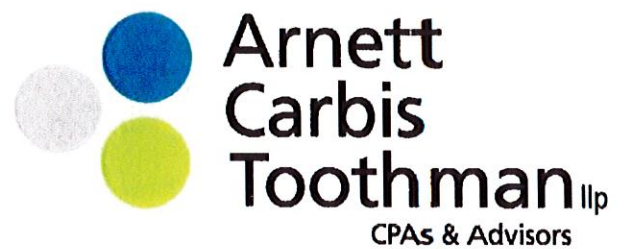


MOUNTAINEER FOOD BANK, INC.

**Financial and Compliance Report
December 31, 2018**



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mountaineer Food Bank, Inc.
Gassaway, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Mountaineer Food Bank, Inc. (Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountaineer Food Bank, Inc. as of December 31, 2018 and 2017, and the results of its operations, changes in its net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards, as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of West Virginia, are presented for purposes of additional analysis and are not a required part of the financial statements. The 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. Such 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 basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, on our consideration of Mountaineer Food Bank, Inc.'s internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mountaineer Food Bank, Inc.'s internal control over financial reporting and compliance.

Annett Carbis Tothman LLP

Bridgeport, West Virginia
June 28, 2019

MOUNTAINEER FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,063,699	\$ 1,495,916
Accounts receivable, net	112,114	128,569
Grants receivable	257,671	184,733
Inventories	1,705,290	2,169,228
Prepaid assets	33,568	48,727
Total current assets	3,172,342	4,027,173
PROPERTY AND EQUIPMENT		
Land	338,343	120,093
Building	1,567,664	1,567,664
Equipment	1,053,840	942,507
	2,959,847	2,630,264
Less accumulated depreciation	1,451,212	1,233,708
Net property and equipment	1,508,635	1,396,556
Total assets	\$ 4,680,977	\$ 5,423,729
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Leases payable, current portion	\$ 30,519	\$ 28,556
Accounts payable	13,276	58,654
Accrued salaries and benefits	72,506	50,707
Accrued payroll taxes	5,122	5,479
Due to subrecipient food pantries	556,276	466,988
Total current liabilities	677,699	610,384
LEASES PAYABLE, less current portion	157,534	188,053
Total liabilities	835,233	798,437
NET ASSETS	3,845,744	4,625,292
Total liabilities and net assets	\$ 4,680,977	\$ 5,423,729

See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2018 and 2017

	2018	2017
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support:		
Donated food items	\$ 18,734,089	\$ 17,432,980
Cost sharing	1,549,712	1,297,124
Grant income	1,275,271	1,089,563
Public support	847,714	856,355
Interest	3,904	-
Other	3,576	2,115
	<u>22,414,266</u>	<u>20,678,137</u>
Total revenue and support	22,414,266	20,678,137
Cost of Revenue:		
Donated food items	20,916,626	18,067,557
Transportation	183,496	115,932
Utilities	69,137	62,393
Supplies	43,341	39,597
	<u>21,212,600</u>	<u>18,285,479</u>
Total cost of revenue	21,212,600	18,285,479
Operating income	1,201,666	2,392,658
Operating expenses:		
Salaries and wages	977,323	808,552
Employee benefits	260,938	231,708
Depreciation and amortization	222,621	192,746
Repairs and maintenance	94,823	56,987
Fundraising	67,940	76,907
Insurance	44,962	19,817
Rental	42,005	21,682
Professional fees	41,034	43,000
Travel	30,671	11,588
Membership fees	15,560	15,224
Interest	13,565	10,688
Supplies	7,205	8,564
Other	162,567	165,546
	<u>1,981,214</u>	<u>1,663,009</u>
Total operating expenses	1,981,214	1,663,009
Change in net assets without donor restrictions	(779,548)	729,649
Net assets without donor restrictions:		
Beginning of year	4,625,292	3,895,643
End of year	<u>\$ 3,845,744</u>	<u>\$ 4,625,292</u>

See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Program Activities	Administrative and General	Total Expenses
COST OF REVENUE			
Donated food items	\$ 18,067,557	\$ -	\$ 18,067,557
Transportation	115,932	-	115,932
Utilities	53,819	8,574	62,393
Supplies	39,597	-	39,597
Total cost of revenue	\$ 18,276,905	\$ 8,574	\$ 18,285,479
OPERATING EXPENSES			
Salaries and wages	\$ 459,850	\$ 348,702	\$ 808,552
Employee benefits	131,780	99,928	231,708
Depreciation and amortization	186,872	5,874	192,746
Repairs and maintenance	56,987	-	56,987
Fundraising	-	76,907	76,907
Insurance	17,094	2,723	19,817
Rental	8,000	13,682	21,682
Professional fees	20,000	23,000	43,000
Travel	-	11,588	11,588
Membership fees	15,224	-	15,224
Interest	10,688	-	10,688
Supplies	-	8,564	8,564
Other	94,151	71,395	165,546
Total operating expenses	\$ 1,000,646	\$ 662,363	\$ 1,663,009

See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (779,548)	\$ 729,649
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	222,621	192,746
Gain on disposal of equipment	-	(16,000)
(Increase) decrease in assets:		
Accounts receivable	16,455	(49,213)
Grants receivable	(72,938)	(54,313)
Inventories	463,938	(223,906)
Prepaid assets	15,159	(15,080)
Increase (decrease) in liabilities:		
Accounts payable	(45,378)	41,215
Accrued expenses	21,442	10,318
Due to subrecipient food pantries	89,288	(327,324)
Net cash provided by (used in) operating activities	(68,961)	288,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(334,700)	(184,137)
Proceeds from sale of equipment	-	16,000
Net cash (used in) investing activities	(334,700)	(168,137)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on lease payable	(28,556)	(18,335)
Net increase (decrease) in cash and cash equivalents	(432,217)	101,620
Cash and cash equivalents:		
Beginning	1,495,916	1,394,296
Ending	\$ 1,063,699	\$ 1,495,916
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 13,565	\$ 10,688
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquired under capital lease	\$ -	\$ 234,944

See Notes to Financial Statements

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Mountaineer Food Bank, Inc. (Organization) is a nonprofit organization created in 1981 and housed in Gassaway, West Virginia. The Organization provides food and other household items to over 450 feeding programs in 48 counties in West Virginia. The Organization also provides educational resources on basic nutrition, community alternatives for alleviating hunger, and assistance and advice to interested people and groups in the formation and operation of a food pantry.

Mountaineer Food Bank, Inc. is a member of Feeding America, a nationwide nonprofit organization, which collects and allocates food pantry goods to regional/state food banks through its distribution network. Feeding America solicits product suppliers and supervises the distribution of its products to member food banks.

A summary of the Organization's significant accounting policies follow:

Basis of accounting: These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned rather than when received, and expenses are recognized when incurred rather than when paid.

Management's estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

Cash and cash equivalents and deposit risk: For purposes of the statements of financial position and cash flows, the Organization considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired, to be cash equivalents. As of December 31, 2018 and 2017, management believes that the carrying amount of cash equivalents approximates fair value because of the short maturity of these financial instruments.

In the normal course of business, the Organization may have deposits with local financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Organization has not experienced any losses in such accounts.

Accounts receivable: Accounts receivable represent amounts owed to the Organization for food products sold, which were \$0.19 per pound for 2018 and 2017. Transportation products sold were \$0.08 per pound for 2018 and 2017. The Organization uses the allowance method to determine uncollectable accounts receivable. The allowance is based on prior years' experience and management's analysis of specific accounts receivable. The allowance for doubtful accounts was \$14,766 and \$6,425 as of December 31, 2018 and 2017, respectively.

Grants receivable: Grants receivable represent amounts billed to state and private agencies, but not paid as of the fiscal year end. Certain grants, which allow the Organization to draw down at any time, are included as a receivable and a donor restricted net asset if the award has been made, but the amount has not been drawn down by the Organization.

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

Inventories: Food donated to the Organization is accounted for as contributions without donor restrictions. Inventories consist of food and commodities donated primarily by Feeding America. Inventories of food and commodities received from Feeding America are valued at \$1.68 per pound as of December 31, 2018 and 2017, as determined by the most recent information available from Feeding America, the principal provider of donated food and commodities. This valuation is adjusted periodically by Feeding America. In addition, commodities received under the U.S. Department of Agriculture Emergency Food Assistance Program (TEFAP) to be passed through to subrecipient pantries are valued at \$0.64 and \$0.73 per pound as of December 31, 2018 and 2017, respectively.

Property and equipment: Property and equipment are stated at cost for purchased items and fair value for contributed items. Property and equipment whose expected useful life is in excess of one year and cost (or fair value) is above a threshold established by the Board of Directors are capitalized. Depreciation and amortization of property and equipment, which includes amortization of assets recorded under capital leases, are provided for using the straight-line method over the estimated useful lives of the assets. Normal repairs and maintenance are charged to expense as incurred.

Upon sale or retirement of property and equipment, the cost and accumulated depreciation is eliminated from the accounts and any resulting gain or loss on the sale is included in operations.

Compensation for accrued absences: A liability for compensated absences earned but not paid as of December 31, 2018 and 2017, has been recognized, and is included on the statements of financial position. As of December 31, 2018 and 2017, \$49,311 and \$34,519 remained unpaid, respectively.

Net assets: Resources are classified for reporting purposes as net assets without donor restrictions and net assets with donor restrictions, according to the absence or existence of donor-imposed restrictions. Net assets with donor restrictions are those assets, including contributions and accumulated investment returns, whose use has been limited by donors for a specific purpose or time period or are those for which donors require the principal of the gifts to be maintained in perpetuity to provide a permanent source of income. Some net assets with donor restrictions are limited by donors to a specific time period or purpose and are reclassified to net assets without donor restrictions and included in the statements of activities and changes in net assets as assets released from restriction when the restriction is met. The Organization had no net assets with donor restrictions as of December 31, 2018 and 2017.

Change in net assets without donor restrictions: The statements of activities and changes in net assets report the change in net assets as the performance indicator as there are no transactions that would be considered peripheral or incidental to the operation of the Organization. Transactions deemed by management to be ongoing, major, or central to the Organization are reported as revenue and support. Peripheral or incidental transactions would be reported as other income. Changes in net assets excluded from the change in net assets, consistent with industry practice, would include grant funds received with restrictions. Accordingly, the change in net assets is comparable to the excess of revenue over expenses.

Functional expense allocation: The program activities of the Organization and the administrative and general costs have been summarized on a functional basis on the statements of functional expenses for the years ended December 31, 2018 and 2017. The statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated between program activities and administrative and general costs.

Contributed services: No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

Income taxes: The Organization is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an entity that is not a private foundation under 509(a)(1). The Organization had no unrelated business income during the years ended December 31, 2018 and 2017. Accordingly, no provision for income taxes has been provided.

The Organization follows guidance for accounting for uncertainty in income taxes recognized in an Organization's financial statements that prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authorities. There were no uncertain tax positions recognized in the financial statements as a result of this guidance. Generally, the tax returns for the years ended December 31, 2015, and thereafter remain subject to examination by the federal and state taxing authorities.

Economic dependency and geographic concentration: The Organization generates a substantial portion of its revenue from the contribution of food and related commodities from the TEFAP and the State of West Virginia. Changes in the level of contributions could significantly impact operations. The Organization also receives significant funding from federal and state grants, and discontinuation of support from these sources would significantly impact operations.

Interest and Advertising costs: All interest and advertising costs incurred in 2018 and 2017, have been expensed. Additionally, the Organization utilizes a professional fundraising service for direct mailings. The total costs associated with direct mailings were \$63,807 and \$71,662 for the years ended December 31, 2018 and 2017, respectively.

Subsequent events: The Organization's management has evaluated events that occurred through June 28, 2019, which is the date this report is available to be issued for potential recognition or disclosure.

Note 2. Recent Accounting Pronouncements

Revenue Recognition: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP. This ASU attempts to remove inconsistencies and weaknesses in the current revenue recognition requirements, provides a more robust framework for addressing issues, improves comparability across entities and industries, provides more useful information to the users of the financial statements, and simplifies the preparation of financial statements by consolidating the number of requirements required to be referenced. The guidance permits the use of either a retrospective or modified retrospective (cumulative effect) transition method. The Organization will adopt this guidance for the year ending December 31, 2019. The Organization has evaluated the adoption of the guidance and does not currently believe it will have a material impact on its financial statements.

Leases: In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. This ASU requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability, and additional qualitative and quantitative disclosures. Transition guidance is provided within the ASU and generally requires a retrospective approach. ASU 2018-10, ASU 2018-11, and ASU 2019-01 make modest changes to Topic 842 in determination of fair values, allowing for some practical expedients and other transitional guidance. The Organization is currently evaluating the impact, if any, that adoption will have on its December 31, 2020 financial statements.

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

Not-For-Profit Entities: In August 2016, the FASB issued ASU 2016-14, (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments of this ASU change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The amendments include qualitative and quantitative requirements in the financial statement presentation and disclosures regarding net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The Organization adopted this guidance for the year ended December 31, 2018. Adoption of this guidance did not have a material impact on the Organization's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations (NFPs) and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. The new ASU does not apply to transfers of assets from governments to businesses. The Organization is currently evaluating the impact, if any, that adoption will have on its December 31, 2019, financial statements.

Note 3. Capital Leases

The following is a summary of capital lease obligations as of December 31:

	2018	2017
Ryder Truck Lease, payable in monthly installments of \$1,991, including interest at 7.529%, through February 2024; secured by equipment with an original cost of \$129,672 and accumulated depreciation of \$67,429.	\$ 101,993	\$ 117,562
Ryder Trailer Lease, payable in monthly installments of \$1,519, including interest at 5.629%, through June 2024; secured by equipment with an original cost of \$105,272 and accumulated depreciation of \$40,820.	86,060	99,047
	<u>188,053</u>	216,609
Less current portion	<u>30,519</u>	28,556
Total long-term leases payable	<u><u>\$ 157,534</u></u>	<u><u>\$ 188,053</u></u>

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2018, future payments on capital lease obligations are as follows:

Years Ending December 31:

2019	\$	42,120
2020		42,120
2021		42,120
2022		42,120
2023		42,120
Thereafter		<u>10,228</u>
Total minimum lease payments		220,828
Less amounts representing interest		<u>32,775</u>
Present value of minimum lease payments	\$	<u>188,053</u>

Note 4. Inventories and Contributed Food

During 2018 and 2017, the Organization received approximately 81% and 82%, respectively, of its food pantry merchandise inventories from Feeding America and other donors. The Organization records donated goods that are not provided by the USDA as a contribution of merchandise inventory when the merchandise is received. These contributions were recorded at amounts determined by Feeding America, which was \$1.68 per pound for 2018 and 2017.

The USDA commodities are not recorded as a contribution of merchandise inventory, but are recorded in inventories at \$0.64 and \$0.73 per pound as of December 31, 2018 and 2017, respectively. The value of such commodities, are determined by the West Virginia Department of Agriculture - Food Distribution Division.

Note 5. Liquidity and Availability

As of December 31, 2018, the Organization has working capital of approximately \$1,400,000. Financial assets available for general expenditures within one year of the statement of financial position consist of the following as of December 31, 2018:

Cash and cash equivalents	\$	1,063,699
Accounts receivable, net		112,114
Grants receivable		<u>257,671</u>
	\$	<u>1,433,484</u>

The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$340,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

MOUNTAINEER FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. Commitments and Contingencies

Laws and regulations: The not-for-profit industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, grant program participation requirements, reimbursement for services, and fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations. Violations of these laws and regulations could result in expulsion from government programs together with the imposition of significant fines and penalties, as well as significant repayments for services and costs previously billed.

Management believes that the Organization is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

MOUNTAINEER FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2018

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Food Distribution Cluster:				
Passed through State of West Virginia - Commodity Supplemental Food Program	10.565	CSFP	\$ -	\$ 176,429
Passed through State of West Virginia - Commodity Supplemental Food Program (897,711 Pounds of Food Commodities)	10.565	CSFP	637,375	637,375
Passed through State of West Virginia - The Emergency Food Assistance Program (Administrative Costs)	10.568	TEFAP	-	494,992
Passed through State of West Virginia - The Emergency Food Assistance Program (4,143,506 Pounds of Food Commodities)	10.569	TEFAP	2,941,889	2,941,889
Total expenditures of federal awards			\$ 3,579,264	\$ 4,250,685

See Notes to Schedule of Expenditures of Federal Awards

MOUNTAINEER FOOD BANK, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Mountaineer Food Bank, Inc. (Organization) under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations CFR part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization. Additionally, due to the different reporting requirements of the financial statements from the above Schedule, some amounts presented may differ from amounts presented in, or used in, the financial statements.

Note 2. 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Costs

The Organization does not seek reimbursement of indirect costs under its federal program. Additionally, the Organization has never negotiated an indirect cost rate with its cognizant agency. Therefore, the Organization has elected to use the 10% de minimis indirect cost rate.

MOUNTAINEER FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended December 31, 2018

<u>STATE GRANTOR / PROGRAM TITLE</u>	<u>Grant Number</u>	<u>Award Amount</u>	<u>2017 Receivable</u>	<u>Expenditures</u>	<u>2018 Receivable</u>
West Virginia Department of Agriculture:					
State of West Virginia - The Emergency Food Assistance Program	TEFAP	\$ 70,713	\$ -	\$ 70,713	\$ -

See Notes to Schedule of Expenditures of State Awards

MOUNTAINEER FOOD BANK, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state awards (Schedule) includes the state award activity of Mountaineer Food Bank, Inc. (Organization) under programs of the state government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of the State of West Virginia. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended, and does not, present the financial position, changes in net assets, or cash flows of the Organization. Additionally, due to the different reporting requirements of the financial statements from those of the above Schedule, some amounts presented may differ from amounts presented in, or used in, the preparation of the financial statements.

Note 2. 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 the Uniform Guidance and the State of West Virginia, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Costs

The Organization does not seek reimbursement of indirect costs under its state programs. Additionally, the Organization has never negotiated an indirect cost rate with its cognizant agency. Therefore, the Organization has elected to use the 10% de minimis indirect cost rate.

**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**

Board of Directors
Mountaineer Food Bank, Inc.
Gassaway, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mountaineer Food Bank, Inc. (Organization), a nonprofit corporation, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Annett Carbis Toothman, LLP

Bridgeport, West Virginia
June 28, 2019

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

Board of Directors
Mountaineer Food Bank, Inc.
Gassaway, West Virginia

Report on Compliance for the Major Federal Program

We have audited the compliance of Mountaineer Food Bank, Inc. with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on Mountaineer Food Bank, Inc.'s major federal program for the year ended December 31, 2018. Mountaineer Food Bank, Inc.'s major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Mountaineer Food Bank, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mountaineer Food Bank, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Mountaineer Food Bank, Inc.'s compliance.

Opinion on the Major Federal Program

In our opinion, Mountaineer Food Bank, Inc. complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Mountaineer Food Bank, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mountaineer Food Bank, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, we do not express an opinion on the effectiveness of Mountaineer Food Bank, Inc.'s internal control over compliance.

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

Our consideration of the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Annett Carbis Toothman LLP

Bridgeport, West Virginia
June 28, 2019

MOUNTAINEER FOOD BANK, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018**

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor's report issued on compliance for major program: Unmodified

Internal control over major program:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.565, 10.568, 10569	Food Distribution Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

MOUNTAINEER FOOD BANK, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2018

Significant Deficiency in Internal Control Over Major Program

Finding 2017-001

Programs: The Emergency Food Assistance Program (TEFAP); Commodity Supplemental Food Program (CSFP)

CFDA Numbers: 10.568, 10.569, 10.565

Federal Agencies: U.S. Department of Agriculture

Passed-Through Entities: Various

Compliance Requirement: Reporting

Questioned Costs: None

Criteria or specific requirement: During our analysis of internal control, we noted that duties related to the custody of assets, authorization of transactions, accounting function, and the record keeping responsibilities are not properly separated.

Condition: We noted during our audit that Mountaineer Food Bank, Inc. did not have adequate segregation of duties in the financial accounting office.

Effect: Internal accounting control would not reduce to a relatively low level; the risk that irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Cause: The financial and accounting department consists of only three employees and a fee accountant. The office staff at Mountaineer Food Bank, Inc. is not adequate enough to have proper segregation of duties.

Recommendation: Responsibilities of accounting and financial duties should be distributed among office staff to the best degree possible to assure proper segregation of duties.

Status: To the extent possible, the Organization has segregated duties. The board of directors has taken a more active role in overseeing the Executive Director. The Organization has also hired an outside accounting firm to assist with bookkeeping functions.

