

Weld Food Bank



FINANCIAL STATEMENTS

Year Ended June 30, 2015



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Independent Auditors' Report

Board of Directors
Weld Food Bank
Greeley, Colorado

Report on the Financial Statements

We have audited the accompanying statement of financial position of Weld Food Bank (a nonprofit organization) as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

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 audit. We conducted our audit 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 of 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weld Food Bank as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Weld Food Bank's 2014 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 6, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

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 is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations* 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, 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. 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 September 21, 2015 on our consideration of the Weld Food Bank internal control over financial reporting and our 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 the 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 Weld Food Bank's internal control over financial reporting and compliance.

Anderson & Whitney, P.C.

September 21, 2015

WELD FOOD BANK

STATEMENTS OF FINANCIAL POSITION

June 30	2015	2014
ASSETS		
Current Assets:		
Cash on hand and in banks	\$ 861,631	\$ 438,816
Cash - reserves	600,471	1,049,911
Certificates of deposit - reserves	599,095	596,143
Accounts receivable	52,077	98,566
Inventories	19,197	15,505
Total Current Assets	2,132,471	2,198,941
Property and Equipment:		
Land and improvements	416,263	416,263
Building	3,544,201	3,230,661
Vehicles and equipment	954,620	735,918
	4,915,084	4,382,842
Less: Accumulated depreciation	1,093,889	925,333
Total Property and Equipment	3,821,195	3,457,509
Other Assets:		
Beneficial interest in assets held by Community Foundation	38,334	37,105
TOTAL ASSETS	\$5,992,000	\$5,693,555
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 24,541	\$ 21,428
Accrued expenses	53,042	52,134
Total Current Liabilities	77,583	73,562
Net Assets:		
Unrestricted:		
Undesignated	863,979	466,855
Board designated	1,199,566	1,666,054
Net investment in property	3,821,195	3,457,509
Permanently restricted	29,677	29,575
Total Net Assets	5,914,417	5,619,993
TOTAL LIABILITIES AND NET ASSETS	\$5,992,000	\$5,693,555

See Accompanying Notes to Financial Statements.

WELD FOOD BANK

STATEMENTS OF ACTIVITIES

Years Ended June 30	2015	2014
Changes in Unrestricted Net Assets:		
Public Support and Revenue:		
Public support:		
United Way	\$ 37,500	\$ 37,500
Contributions:		
Cash	33,089	86,452
Disaster assistance	-	222,515
Food	14,321,880	14,305,367
Operating grants	11,251	116,250
Funds development	2,333,970	2,358,090
Total Public Support	16,737,690	17,126,174
Revenue:		
Food programs reimbursement	510,004	476,860
Share contribution program	162,919	156,124
Miscellaneous income	176	12,979
Interest income	4,647	7,804
Total Revenue	677,746	653,767
Total Support and Revenue	17,415,436	17,779,941
Expenses:		
Program services	16,796,352	16,918,622
General and administrative	65,563	61,064
Fundraising	259,199	242,153
Total Expenses	17,121,114	17,221,839
Increase in Unrestricted Net Assets	294,322	558,102
Changes in Permanently Restricted Net Assets:		
Endowment contributions	102	1,000
Increase in Net Assets	294,424	559,102
Net Assets, Beginning of Year	5,619,993	5,060,891
Net Assets, End of Year	\$ 5,914,417	\$ 5,619,993

See Accompanying Notes to Financial Statements.

WELD FOOD BANK

STATEMENTS OF CASH FLOWS

Years Ended June 30	2015	2014
Cash Flows From Operating Activities:		
Cash received (paid) for:		
Public support	\$ 2,400,243	\$ 2,651,567
Grants received	11,251	116,250
Food program reimbursements	549,120	476,860
Share contribution program	170,392	156,124
Interest received	568	754
Salaries and benefits	(1,044,133)	(962,695)
Suppliers and other vendors	(1,581,824)	(1,752,073)
Net Cash Provided by Operating Activities	505,617	686,787
Cash Flows From Investing Activities:		
Purchase of bank certificates of deposit	-	(250,000)
Proceeds from sale of property and equipment	-	4,300
Purchase of property and equipment	(532,242)	(57,541)
Net Cash Flows Used by Investing Activities	(532,242)	(303,241)
Cash Flows From Financing Activities		
	-	-
Net Increase (Decrease) in Cash and Equivalents	(26,625)	383,546
Cash, Beginning of Year	1,488,727	1,105,181
Cash, End of Year	\$ 1,462,102	\$ 1,488,727
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Increase in net assets	\$ 294,424	\$ 559,102
Adjustments:		
Depreciation	168,556	145,169
Gain on sale of property and equipment	-	(4,300)
Bad debt expense	700	8,155
Contributions restricted for long-term investment	(102)	(1,000)
Endowment investment income reinvested	(1,127)	(4,719)
Certificate of deposit interest reinvested	(2,952)	(2,331)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	45,789	(38,438)
Inventories	(3,692)	(7,216)
Contributions receivable	-	37,985
Increase (decrease) in:		
Accounts payable	3,113	21,428
Accrued expenses	908	26,952
Deferred grant revenue	-	(54,000)
Net Cash Provided by Operating Activities	\$ 505,617	\$ 686,787

See Accompanying Notes to Financial Statements.

WELD FOOD BANK

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015 (With Comparative Totals for 2014)	Program Services	General and Administrative	Fund Raising	Totals	
				2015	2014
Functional Expenses:					
Salaries	\$ 767,605	\$ 28,889	\$ 86,328	\$ 882,822	\$ 811,915
Food purchases and freight	876,645	-	-	876,645	978,358
Donated food	14,321,880	-	-	14,321,880	14,305,367
Bank charges	-	-	12,036	12,036	10,522
Bad debt	650	-	50	700	8,155
Depreciation	168,556	-	-	168,556	145,169
Disaster assistance	-	-	-	-	164,656
Donor food support	4,147	-	-	4,147	10,985
Dues and Fees	6,388	165	6,226	12,779	12,793
Employee benefits	84,653	1,535	7,434	93,622	89,694
Fundraisers	-	-	140,836	140,836	127,354
Insurance	64,332	968	-	65,300	47,540
Miscellaneous	-	-	-	-	2,724
Office and operating supplies	56,873	1,081	-	57,954	71,379
Payroll taxes	59,948	2,360	6,289	68,597	61,086
Postage	6,294	185	-	6,479	7,097
Professional fees/grants	77,137	24,031	-	101,168	39,707
Promotion (public education)	42,686	1,300	-	43,986	46,013
Rent expense	9,600	-	-	9,600	9,600
Repairs and maintenance	65,423	1,447	-	66,870	76,571
Telephone	11,855	246	-	12,101	9,895
Transportation	67,813	1,155	-	68,968	74,285
Training and technology	28,623	834	-	29,457	36,416
Utilities	75,244	1,367	-	76,611	74,558
Total Functional Expenses	\$16,796,352	\$ 65,563	\$259,199	\$17,121,114	\$ 17,221,839

See Accompanying Notes to Financial Statements.

WELD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of Weld Food Bank conform to accounting principles generally accepted in the United States. The following summary of significant accounting policies is presented to assist the reader in evaluating Weld Food Bank's financial statements.

Organization:

Weld Food Bank, originally known as the Greeley Food Clearing House, operates a facility to provide food at no cost to human services organizations and needy people in cooperation with a national organization, Feeding America. The organization also has contracts with a local government agency to administer the warehousing and distribution of supplemental foods to needy people.

Basis of Accounting:

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

Unrestricted Net Assets: Net assets that have no donor-imposed restrictions or stipulations.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed restrictions or stipulations that will be met, either by specific actions taken by Weld Food Bank or by passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as "released from restriction".

Permanently Restricted Net Assets: Net assets subject to donor-imposed restrictions or stipulations which require that the donated assets be maintained in perpetuity by the organization. Donors may permit the use of all or part of the income earned to be used for general or specific purposes.

Cash and Cash Equivalents:

For the purpose of the Statements of Cash Flows, the organization considers all highly-liquid financial instruments with maturities of three months or less to be equivalent to cash.

WELD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Contributions:

Contributions, including unconditional promises to give, if any, are recorded as received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All contributions are available for unrestricted use unless specifically restricted by the donor.

Contributed property and equipment is recorded at fair value at the date of donation. The organization does not have a policy of implying a time restriction on such contributions.

Accounts Receivable:

Accounts receivable are primarily from governmental agencies for contracted services and local nonprofit agencies for food purchases. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on trade receivables that are outstanding. At June 30, 2015, no significant accounts are 90 days or more past due and no allowance for doubtful accounts is considered necessary by management.

Inventory and Donated Food:

Inventory, consisting of purchased food only, is stated at lower of cost or market; cost is determined using the first-in, first-out method.

Donated food is estimated in the Statement of Activities by using an overall fair market value per pound of \$1.70 for 2015 and \$1.72 for 2014 as determined by an independent study conducted through Feeding America. The estimated fair market value of the donated food received and distributed is approximately \$14,321,880 and \$14,305,367 for the years ended June 30, 2015 and 2014, respectively, and is reported in the accompanying financial statements as donated food and offset by donated food expense in the Statement of Activities.

WELD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Property and Equipment:

Property assets are recorded at cost or, in the case of donated items, at fair value at the date of donation. The organization does not imply a time restriction on gifts of property; such contributions are generally reported as unrestricted support. Weld Food Bank capitalizes assets with unit cost of \$1,000 or more and depreciates these by accelerated methods over their estimated useful lives. Estimated lives are generally from 5-10 years for equipment and fixtures, and 50 years for buildings. Assets with unit costs of less than \$1,000, as well as all repairs and maintenance, are charged to expense in the year purchased or incurred.

Compensated Absences:

Weld Food Bank pays accumulated leave time upon termination of employees. Any such amounts accumulated are valued at current pay rates and included as an accrued liability on the financial statements for \$22,178 and \$19,359 at June 30, 2015 and 2014, respectively.

Advertising:

Weld Food Bank expenses advertising costs as they are incurred. Weld Food Bank also receives contributed advertising periodically which is not recorded in the financial statements. Promotion and public education expenses were \$43,986 and \$46,013 for the years ended June 30, 2015 and 2014, respectively.

Contributed Services:

Contributed services are recorded for those services which would create or enhance nonfinancial assets, be of a specialized nature provided by persons possessing specialized skills, and which would otherwise be purchased. Any such services received by Weld Food Bank are considered immaterial in relation to the overall financial statements and have not been valued or recorded for this presentation. These services consist of volunteer services and various types of other program work.

Income Taxes:

Weld Food Bank is exempt from federal income taxation under the provisions of Internal Revenue Code Section 501(c)(3), and is thereby also exempt from Colorado income taxation. The Internal Revenue Service has classified the organization as “not a private foundation”.

Tax penalties and interest, if any, would be classified with income tax expenses in the financial statements. No tax penalties or interest have been incurred or are recognized in the financial statements. Generally, three tax years remain subject to examination by tax jurisdictions.

WELD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Allocation of Supporting Services and Program Services:

Expenses incurred for program services and supporting services are allocated based upon direct costs and estimated indirect costs related to these categories.

Use of Estimates:

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

Subsequent Events:

Management has evaluated subsequent events through the date the financial statements were available for issuance, which is the same date as the auditors' report.

Prior Year Comparative Information:

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2014.

Certain 2014 amounts have been reclassified for comparison with the 2015 financial statement presentation.

NOTE 2 - Leases:

The organization rents additional space as-needed on a monthly basis. Total rent expense for this facility totaled \$9,600 for the years ended June 30, 2015 and 2014.

NOTE 3- Feeding America:

Weld Food Bank is affiliated with Feeding America, a national food bank association. Weld Food Bank paid \$6,296 and \$5,093 of dues and fees to Feeding America during the years ended June 30, 2015 and 2014, respectively. Feeding America provides a significant amount of donated food.

WELD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - Commodity Supplemental Food Program:

Weld Food Bank receives expense reimbursements from Feeding Colorado, formerly the Colorado Food Bank Association, under the federal Commodity Supplemental Food Program (CSFP) to cover various program expenses. These reimbursements totaled \$167,665 and \$255,299 for the years ended June 30, 2015 and 2014, respectively and are reported as revenue in the Statement of Activities. CSFP also provides a significant amount of donated commodities for low-income mothers, infants, children to age six, and seniors over 60 years of age.

NOTE 5 - Retirement Program:

Weld Food Bank offers retirement benefits to its employees through Internal Revenue Code Section 403(b) tax deferred annuities. The annuities purchased are the property of individual employees and require no post-employment support by the organization. However, Weld Food Bank has agreed to match voluntary contributions up to a maximum of 1.5% of employee salary, and incurred a retirement program cost of \$6,120 and \$5,558 for the years ended June 30, 2015 and 2014, respectively.

NOTE 6 – Contingencies:

In June 2003, Weld County contributed a 3.44 acre parcel of land with a market value of \$299,926 to the Weld Food Bank. If the land and subsequent building are not used continuously for the warehousing and distribution of food, the deed of trust requires \$299,926 to be paid to the County, which amount declines ratably until 2028. As the possibility of this condition not being met is remote, this contribution was recorded as unrestricted support in 2003.

NOTE 7 – Net Assets:

Unrestricted net assets include the following Board-designated net assets:

June 30	2015	2014
Operational Reserve	\$ 704,566	\$ 1,196,054
Capital Improvements	425,000	300,000
Equipment Purchase	50,000	150,000
Agency Grants	20,000	20,000
	<u>\$ 1,199,566</u>	<u>\$ 1,666,054</u>

WELD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – Endowment Fund:

In 2008, the Food Bank entered into an agreement with The Community Foundation Serving Greeley and Weld County (the Community Foundation) to establish a permanent endowment fund with donor funds restricted for that purpose, to be administered by the Community Foundation.

The fund is held and invested by the Community Foundation for the benefit of the Weld Food Bank. The Food Bank is eligible to receive annual distributions according to the Community Foundation's spending policy, currently 5% of the average market value of the endowment over the past 12 quarters. Excess earnings, if any, are reinvested in the fund. During fiscal years 2015 and 2014, all income from the fund was reinvested.

In connection with this fund, the Weld Food Bank granted variance power to the Community Foundation, which allows modification, upon reasonable cause, of any restrictions or conditions on the distribution of funds if, in their sole judgment, the restriction becomes unnecessary or incapable of fulfillment. Since the Food Bank is the beneficiary of the fund, the Food Bank reports its interest in the fund in these financial statements.

The Food Bank, over the long-term, expects the current spending policy to allow its endowment fund to grow. This is consistent with Food Bank's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return. To achieve that objective, the Community Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Actual returns in any given year may vary from the expectations. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The Board of Directors of the Weld Food Bank has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Food Bank classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets since these amounts have been appropriated for expenditure by the Food Bank in a manner consistent with the standard of prudence prescribed by UPMIFA.

WELD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – Endowment Fund - Continued:

In accordance with UPMIFA, the Food Bank considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund;
- 2) The purposes of the Food Bank and the donor-restricted endowment fund;
- 3) General economic conditions;
- 4) The possible effect of inflation and deflation;
- 5) The expected total return from income and the appreciation of investments;
- 6) Other resources of the Food Bank; and
- 7) The investment policies of the Food Bank.

The following are the changes in endowment net assets for the year ended June 30, 2015:

	Unrestricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 7,530	\$ 29,575
Contributions	--	102
Appropriation of endowment assets for expenditure	--	--
Investment income	1,127	--
Endowment net assets, end of year	\$ 8,657	\$ 29,677

The following are the changes in endowment net assets for the year ended June 30, 2014:

	Unrestricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 2,811	\$ 28,575
Contributions	--	1,000
Appropriation of endowment assets for expenditure	--	--
Investment income	4,719	--
Endowment net assets, end of year	\$ 7,530	\$ 29,575

The *Fair Value Measurements and Disclosures* Topic of the Financial Accounting Standards Board Codification establishes a fair value hierarchy that is based on the fair value measurements. Measurements using quoted prices in active markets for identical assets and liabilities fall within Level 1 of the hierarchy, measurements using significant other observable inputs fall within Level 2, and measurements using significant unobservable inputs fall within Level 3.

WELD FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – Endowment Fund - Continued:

Description	Fair Value Measurements at June 30, 2015		
	Quoted Prices In Active Markets for Identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by the Community Foundation	\$ --	\$ --	\$ 38,334

Description	Fair Value Measurements at June 30, 2014		
	Quoted Prices In Active Markets for Identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by the Community Foundation	\$ --	\$ --	\$ 37,105

The beneficial interest in assets held by the Community Foundation is recorded at the amount provided by the Community Foundation, which is based on the fair market value of the investments underlying the fund. A reconciliation of these assets is presented on page 14.

WELD FOOD BANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Agency/Program Grant Title	Pass-Through Identification Number	CFDA Number	Expenditures	Value of Commodities
<u>Department of Agriculture</u>				
Passed Through Colorado Department of Human Services:				
Food Distribution Cluster:				
Commodity Supplemental Food Program (Administrative Costs)	<i>14IHA60005</i>	10.565	\$ 167,665	\$ -
Commodity Supplemental Food Program (Food Commodities)		10.565	-	585,909
Emergency Food Assistance Program (Administrative Costs)	<i>14IHA59990</i>	10.568	133,815	-
Emergency Food Assistance Program (Food Commodities)		10.569	-	1,189,048
Total Food Distribution Cluster			301,480	1,774,957
<u>Department of Public Health and Environment</u>				
Child and Adult Care Food Program		10.558	126,540	-
<u>Department of Education</u>				
Summer Food Service Program		10.559	81,984	-
Total Federal Assistance			\$ 510,004	\$ 1,774,957

Note: Schedule is prepared on the accrual basis of accounting.

Of the federal expenditures presented, the Weld Food Bank provided federal awards to sub recipients as follows: TEFAP, CFDA 10.569, \$698,306.



Independent Auditors' 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
Weld Food Bank
Greeley, Colorado

We have audited in accordance with auditing standards generally accepted in the United States 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 Weld Food Bank and the related notes to the financial statements as of and for the year ended June 30, 2015, and have issued our report thereon dated September 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Weld Food Bank'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Weld Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of Weld Food Bank'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 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 Weld Food Bank'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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Weld Food Bank'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson & Whitney, P.C.

September 21, 2015



Independent Auditors' Report on Compliance for Major Federal Programs
and Internal Control Over Compliance Required by OMB Circular A-133

Board of Directors
Weld Food Bank
Greeley, Colorado

Report on Compliance for Major Federal Program

We have audited the compliance of Weld Food Bank with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Weld Food Bank's major federal program is identified in the summary of auditors' 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 each of Weld Food Bank's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that 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 Weld Food Bank'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 each major federal program. However, our audit does not provide a legal determination of Weld Food Bank's compliance.

Opinion on Major Federal Programs

In our opinion, Weld Food Bank complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2015.

Internal Control Over Compliance

The management of Weld Food Bank 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 the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance for each major federal program, 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 Weld Food Bank'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 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Other Matter

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-1 to 2015-3.

Weld Food Bank's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Weld Food Bank's responses and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson & Whitney, P.C.

September 21, 2015

WELD FOOD BANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

SUMMARY OF AUDITORS' RESULTS

- Type of report issued on financial statements Unmodified
- Internal control over financial reporting:
 - Material weaknesses identified No
 - Significant deficiencies identified None reported
- Noncompliance material to the financial statements noted No
- Internal control over federal awards:
 - Material weaknesses identified No
 - Significant deficiencies identified No
- Type of report issued on major programs Unmodified
- Audit findings disclosed None under .510(a). See Others Below
- Major programs Food Distribution Cluster:
 - 10.565 CSFP
 - 10.569 TEFAP
- Dollar threshold between Type A and Type B programs \$300,000
- Low-risk auditee No

FINDINGS RELATED TO FINANCIAL STATEMENTS

- None Reported

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

➤ **Finding 2015-1:**

CFDA 10.569 TEFAP

Pass-Through Agency: Colorado Department of Human Services

Criteria: *Eligibility* – In determining the eligibility of households for food assistance, accurate information must be obtained from the applicant.

Condition: Of the 25 files tested, one application was not signed by the participant.

Questioned Costs: None

Context: A signed application is the Food Bank's internal control over eligibility. The application was signed by Food Bank personnel, but not by the client.

Effect: If the application is not signed, the Food Bank is not assured of the accuracy of information and may be distributing to ineligible participants.

Cause: This appeared to be an oversight in application processing.

Recommendation: We recommend internal controls be better designed to ensure that applications are signed to assist the Food Bank in documenting eligibility.

Management's Response: Agree

Corrective Action:

Contact Person: Bob O'Connor

Corrective Action Planned:

The form in question was from September 2014. A procedure is now in place that prior to distribution, the form is checked for signature at the distribution desk. If any form does not have a signature, the client and form are sent back to certification.

➤ **Finding 2015-2:**

CFDA 10.569 TEFAP

Pass-Through Agency: State of Colorado Department of Human Services

Criteria: *Special Tests and Provisions* – Accurate and complete records must be maintained with respect to the receipt, distribution and inventory of USDA foods.

Condition: Of six invoices tested of food distribution to subrecipients, three were not signed and returned by the agency.

Questioned Costs: None

Context: The signed invoice returned by the agency is the Food Bank's control that the proper items have been distributed and received.

Effect: The Food Bank does not have evidence that subrecipients received the items sent.

Cause: This appears to have been an oversight.

Recommendation: We recommend agency invoices not signed and returned by the agencies be followed up regularly.

Management's Response: Agree

Corrective Action:

Contact Person: Bob O'Connor

Corrective Action Planned:

In January 2015 we began a paperless system of receipts via email or scan. A second individual will review all TEFAP documentation prior to the end of the month.

➤ **Finding 2015-3:**

CFDA 10.569 TEFAP

Pass-Through Agency: State of Colorado Department of Human Services

Criteria: *Special Tests and Provisions* – Accurate and complete records must be maintained with respect to the receipt, distribution, and inventory of USDA foods.

Condition: The June 30, 2015 monthly inventory report, FDP-152, had some inconsistencies with the physical count; for example, canned peaches were counted at 207 but reported as 333. Also, the amounts reported for macaroni were transposed with the amounts of whole wheat rotini.

Questioned Costs: None

Context: Failure to maintain records required by USDA can be evidence of improper distribution.

Effect: Failure to maintain proper records could mean that the Food Bank is liable for the value of the food lost.

Cause: It appears that inventory reports were not completely reviewed.

Recommendation: We recommend inventory reports be more closely reviewed to detect errors.

Management's Response: Agree

Corrective Action:

Contact Person: Bob O'Connor

Corrective Action Planned:

There were no inventory discrepancies. The macaroni and rotini were transposed in the FDP-152 report. Spaghetti sauce and peaches were also transposed in the FDP-152 report. This report will be reviewed by a second individual before submission to the State.