed Food		
Support and revenue				
Support	\$ -	\$ 33,572,867	\$ -	\$ 33,572,867
Contributed food received	892,214	-	-	892,214
Fees and grants from government agencies	2,330,783	-	-	2,330,783
Child Nutrition Program	292,378	-	-	292,378
Supplemental Nutrition Assistance Program	23,144	-	-	23,144
United Way Allocation	52,333	-	-	52,333
Emergency Food and Shelter Contributions and grants	3,382,138	-	158,268	3,540,406
<b>Total support</b>	<b>6,972,990</b>	<b>33,572,867</b>	<b>158,268</b>	<b>40,704,125</b>
Revenue				
Shared maintenance	2,095,686	-	-	2,095,686
Membership fees	40,610	-	-	40,610
Investment income	42,168	-	-	42,168
Other income	85,342	-	-	85,342
Fundraising	75,447	-	-	75,447
Gain (loss) on disposal of equipment	7,360	-	-	7,360
<b>Total revenue</b>	<b>2,346,613</b>	<b>-</b>	<b>-</b>	<b>2,346,613</b>
Net assets released from restrictions	-	-	-	-
<b>Total support and revenue</b>	<b>9,319,603</b>	<b>33,572,867</b>	<b>158,268</b>	<b>43,050,738</b>
Expenses				
Program services				
Contributed food distributed	-	33,496,431	-	33,496,431
Transportation	1,149,345	-	-	1,149,345
Supplemental Nutrition Assistance Program	623,067	-	-	623,067
Nutrition programs	2,617,891	-	-	2,617,891
Agency volunteer services	426,537	-	-	426,537
Operations general	2,731,492	-	-	2,731,492
<b>Total program services</b>	<b>7,548,332</b>	<b>33,496,431</b>	<b>-</b>	<b>41,044,763</b>
Supporting services				
Management and general	654,856	-	-	654,856
Fundraising	463,013	-	-	463,013
<b>Total expenses</b>	<b>8,666,201</b>	<b>33,496,431</b>	<b>-</b>	<b>42,162,632</b>
Change in net assets	653,402	76,436	158,268	888,106
Net assets, beginning of year as previously reported	4,751,511	2,513,519	1,424,438	8,689,468
Restatement	(69,968)	-	-	(69,968)
Net assets, beginning of year as restated	4,681,543	2,513,519	1,424,438	8,619,500
<b>Net assets, end of year</b>	<b>\$ 5,334,945</b>	<b>\$ 2,589,955</b>	<b>\$ 1,582,706</b>	<b>\$ 9,507,606</b>

See notes to financial statements.

**FEEDING THE GULF COAST**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>	<u>2018 Total</u>
	<u>Food Bank</u>	<u>Contributed Food</u>		
Support and revenue				
Support				
Contributed food received	\$ -	\$ 36,029,484	\$ -	\$ 36,029,484
Fees and grants from government agencies	469,739	-	-	469,739
Child Nutrition Program	2,366,486	-	-	2,366,486
Supplemental Nutrition Assistance Program	234,729	-	-	234,729
United Way Allocation	27,159	-	-	27,159
Emergency Food and Shelter	48,441	-	-	48,441
Contributions and grants	2,504,849	-	843,315	3,348,164
	<u>5,651,403</u>	<u>36,029,484</u>	<u>843,315</u>	<u>42,524,202</u>
Total support				
Revenue				
Shared maintenance	1,996,129	-	-	1,996,129
Membership fees	45,510	-	-	45,510
Investment income	(9,753)	-	-	(9,753)
Other income	56,676	-	-	56,676
Fundraising	122,314	-	-	122,314
Gain (loss) on disposal of equipment	177	-	-	177
	<u>2,211,053</u>	<u>-</u>	<u>-</u>	<u>2,211,053</u>
Total revenue				
Net assets released from restrictions	-	-	-	-
Total support and revenue	<u>7,862,456</u>	<u>36,029,484</u>	<u>843,315</u>	<u>44,735,255</u>
Expenses				
Program services				
Contributed food distributed	-	35,282,987	-	35,282,987
Transportation	886,913	-	-	886,913
Supplemental Nutrition Assistance Program	474,903	-	-	474,903
Nutrition programs	2,626,895	-	-	2,626,895
Agency volunteer services	385,281	-	-	385,281
Operations general	2,541,447	-	-	2,541,447
	<u>6,915,439</u>	<u>35,282,987</u>	<u>-</u>	<u>42,198,426</u>
Total program services				
Supporting services				
Management and general	702,273	-	-	702,273
Fundraising	424,784	-	-	424,784
	<u>8,042,496</u>	<u>35,282,987</u>	<u>-</u>	<u>43,325,483</u>
Total expenses				
Change in net assets	(180,040)	746,497	843,315	1,409,772
Net assets, beginning of year	<u>4,861,583</u>	<u>1,767,022</u>	<u>581,123</u>	<u>7,209,728</u>
Net assets, end of year	<u>\$ 4,681,543</u>	<u>\$ 2,513,519</u>	<u>\$ 1,424,438</u>	<u>\$ 8,619,500</u>

See notes to financial statements.

FEEDING THE GULF COAST

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2019

SUPPORTING SERVICES

PROGRAM SERVICES

	Supplemental Nutrition Assistance Program	Nutrition Programs	Agency Volunteer Services	Operations and Facilities	Total	Management and General	Fundraising	2019 Total Expenses
Salaries	\$ 269,360	\$ 441,932	\$ 945,918	\$ 745,404	\$ 2,186,765	\$ 407,040	\$ 180,009	\$ 2,773,814
Payroll taxes	18,929	35,436	25,736	57,843	188,860	31,751	13,899	214,530
Employee benefits	49,722	39,488	29,500	98,425	288,395	43,907	26,295	339,597
Total personnel	339,011	516,854	401,154	901,672	2,025,040	482,698	220,203	3,327,941
Bad debts	-	-	-	35,449	35,449	-	-	35,449
Bank charges	-	124	-	300	424	4,972	288	5,684
Conferences	148	14,308	6,341	26,894	93,063	13,167	10,897	117,127
Contract labor	26,577	27,535	-	171,732	224,844	-	3,400	228,244
Direct mail expense	-	-	-	-	-	-	-	-
Dues and membership fees	35	33	149	20,269	22,870	27,872	458	51,200
Equipment rental	171,434	24,624	-	108,031	304,777	-	-	304,777
Food procurement	-	1,986,451	1,219	53,012	2,527,270	-	-	2,527,270
Freight-in	228,695	178	-	2,203	231,317	4,391	-	235,708
Gas and oil	80,086	500	-	113,806	194,404	1,360	1,985	194,404
Insurance	-	-	2,265	68,718	77,516	-	-	80,871
Information system expense	-	-	-	9,544	9,544	-	-	9,544
Interest expense	23,983	18,097	377	33,471	97,893	35,406	9,862	142,960
Marketing expense	968	13,902	11,915	23,286	83,332	25,494	2,198	111,025
Miscellaneous	-	-	-	875	875	42,084	-	42,959
Professional fees	158,220	3,929	-	170,044	332,883	-	-	332,883
Repairs and maintenance	-	-	-	-	-	-	11,381	11,381
Special events	310	9,260	2,764	67,500	123,550	2,264	8,099	133,913
Supplies and postage	44	2,361	287	293	3,489	67	166	3,722
Travel	3,128	715	46	195,700	202,181	2	-	202,183
Utilities	-	-	-	-	-	-	-	-
Total expenses before contributed food distributed and depreciation	1,031,840	2,617,881	426,537	2,545,627	7,244,762	638,776	463,013	8,347,551
Contributed food distributed	-	-	-	33,486,431	33,486,431	-	-	33,486,431
Depreciation	117,705	-	-	185,865	303,570	15,080	-	318,650
Total expenses	\$ 1,149,345	\$ 2,617,881	\$ 426,537	\$ 36,227,923	\$ 41,044,763	\$ 654,856	\$ 463,013	\$ 42,162,632

See notes to financial statements.



FEEDING THE GULF COAST

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2018

SUPPORTING SERVICES

PROGRAM SERVICES

	Supplemental Nutrition Assistance Program	Nutrition Programs	Agency Volunteer Services	Operations and Facilities	Total	Management and General	Fundraising	2018 Total Expenses
Salaries	\$ 258,166	\$ 413,638	\$ 318,478	\$ 708,817	\$ 2,007,995	\$ 439,613	\$ 107,446	\$ 2,555,054
Payroll taxes	19,519	33,249	23,647	53,963	154,363	34,230	8,104	196,687
Employee benefits	44,815	30,908	30,076	95,199	248,160	47,200	24,532	319,892
Total personnel	322,490	477,796	372,202	857,978	2,410,508	521,043	140,082	3,071,633
Bank charges	-	-	-	1,658	1,658	5,604	183	7,445
Conferences	38	6,544	7,737	86,010	99,251	9,955	5,707	114,913
Contract labor	-	-	-	48,473	48,473	2,055	8,836	59,364
Direct mail expense	110	-	90	-	14,387	21,891	6,314	42,572
Dues and membership fees	63,339	14,830	-	77,790	145,968	-	-	145,968
Equipment rental	35	2,086,958	-	835,823	2,722,814	-	-	2,722,814
Food procurement	-	116	-	42,249	42,365	-	-	42,365
Freight-in	161,332	143	75	8,534	171,120	51	-	171,171
Gas and oil	88,078	-	-	112,552	180,630	-	-	180,630
Insurance	-	-	1,899	69,932	76,842	1,208	1,995	79,845
Information system expense	14	-	-	10,619	10,633	-	-	10,633
Interest expense	-	22,747	34	37,164	86,353	58,758	33,601	176,710
Marketing expense	41,561	8,958	1,844	27,491	84,967	24,328	23,188	132,481
Miscellaneous	150,272	-	-	140	140	36,357	-	36,497
Professional fees	-	2,180	-	149,359	301,857	131	-	301,988
Repairs and maintenance	-	-	-	-	-	2,027	19,786	19,786
Special events	-	4,979	830	45,178	84,281	-	2,886	89,194
Supplies and postage	5	1,468	570	80	5,058	96	392	5,547
Travel	-	-	-	158,096	158,096	-	-	158,096
Utilities	3,110	178	-	-	194,662	-	5	194,667
Total expenses before contributed food distributed and depreciation	800,364	2,626,895	385,281	2,364,285	6,651,748	681,500	424,784	7,758,032
Contributed food distributed	86,528	-	-	35,282,987	35,282,987	-	-	35,282,987
Depreciation	-	-	-	177,162	283,691	20,773	-	284,464
Total expenses	\$ 886,913	\$ 2,626,895	\$ 385,281	\$ 37,824,434	\$ 42,198,428	\$ 702,273	\$ 424,784	\$ 43,325,483

See notes to financial statements.

**FEEDING THE GULF COAST**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2019 and 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 888,106	\$ 1,409,772
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	318,650	284,464
Bad debt expense	35,449	-
Donated stocks and bonds	(4,231)	(24,050)
Net realized and unrealized (gain) loss on investments	(34,345)	9,753
Gain on the disposal of equipment	(7,360)	(177)
(Increase) decrease in:		
Unconditional promises to give without donor restrictions	(21,391)	(9,013)
Unconditional promises to give with donor restrictions	10,000	(10,000)
Accounts receivable	(11,406)	92,154
Grants	97,616	(110,190)
Inventory	(66,273)	(654,392)
Prepaid expenses	29,656	(435)
Increase (decrease) in:		
Accounts payable and accrued expenses	28,777	36,843
Accrued payroll and related taxes	31,862	23,091
Accrued vacation pay	9,450	15,919
Grants payable	(32,644)	32,644
Net cash provided by operating activities	1,271,916	1,096,383
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investment	(20,000)	-
Proceeds from the sale of property, plant and equipment	7,360	1,531
Purchases of property, plant and equipment	(786,850)	(310,207)
Net cash used by investing activities	(799,490)	(308,676)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments of long term debt	(27,083)	(31,387)
Net cash used by financing activities	(27,083)	(31,387)
Net increase in cash	445,343	756,320
Cash, beginning of year	1,499,279	742,959
Cash, end of year	\$ 1,944,622	\$ 1,499,279
<b>Supplemental disclosures:</b>		
Cash paid during the year for interest	\$ 9,544	\$ 10,633

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### Organization

Feeding the Gulf Coast (referred to hereafter as "Food Bank") 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.

### Summary of Significant Accounting Policies

#### Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

#### Basis of presentation

The Food Bank follows standards of accounting and financial reporting for voluntary health and welfare organizations. In accordance with accounting principles accepted in the United States of America, the Food Bank reports its financial position and operating activities in two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions – include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Food Bank. Under this category, the Food Bank maintains an operating fund, any net assets designated by the Board for specific purposes and the unrestricted inventory and property and equipment funds.

Net assets with donor restrictions – include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the end of the current reporting period.

#### Recognition of donor restricted contributions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

#### 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.

#### Cash

For purposes of the statement of cash flows, the Food Bank considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

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

### **Accounts, grants and pledges receivable**

Accounts receivable represent amounts due from affiliated agencies and are stated at the amount the Food Bank expects to collect for shared maintenance fees. Government grants receivable represent grants from government agencies. Promises to give represent contributions receivable. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risk involved if the amount is considered material. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful accounts is established based on management's judgement and including such factors as prior collection history, type of receivable and current aging of receivable. Receivables are charged against the allowance when the Food Bank determines that the payments will not be received. Any subsequent receipts are credited to the allowance. The allowance for doubtful accounts at December 31, 2019 and 2018 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 net assets without donor restrictions 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 Food Bank 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 Food Bank's best estimate about the assumptions that market participants would use in pricing the asset or liability.

### **Inventory**

Inventory consists of donated non-government food, purchased food and United States Department of Agriculture (USDA) food commodities received from the government. Donated non-government products were valued at \$1.62 and \$1.68 per pound for the years ended December 31, 2019 and 2018, respectively. Donated government food was valued at \$1.52 and \$1.57 per pound for the years ended December 31, 2019 and 2018, respectively. This valuation is based on a cost study conducted for Feeding America. Purchased food is valued at the latest purchase price.

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

### **Property and equipment**

Property and equipment owned by the Food Bank is recorded at cost or at fair market value at date received if donated. The Food Bank 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 \$318,650 and \$284,464 in 2019 and 2018, respectively.

### **Income taxes**

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

A policy for accounting for uncertainty in income taxes was adopted in prior years that require the Food Bank 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 Food Bank has no uncertain tax positions that qualified for either recognition or disclosure in the financial statements at December 31, 2019 or December 31, 2018.

### **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 Food Bank's program services.

### **Cost allocation**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation, occupancy and telephone costs which are allocated based on the ratio of program revenue to total revenue.

### **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 2018 financial statements have been reclassified to conform to the 2019 presentation.

### **Evaluation of subsequent events**

The Food Bank has evaluated subsequent events through March 3, 2020, the date which the financial statements were available to be issued.

### Restrictions on Net Assets

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

	2019	2018
Grants	\$ 1,059,019	\$ 666,221
Backpack	162,768	139,656
Direct mail	19,880	29,604
Mobile pantry	575	29,768
Hurricane Michael	340,464	559,189
Total	<u>\$ 1,582,706</u>	<u>\$ 1,424,438</u>

### Promises to Give

Unconditional promises to give at December 31 are as follows:

	2019	2018
Promises without donor restrictions	\$ 60,709	\$ 39,318
Restricted for Hurricane Michael	-	10,000
Gross unconditional promises to give	60,709	49,318
Less allowance for uncollectible promises	-	-
Net unconditional promises to give	<u>\$ 60,709</u>	<u>\$ 49,318</u>
Amounts due in:		
Less than one year	\$ 60,709	\$ 49,318
One to five years	-	-
Gross unconditional promises to give	<u>\$ 60,709</u>	<u>\$ 49,318</u>

**Investments**

2019

Fair value measurements using

	Level 1	Level 2	Level 3	Total
Cash	\$ 1,724	\$ -	\$ -	\$ 1,724
Money Market Funds	2,500	-	-	2,500
Certificate of Deposit	20,040	-	-	20,040
Bond Funds	29,041	-	-	29,041
Equity Funds	35,298	-	-	35,298
Exchange Traded Funds	120,434	-	-	120,434
<b>Total</b>	<b>\$ 209,037</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 209,037</b>

2018

Fair value measurements using

	Level 1	Level 2	Level 3	Total
Cash	\$ 1,403	\$ -	\$ -	\$ 1,403
Equities	16,690	-	-	16,690
Bond Funds	18,026	-	-	18,026
Equity Funds	28,075	-	-	28,075
Exchange Traded Funds	86,267	-	-	86,267
<b>Total</b>	<b>\$ 150,461</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 150,461</b>

Investment return for the years ended December 31, 2019 and 2018 are summarized as follows:

	Without Donor Restrictions	2019 With Donor Restrictions	Total
Interest and dividend income	\$ 12,613	\$ -	\$ 12,613
Realized gains (losses)	(1,885)	-	(1,885)
Unrealized gains (losses)	32,440	-	32,440
Administrative fees	(1,000)	-	(1,000)
<b>Total</b>	<b>\$ 42,168</b>	<b>\$ -</b>	<b>\$ 42,168</b>

  

	Without Donor Restrictions	2018 With Donor Restrictions	Total
Interest and dividend income	\$ 3,732	\$ -	\$ 3,732
Realized gains (losses)	(1,346)	-	(1,346)
Unrealized gains (losses)	(11,639)	-	(11,639)
Administrative fees	(500)	-	(500)
<b>Total</b>	<b>\$ (9,753)</b>	<b>\$ -</b>	<b>\$ (9,753)</b>

### Liquidity and Availability of Financial Assets

The following reflects the Food Bank's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end	\$ 2,501,568	\$ 2,107,917
Less those unavailable for general expenditures within one year, due to: Donor restrictions	<u>1,582,706</u>	<u>1,424,438</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 918,862</u>	<u>\$ 683,479</u>

### Inventory

Inventory consists of donated non-government food, purchased food and United States Department of Agriculture (USDA) food commodities received from the government. Donated non-government products are valued at \$1.62 and \$1.68 per pound for the years ended December 31, 2019 and 2018, respectively. Donated government food was valued at \$1.52 and \$1.57 per pound for the years ended December 31, 2019 and 2018, respectively. This valuation is based on a cost study conducted for Feeding America.

Inventory consists of the following:

	<u>2019</u>	<u>2018</u>
USDA food commodities	\$ 2,172,489	\$ 915,030
Donated non-government food	417,466	1,598,489
Purchased food	<u>267,896</u>	<u>278,059</u>
Total	<u>\$ 2,857,851</u>	<u>\$ 2,791,578</u>



## Furniture, Fixtures and Equipment

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

	2019	2018
Land	\$ 253,345	\$ 253,345
Building and improvements	4,697,978	4,665,435
Warehouse equipment	849,534	807,361
Office equipment	333,446	289,290
Transportation equipment	1,756,376	1,266,840
Construction in progress	71,274	3,000
	<u>7,961,953</u>	<u>7,285,071</u>
Less accumulated depreciation	3,186,885	2,978,203
Total	<u>\$ 4,775,068</u>	<u>\$ 4,306,868</u>

## Borrowings

### Line of Credit

On May 16, 2018, the Food Bank obtained a \$750,000 revolving line of credit with no commitment as of December 31, 2019. 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 a variable rate which is one-half percent above the bank's prime lending rate and the principal due at maturity which is May 16, 2021. The line of credit is secured by real estate.

### Notes Payable

Notes payable consist of the following:

	2019	2018
Monthly installments through December, 2025 of \$2,550 including interest at a rate of 4.09%. The mortgage is secured by real estate.	\$ 162,184	\$ 185,526
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.	57,612	61,353
Total	<u>\$ 219,796</u>	<u>\$ 246,879</u>

### **Borrowings (continued)**

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

2020	\$	28,395
2021		79,113
2022		26,518
2023		27,624
2024		28,775
Thereafter		<u>29,371</u>
Total	\$	<u>219,796</u>

### **Shared Maintenance Fees**

The Food Bank receives fees from participating agencies to assist in the costs of distributing food. These shared maintenance fees are based upon predetermined rates from \$0 to \$0.19 per pound or an average of \$0.09 per pound for the year ended December 31, 2019. Total shared maintenance fees during the years ended December 31, 2019 and 2018, totaled \$2,095,686 and \$1,996,129, respectively.

### **Retirement Plan**

The Food Bank 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 Food Bank makes monthly contributions to this plan which aggregated \$50,774 and \$47,348 for the years ended December 31, 2019 and 2018, respectively.

### **Concentration of Credit Risk**

The Food Bank serves various nonprofit agencies located in Alabama, Florida, and Mississippi. The Food Bank is dependent on the generosity of food suppliers and the general public for contributions. The Food Bank also receives grants from United Way.

At various times during the year, the Food Bank's cash in bank balances exceeded federally insured limits. At December 31, 2019, the Food Bank had approximately \$1,635,000 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.

### **Commitments and Contingencies**

Grants and contracts awarded to Feeding the Gulf Coast are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, the Food Bank could be held responsible for repayments to the funding agency for the costs or be subject to reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

## **Restatement**

The December 31, 2018 financial statements have been restated to reflect the following adjustments:

(a) Shared maintenance fees were reduced by \$69,968 from \$2,066,097 to \$1,996,129 due to incorrectly recording shared maintenance fees for certain sites participating in the child nutrition program which should have been excluded.

(b) Accounts receivable was reduced \$69,968 from \$126,426 to \$56,458 due to incorrectly recording accounts receivable for certain sites participating in the child nutrition program which should have been excluded.

## SUPPLEMENTARY INFORMATION

FEEDING THE GULF COAST

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2019

Federal Grant/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:				
Community Supplemental Food Program - America's Second Harvest of the Big Bend, Inc.	10.565		\$ 12,715	\$
Community Supplemental Food Program - State of Alabama Department of Education	10.565	22189	26,331	
Community Supplemental Food Program - Florida Department of Agriculture and Consumer Services	10.565		34,417	11,420
Total Community Supplemental Food Program			\$ 73,463	\$ 11,420
Emergency Food Assistance Program (Administrative Costs) - State of Alabama Department of Education	10.568		\$ 322,068	\$
Emergency Food Assistance Program (Administrative Costs) - Florida Department of Agriculture and Consumer Services	10.568	16951	293,425	
Total Emergency Food Assistance Program (Administrative Costs)			\$ 615,493	\$
Emergency Food Assistance Program (Food Commodities) - State of Alabama Department of Education	10.569		3,908,865	
Emergency Food Assistance Program (Food Commodities) - Florida Department of Agriculture and Consumer Services	10.569	16951	4,859,823	
Total Emergency Food Assistance Program (Food Commodities)			\$ 8,768,618	\$
Total Emergency Food Assistance Program (Food Commodities) - Florida Department of Agriculture and Consumer Services			\$ 9,457,474	\$ 11,420
Total Food Distribution Cluster				
Trade Mitigation Program Foods - State of Alabama Department of Education	10.178		\$ 114,462	\$
Trade Mitigation Program Foods - Florida Department of Agriculture and Consumer Services	10.178	28184	76,415	
Total Trade Mitigation Program Foods			\$ 190,877	\$
Total Trade Mitigation Program Foods				
Child and Adult Care Food Program - State of Alabama Department of Education	10.558	AM4	\$ 866,028	\$
Child and Adult Care Food Program - State of Mississippi Department of Education	10.558	V0002082760	141,393	
Child and Adult Care Food Program - State of Florida Department of Health	10.558	A-3222	59,845	
Total Child and Adult Care Food Program			\$ 1,067,266	\$
Summer Food Service Program for Children - State of Alabama Department of Education	10.558	AM4	\$ 781,799	\$
Summer Food Service Program for Children - State of Mississippi Department of Education	10.558	V0002082760	69,193	
Summer Food Service Program for Children - Florida Department of Agriculture and Consumer Services	10.558	04-0293	372,525	
Total Summer Food Service Program for Children			\$ 1,493,517	\$
Total Child Nutrition Cluster			\$ 1,243,517	\$

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, 2019**

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - State of Alabama Department of Human Resources	10.561	4531	\$ 149,946	\$ -
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - State of Mississippi Department of Human Services	10.561	015B4411	142,432	-
			\$ 292,378	\$ -
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			\$ 292,378	\$ -
Total SNAP Cluster			\$ 12,381	\$ -
Farm to School Grant Program - USDA Food and Nutrition Service Grant and Fiscal Policy Division	10.575	CNF25-IMP-19-AL-1	\$ 12,381	\$ -
Total Farm to School Grant Program			\$ 12,381	\$ -
Total U. S. Department of Agriculture			\$ 12,263,893	\$ 11,420
Department of Homeland Security Pass Through Programs From:				
Emergency Food and Shelter National Board Program - United Way of Southwest Alabama, Inc.	97.024	013200-007	\$ 35,773	\$ -
Emergency Food and Shelter National Board Program - United Way of Washington County, Alabama	97.024	017000-001	3,060	-
Emergency Food and Shelter National Board Program - United Way of Bay County, Florida	97.024	156200-016	9,000	-
Emergency Food and Shelter National Board Program - United Way of Escambia County, Florida	97.024	161200-018	4,500	-
Total Emergency Food and Shelter National Board Program			\$ 52,333	\$ -
Total Department of Homeland Security			\$ 52,333	\$ -
Total Expenditures of Federal Awards			\$ 12,336,226	\$ 11,420

## FEEDING THE GULF COAST

### NOTES to the SCHEDULE of EXPENDITURES of FEDERAL AWARDS For the Year Ended December 31, 2019

#### 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, 2019. 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 not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### NOTE C – FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At December 31, 2019, the Organization had USDA food commodities totaling \$1,909,449.

Pass-through identifying numbers are presented where available.

**FEEDING THE GULF COAST**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended December 31, 2019**

There is no schedule of prior year audit findings as of and for the year ended December 31, 2019.



**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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated March 3, 2020.

**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*

March 3, 2020

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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, 2019. 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, 2019.

## **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. Erikeieff*

March 3, 2020

**FEEDING THE GULF COAST**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2019**

**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 10.559 U.S. Department of Agriculture Summer Food Service Program for Children, CFDA 10.558 U.S. Department of Agriculture Child and Adult Care Food Program, and CFDA 10.561 U.S. Department of Agriculture State Administrative Matching Grants for the Supplemental Nutrition Assistance 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