

MONTGOMERY AREA FOOD BANK, INC.
Financial Statements
with
Additional Information
and
Other Required Reports
June 30, 2021 and 2020

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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 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 May 16, 2022 on our consideration of Montgomery Area Food Bank, Inc.'s internal control over financial reporting and on 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 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 Montgomery Area Food Bank, Inc.'s internal control over financial reporting and compliance.

Montgomery, Alabama
May 16, 2022

Parker, Hill, Lisen
E. Stevenson, P.C.

Montgomery Area Food Bank, Inc.

Statements of Financial Position

June 30, 2021 and 2020

Assets		
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 14,260,897	\$ 3,320,035
Accounts receivable, net	39,702	39,699
Food inventory net of reserve for unsalvageable food of \$125,630 and \$41,257 respectively	2,930,429	1,852,674
Property, plant and equipment, net	<u>4,390,016</u>	<u>4,296,036</u>
Total assets	<u>\$ 21,621,044</u>	<u>\$ 9,508,444</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 320,223	\$ 46,476
Payroll liabilities and withholdings	29,404	25,025
Capital lease payable - forklift	28,568	34,402
Payroll Protection Program -note payable	-	325,487
Total Liabilities	<u>378,195</u>	<u>431,390</u>
Net assets:		
Without donor restrictions	20,071,638	8,400,456
With donor restrictions:		
Senior Supplement	55,627	45,231
Mobile Pantry	30,110	156,689
School Program	147,478	82,979
Disaster Relief	864,626	317,370
Food	37,733	38,692
Equipment fund	<u>35,637</u>	<u>35,637</u>
Total net assets	<u>21,242,849</u>	<u>9,077,054</u>
Total liabilities and net assets	<u>\$ 21,621,044</u>	<u>\$ 9,508,444</u>

The accompanying notes are an integral part of the financial statements.

Montgomery Area Food Bank, Inc

Statements of Activities

June 30, 2021 and 2020

	2021	2020
Unrestricted Revenues, Gains and Other Support:		
Food contributions	\$ 25,385,539	\$ 24,395,968
Rejected food	-	928
Contributions and grants	13,808,073	3,517,464
Fundraising income	784,918	599,077
In-kind contributions	5,000	173,000
Shared maintenance fees	383,079	930,840
Delivery fees	1,740	6,190
U.S. Department of Agriculture grant	26,675,626	17,813,901
U.S. Department of Agriculture handling fees	968,870	1,567,129
Other federal commodities grants	2,280,772	-
Interest income	3,003	2,474
CFC/SCC funds	43,542	31,189
Miscellaneous income	450	3,118
PPP grant	325,487	-
	<u>70,666,099</u>	<u>49,041,278</u>
Net assets released from restrictions	<u>1,735,065</u>	<u>24,139</u>
Total unrestricted revenues, gains and other support	<u>72,401,164</u>	<u>49,065,417</u>
Expenses:		
Program Services	60,015,140	46,106,661
Management and general	286,981	275,092
Fund raising	427,861	398,876
	<u>60,729,982</u>	<u>46,780,630</u>
Total expenses	<u>60,729,982</u>	<u>46,780,630</u>
Increase in net assets without donor restrictions	<u>11,671,182</u>	<u>2,284,787</u>
Changes in Net Assets with donor restrictions:		
Government grants	1,395,424	24,139
Contributions	834,254	-
Net assets released from donor restrictions	<u>(1,735,065)</u>	<u>(24,139)</u>
Increase in net assets with donor restrictions	<u>494,613</u>	<u>-</u>
Increase in Net Assets without donor restrictions	12,165,795	2,284,787
Net Assets, Beginning of Year	<u>9,077,054</u>	<u>6,792,267</u>
Net Assets, End of Year	<u>\$ 21,242,849</u>	<u>\$ 9,077,054</u>

The accompanying notes are an integral part of the financial statements.

MONTGOMERY AREA FOOD BANK, INC.

Statements of Functional Expenses
June 30, 2021

	Program Services				Management and General	Fund Raising	Total
	Public			Total			
	Distribution	Education	Total				
Salaries	\$ 1,264,483	\$ 161,105	\$ 1,425,588	\$ 79,604	\$ 209,073	\$ 1,714,266	
Employee Benefits	213,575	27,211	240,786	13,445	35,313	289,545	
Payroll taxes	99,301	4,317	103,620	2,132	21,597	127,349	
Total salaries and related expenses	<u>1,577,360</u>	<u>192,634</u>	<u>1,769,994</u>	<u>95,183</u>	<u>265,983</u>	<u>2,131,160</u>	
Building maintenance	66,351	3,686	70,037	3,686	-	73,723	
Bad debt expense	20,809	-	20,809	-	-	20,809	
Conference costs	31,134	5,189	36,323	15,567	-	51,890	
Dues and subscriptions	22,771	3,795	26,566	1,235	10,151	37,951	
Equipment repairs and maintenance	152,396	8,465	160,863	8,466	-	169,329	
Food donation to agencies	53,264,182	-	53,264,182	-	-	53,264,182	
Food purchases	1,730,036	-	1,730,036	-	-	1,730,036	
Grants	14,292	-	14,292	-	-	14,292	
PDO Miscellaneous donations	1,441,775	-	1,441,775	-	-	1,441,775	
Insurance	50,556	5,288	55,844	5,288	-	61,132	
Interest expense	15,501	-	15,501	-	-	15,501	
Miscellaneous	-	-	-	34,693	-	34,693	
Postage and shipping	35,653	9,749	45,402	9,748	-	55,151	
Printing	4,031	12,095	16,126	4,032	-	20,158	
Professional fees	5,667	5,667	11,335	45,338	151,727	208,400	
Professional training	-	-	-	7,914	-	7,914	
Rent	15,022	-	15,022	-	-	15,022	
Supplies	39,385	1,314	40,699	3,941	-	44,641	
Taxes and licenses	6,785	-	6,785	-	-	6,785	
Telephone	14,597	2,433	17,030	7,298	-	24,328	
Travel	70,207	8,776	78,982	8,776	-	87,759	
Handling fees to PDO's	772,872	-	772,872	-	-	772,872	
Utilities	148,184	8,232	156,417	8,232	-	164,649	
Total expenses before depreciation	<u>59,499,566</u>	<u>267,324</u>	<u>59,766,893</u>	<u>259,398</u>	<u>427,861</u>	<u>60,454,152</u>	
Depreciation	220,664	27,583	248,247	27,583	-	275,830	
Total expenses	<u>\$ 59,720,230</u>	<u>\$ 294,908</u>	<u>\$ 60,015,140</u>	<u>\$ 286,981</u>	<u>\$ 427,861</u>	<u>\$ 60,729,982</u>	

The accompanying notes are an integral part of the financial statements.

MONTGOMERY AREA FOOD BANK, INC.

Statements of Functional Expenses
June 30, 2020

	Program Services			Management and General	Fund Raising	Total
	Distribution	Public Education	Total			
Salaries	\$ 1,031,766	\$ 144,098	\$ 1,175,864	\$ 73,305	\$ 189,061	\$ 1,438,230
Employee Benefits	190,471	26,601	217,072	13,533	34,902	265,507
Payroll taxes	97,767	731	98,498	371	16,416	115,285
Total salaries and related expenses	1,320,004	171,430	1,491,434	87,209	240,379	1,819,022
Building maintenance	37,895	2,105	40,000	2,106	-	42,106
Conference costs	2,293	382	2,675	1,146	-	3,821
Dues and subscriptions	26,650	4,442	31,092	646	12,679	44,417
Equipment repairs and maintenance	217,506	12,083	229,589	12,084	-	241,673
Food donation to agencies	42,135,085	-	42,135,085	-	-	42,135,085
Food purchases	198,258	-	198,258	-	-	198,258
Grant expenses	17,457	-	17,457	-	-	17,457
In-kind expenses	-	-	-	-	-	-
Insurance	40,487	4,312	44,799	4,312	-	49,111
Interest expense	17,032	-	17,032	-	-	17,032
Miscellaneous	-	-	-	16,942	-	16,942
Postage and shipping	38,841	9,157	47,998	9,156	-	57,154
Printing	4,341	13,025	17,366	4,342	-	21,708
Professional fees	38,141	7,076	45,217	56,610	145,818	247,645
Professional training	-	-	-	14,773	-	14,773
Rent	8,683	-	8,683	-	-	8,683
Supplies	92,642	4,668	97,310	14,002	-	111,312
Taxes and licenses	9,238	-	9,238	-	-	9,238
Telephone	16,837	2,806	19,643	8,418	-	28,061
Travel	76,771	9,596	86,367	9,596	-	95,964
USDA handling fees to PDO's	1,174,335	-	1,174,335	-	-	1,174,335
Utilities	160,799	8,933	169,732	8,933	-	178,665
Total expenses before depreciation	45,633,295	250,015	45,883,310	250,275	398,876	46,532,462
Depreciation	198,534	24,817	223,351	24,817	-	248,168
Total expenses	\$ 45,831,829	\$ 274,832	\$ 46,106,661	\$ 275,092	\$ 398,876	\$ 46,780,630

The accompanying notes are an integral part of the financial statements.

Montgomery Area Food Bank, Inc.

Statements of Cash Flows

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 12,165,795	\$ 2,284,787
Adjustments to reconcile decrease in net assets to net cash provided by operating activities -		
Depreciation	275,830	248,168
Payroll Protection Program forgiveness	(325,486)	-
Decrease (increase) in accounts receivable	(3)	68,969
Increase in food inventory	(1,077,755)	(74,784)
Decrease in prepaid expenses	-	-
Increase (decrease) in accounts payable	273,747	34,716
Increase in payroll taxes and withholdings	4,379	19,415
Net cash provided by operating activities	<u>11,316,507</u>	<u>2,581,271</u>
Cash Flows from Investing Activities:		
Increase in capital lease payable	(5,834)	(4,304)
Contribution of warehouse	-	(167,000)
Purchase of fixed assets	(369,810)	(448,731)
Net cash used by investing activities	<u>(375,644)</u>	<u>(620,035)</u>
Cash Flows from Financing Activities:		
Payroll Protection Program Loan	-	325,487
Net increase in Cash and Cash Equivalents	10,940,863	2,286,723
Cash and cash equivalents at beginning of year	<u>3,320,035</u>	<u>1,033,312</u>
Cash and cash equivalents at end of year	<u>\$ 14,260,897</u>	<u>\$ 3,320,035</u>
Interest paid	<u>\$ 15,501</u>	<u>\$ 17,032</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

Montgomery Area Food Bank, Inc.

Notes to Financial Statements

1. Organization

Montgomery Area Food Bank, Inc. is a nonprofit organization operating as a central clearinghouse for the collection, sorting, storing and distribution of edible food to qualified member agencies. Any charitable, nonprofit organization within the assigned Feeding America service area may apply to become a member of the Food Bank. As part of the application process, the donee organization must document its exemption with the IRS under Section 501(c)(3). It must also certify that the food will go to only needy individuals at no charge, that the food will be in clean, sanitary, and secure conditions, that the food will not be sold, bartered, swapped, or traded, and that it will maintain records of accountability. After reviewing the application, the Food Bank staff visits the organization to review the program. The staff prepares a report to the Board of Directors which by formal resolution either accepts or rejects the application for membership based upon merit.

The Food Bank operates as a fully certified member of the Feeding America national network of food banks.

The Organization assesses its member agencies a handling fee on a per pound of food issued basis, which it anticipates will defray a substantial portion of the overall expense of operations. The balance of support is expected to come from public contribution, USDA handling administrative income, and from FEMA.

2. Significant Accounting Policies

Financial Statement Presentation

The Organization maintains its accounting records on the accrual basis of accounting and classifies its financial statements based on the existence or absence of donor-imposed restrictions. Accordingly, net assets in the financial statements are reported in three categories, as follows:

- Without donor restrictions: Those net assets and activities which represents the portion of the expendable funds available to support the operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.
- With donor restrictions: Net assets subject to donor-imposed restrictions that expire when the stipulate purposes for which the resource was restricted has been fulfilled or that are maintained permanently

Management Estimates

The preparation of financial statements in conformity 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 date of the financial statements and the reported amounts of revenues and expenses for the year then ended. Actual results could differ from these estimates.

Montgomery Area Food Bank, Inc.

Notes to Financial Statements

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and short-term investments with original maturities of three months or less. The Organization maintains portions of its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes that the Organization is not exposed to any significant credit risk related to cash.

Donated Food

Food contributions received by the Organization are capitalized as food inventory and recorded as unrestricted revenue. Upon distribution, food inventory is recorded as a decrease in unrestricted net assets and is charged to expense as food donations to agencies.

Contributed Merchandise and Other In-Kind Contributions

Contributed merchandise and other in-kind contributions, including equipment, are reflected as contributions at their estimated fair values when received or when an unconditional promise to give has been received by the Organization.

Property and Equipment

Purchased property and equipment are recorded at cost. The Organization capitalizes property and equipment purchased with government grants, where the property is legally owned by the granting agency, if management considers it probable that the Organization will be permitted to keep the property and equipment for the estimated useful lives of the assets.

Depreciation is provided using the straight-line method over the estimated useful lives of 10 to 40 years on the building and improvements, 5 years is used to compute depreciation on warehouse, automotive and office equipment and 7 years is used to compute depreciation on office furniture.

The carrying values of long-lived assets are reviewed when events or changes in circumstances indicate that the carrying amounts of assets may not be recoverable. If the undiscounted future cash flows (without interest charges) are less than the carrying amount of an asset, an impairment loss is recognized to the extent the asset's carrying amount exceeds its fair value. No impairment loss was recognized in 2021 or 2020.

Grant Expenditures

Grant expenditures are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Organization does not expect such amounts, if any, to have a material effect on the Organization's financial statements.

Contributed Services

Unpaid volunteers assist in the warehousing, boxing, weighing and carrying of food for agencies. The value of these contributed services is not reflected in the accompanying financial statements, as the services provided do not meet the criteria for recognition according to accounting principles generally accepted in the United States of America.

Montgomery Area Food Bank, Inc.

Notes to Financial Statements

Shared Maintenance Fees

The Organization distributes food to 286 agencies that are charged for products on a per pound basis, not to exceed eighteen cents per pound. Also, subsidiary distribution organizations are charged a handling fee for products on a per pound basis, not to exceed eight cents per pound. These charges are reflected as shared maintenance fees in the accompanying financial statements.

Tax Status

The Organization is a nonprofit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization has been classified as an organization that is not a private foundation. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Accounts Receivable

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. \$5,000 and \$5,910 has been accrued for allowance for doubtful accounts at June 30, 2021 and 2020, respectively. Changes in the valuation allowance have not been material to the financial statements.

Liquidity and Availability of Resources

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The financial assets available within one year of the financial position date for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 14,260,897	\$ 3,320,035
Accounts Receivable	<u>44,702</u>	<u>36,405</u>
	<u>\$ 14,305,599</u>	<u>\$ 3,356,440</u>

Montgomery Area Food Bank, Inc.

Notes to Financial Statements

Functional Expenses

The cost of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services, management and general, and fund-raising expense classifications based on management's estimates of resources consumed by these functions.

The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Employee Benefits	Time and effort
Payroll taxes	Time and effort
Building Maintenance	Square footage
Conference cost	Time and effort
Dues and subscriptions	Time and effort
Equipment repairs and maintenance	Square footage
In-Kind expenses	Time and effort
Insurance	Square footage
Miscellaneous	Time and effort
Postage and shipping	Time and effort
Printing	Time and effort
Professional fees	Time and effort
Professional training	Time and effort
Supplies	Square footage
Telephone	Square footage
Travel	Time and effort
Utilities	Square footage

3. Food Inventory

The following summarizes food inventory transactions:

	June 30, 2021		June 30, 2020	
	Pounds	Value	Pounds	Value
Balance, beginning of year	1,166,281	\$ 1,893,931	1,470,227	\$ 1,886,997
Food contributions and purchases	27,052,880	56,071,972	26,686,108	41,947,069
Food distributions	(26,876,208)	(55,805,502)	(27,273,090)	(42,183,388)
Valuation adjustments	190,078	895,657	283,036	243,253
Balance, end of year	1,533,031	3,056,059	1,166,281	1,893,931
Allowance for unsalvageable food	(72,201)	(125,630)	(23,711)	(41,257)
Net food inventory	1,460,830	\$ 2,930,429	1,142,570	\$ 1,852,674

Montgomery Area Food Bank, Inc.

Notes to Financial Statements

3. Food Inventory (continued)

At June 30, 2021 and 2020, food inventory was valued at \$1.74 per pound for all food on hand from sources other than the United States Department of Agriculture (USDA). This value was based on the results of a product valuation survey provided by Feeding America. For food received from the USDA, a weighted average per pound was used based on the USDA's estimate of the average wholesale value per pound of food.

4. Property and Equipment

Property and equipment consisted of the following:

	June 30, 2021	June 30, 2020
Land	\$ 410,066	\$ 371,434
Building	5,060,379	4,977,114
Equipment and vehicles	2,209,156	1,988,821
Office furniture	59,392	55,892
	<u>7,738,993</u>	<u>7,393,261</u>
Accumulated depreciation	3,348,977	3,097,225
	<u>\$ 4,390,016</u>	<u>\$ 4,296,036</u>

5. Retirement Plan

The Organization maintains a SIMPLE employee pension plan to which the Organization contributes monthly amounts based on the employees' current salaries. Employees that have reached twenty-one years of age and completed six months of full-time employment are eligible to participate in the plan. For the years ended June 30, 2021 and 2020, five percent of all eligible employees' salaries were contributed to the plan. Employees do not have to contribute to the pension plan and employer contributions vest immediately. The related pension expense was \$74,905 and \$63,709 for the years ended June 30, 2021 and 2020, respectively.

6. Lease Commitment

The Organization leases copiers and a postage meter resulting in \$1,092 and \$1,090 a month, respectively. The Organization leases forklifts for a total of \$1,778 a month and warehouse space \$1,000. Total lease expense for the years ended June 30, 2021 and 2020 were \$46,440 and \$38,784, respectively. Future minimum lease payments are as follows:

2022	\$ 50,892
2023	<u>43,552</u>
	<u>\$ 94,444</u>

Montgomery Area Food Bank, Inc.

Notes to Financial Statements

7. Related Party

The Organization purchased insurance through a company owned by one of its board members during the years ended June 30, 2021 and 2020, which totaled \$73,423 and \$67,531, respectively.

The Organization had cash on deposit with a financial institution in which board members are management during the years ended June 30, 2021 and 2020, which totaled \$336,052 and \$538,218, respectively.

The Organization purchased advertising through a company operated by one of its board members during the year ended June 30, 2021 and 2020 which totaled \$28,030 and \$25,000, respectively.

8. Expense Measurements

Program expenses, management and general and fundraising expenses make up the following percentages of total expenses without and with inventory valuations as follows:

	<u>2021</u>		<u>2020</u>	
Program expenses without inventory valuations	\$ 6,750,958	90%	\$ 3,971,577	85%
Management and general	286,981	4%	275,092	6%
Fund raising	<u>427,861</u>	<u>6%</u>	<u>398,876</u>	<u>9%</u>
	<u>\$ 7,465,800</u>	<u>100%</u>	<u>\$ 4,645,545</u>	<u>100%</u>
	<u>2021</u>		<u>2020</u>	
Program expenses with inventory valuations	\$ 60,015,140	99.97%	\$ 46,106,661	98%
Management and general	286,981	.01%	275,092	1%
Fund raising	<u>427,861</u>	<u>.02%</u>	<u>398,876</u>	<u>1%</u>
	<u>\$ 60,729,982</u>	<u>100%</u>	<u>\$ 46,780,630</u>	<u>100%</u>

9. Other Commitments

At June 30, 2021, the Organization had an unused line of credit with a financial institution in the amount of \$500,000. This letter of credit expires on July 28, 2022.

10. Accounts Receivable

Accounts receivable are shown, net of allowance for doubtful accounts, from the following sources:

Trade	\$ 44,702
Less allowance for doubtful accounts	<u>(5,000)</u>
	<u>\$ 39,702</u>

Montgomery Area Food Bank, Inc.

Notes to Financial Statements

11. Subsequent Events

Management has considered subsequent events through May 16, 2022, the financial statement reporting date.

12. Concentration of Credit Risk

At June 30, 2021, the Organization had a total of \$13,659,635 in excess of the insured Federal Deposit Insurance Corporation (FDIC) limit on deposit with two institutions.

Additional Information

Parker, Gill, Eisen
& Stevenson, P.C.
Certified Public Accountants

**Independent Auditors' Report
on Additional Information**

MEMBER
AMERICAN INSTITUTE
OF CERTIFIED PUBLIC
ACCOUNTANTS

MEMBER
ALABAMA SOCIETY
OF CERTIFIED PUBLIC
ACCOUNTANTS

To the Board of Directors of
Montgomery Area Food Bank, Inc.

We have audited the financial statements of the Montgomery Area Food Bank, Inc. as of and for the years ended June 30, 2021 and 2020 and have issued our report thereon dated May 16, 2022, which contained an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of financial position and activities without inventory valuations, schedule of expenditures of federal awards, schedule of findings and questioned cost, and the summary of prior audit findings are presented for the 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 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.

*Parker, Gill, Eisen
& Stevenson, P.C.*

Montgomery, Alabama
May 16, 2022

Montgomery Area Food Bank, Inc.

Statements of Financial Position without Inventory June 30, 2021 and 2020

	Assets	
	2021	2020
Cash and cash equivalents - unrestricted	\$14,260,897	\$ 3,320,035
Accounts receivable, net	39,702	39,699
Property, plant and equipment, net	4,390,016	4,296,036
Total assets	\$18,690,615	\$ 7,655,770
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 320,223	\$ 46,476
Payroll liabilities and withholdings	29,404	25,025
Capital lease payable - forklift	28,568	34,402
Payroll Protection Program - note payable	-	325,487
	<u>378,195</u>	<u>431,390</u>
Net Assets as restated:		
Without donor restrictions	17,141,209	6,547,782
With donor restrictions	1,171,211	676,598
Total net assets as restated	18,312,420	7,224,380
Total liabilities and net assets	\$18,690,615	\$ 7,655,770

See Independent Auditors' Report on Additional Information

Montgomery Area Food Bank, Inc.

Statements of Activities without Inventory Valuations June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues, Gains and Support:		
Contributions and grants	\$16,032,280	\$ 3,517,464
Rejected food	-	928
Fundraising	784,918	599,077
Shared maintenance fees	383,079	930,840
U.S. Department of Agriculture handling fee	968,870	1,567,129
FEMA grant	5,471	24,139
Delivery fees	1,740	6,190
Interest income	3,003	2,474
In-kind contribution	5,000	173,000
CFC/SCC funds	43,542	31,189
United Way	-	-
Miscellaneous income	450	3,118
PPP grant	325,487	-
	<u>18,553,840</u>	<u>6,855,548</u>
Total revenues, gains and other support		
	<u>18,553,840</u>	<u>6,855,548</u>
Expenses:		
Program services	6,750,958	3,971,577
Management and general	286,981	275,092
Fund raising	427,861	398,876
	<u>7,465,800</u>	<u>4,645,545</u>
Total expenses		
	<u>7,465,800</u>	<u>4,645,545</u>
Increase in Net Assets	11,088,040	2,210,003
Net Assets, Beginning of Year	<u>7,224,380</u>	<u>5,014,377</u>
Net Assets, End of Year	<u>\$18,312,420</u>	<u>\$ 7,224,380</u>

See Independent Auditors' Report on Additional Information

Montgomery Area Food Bank, Inc.

Schedule of Expenditures of Federal Awards
June 30, 2021

Grantor/Pass Through Grantors Program Title	Federal CFDA #	Program Award Amount	Federal Expenditures	Pass Through Grantor #
FEMA, Emergency Food & Shelter	97.024	\$ 5,471	\$ 5,471	Emergency Food & Shelter Program 34-0138-00 006 E9 013800-006
DHHS-Temporary Assistance for Needy Families -Administrative Cost	93.558	1,060,290	1,060,290	State Department
DHHS-Temporary Assistance for Needy Families - Commodities	93.558	2,280,772	2,036,078	State Department
Cluster - USDA Emergency Food Assistance Program				
USDA, FNS The Emergency Food Assistance Program Administrative Costs	10.568	968,870	968,870	State Department of Education 12-3507-01-605
USDA, FNS The Emergency Food Assistance Program - Food Commodities	10.569	11,547,687	11,386,697	State Department of Education 12-3505-0-1-605
USDA, FNS The Commodity Supplemental Food Program - Food Commodities	10.565	4,458,938	3,914,399	State Department of Education
USDA, TEFAP CARES Act Administrative Costs	10.568	846,425	844,956	
USDA, CARES Act - Commodities	10.569	2,915,741	2,915,741	
USDA - Trade Mitigation		7,470,177	7,470,177	
USDA - Families First Coronavirus Response Act - Commodities	10.568	283,083	273,754	
Families First Coronavirus Response Act - Administrative Costs	10.568	543,529	-	
		<u>29,034,450</u>	<u>27,774,594</u>	
		<u>\$ 32,380,983</u>	<u>\$ 30,876,433</u>	

Note: The accrual basis of accounting has been used to prepare this schedule.

Montgomery Area Food Bank, Inc.

**Schedule of Findings and Questioned Costs
June 30, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes No

Type of auditor's report issued on compliance of major programs: **Unmodified**

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.569, 10.565, 10.568 and 93.558	USDA, FNS Emergency Food Assistance Program Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs; \$ 750,000

Auditee qualified as low-risk auditee? Yes No

Montgomery Area Food Bank, Inc.

Schedule of Findings and Questioned Costs June 30, 2021

Section II - Financial Statement Findings

Material Weakness

2021-001 Segregation of Duties

Criteria: The assignment of responsibilities should be segregated so that one person is not responsible for the recording of a transaction and the custody of the related asset. There needs to be a reconciliation or control activity to provide reasonable assurance that transactions are handled appropriately.

Condition: Key duties and functions are not segregated among personnel. This is especially a concern in the cash management, general ledger, deposits, account receivable, and accounts payable department.

Effect: Transaction could be mishandled, due to errors or fraud that could lead to loss of assets or the reporting of misleading financial information.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, by possibly training and utilizing non-financial personnel and utilizing alternative controls. The person in charge of the general ledger should not have check signing capabilities nor the ability to make deposits.

Management's response: Person in charge of the general ledger will be removed as a check signer and other duties will be segregated out to non-financial personnel.

Montgomery Area Food Bank, Inc.

Schedule of Prior Findings and Questioned Costs June 30, 2021

Finding: 20-01

Status: The finding related to member agency monitoring passing the twenty-four-month time period was cleared. All agencies that were tested in 2021 were within and required time period for monitoring and those that had been past due had been brought back into compliance. 2020 was an unusual year due to many agencies closing due to the safer at home mandates issued by the US Federal and State governments.

Other Required Reports

**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***

The Board of Directors of
Montgomery Area Food Bank, Inc.
Montgomery, Alabama

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 Montgomery Area Food Bank, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 16, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montgomery Area Food Bank, Inc.'s internal control over financial reporting 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 Montgomery Area Food Bank, Inc.'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 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.

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 weaknesses or significant deficiencies. Given these limitations during our audit, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery Area Food Bank, Inc.'s financial statements are free from 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.

Montgomery, Alabama
May 16, 2022

Parker, Hill, Lisen
Er Stevenson, P.C.

**Independent Auditors' Report on
Compliance For Each Major Federal Program; and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

The Board of Directors of
Montgomery Area Food Bank, Inc.
Montgomery, Alabama

Report on Compliance for Each Major Federal Program

We have audited Montgomery Area Food Bank, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct material effect on each of Montgomery Area Food Bank, Inc.'s major federal programs for the year ended June 30, 2021. The Organization'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

Our responsibility is to express an opinion on compliance for each of Montgomery Area Food Bank, Inc.'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 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 Uniform Guide 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 the Organization'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 Montgomery Area Food Bank, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Montgomery Area Food Bank, Inc. 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 June 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization'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 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 Montgomery Area 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 internal control over compliance was for the limited purpose described in the first paragraph of this section and was designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of finding and questioned costs as item 20-01, that we consider to be significant deficiencies.

Montgomery Area Food Bank's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

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

Montgomery, Alabama
May 16, 2022

Parker, Hill, Kiser
Er Stevenson, PC.