



**FOOD BANK OF CENTRAL & EASTERN  
NORTH CAROLINA, INC.**

FINANCIAL STATEMENTS

Years Ended June 30, 2014 and 2013

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.

CONTENTS

June 30, 2014 and 2013

	<u>Pages</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	10
Supplementary Information:	
Schedule of Expenditures of Governmental Awards	18
Compliance Section:	
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	20
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	22
Schedule of Findings and Questioned Costs	24
Schedule of Prior Year Findings and Questioned Costs	26



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Food Bank of Central & Eastern North Carolina, Inc.  
Raleigh, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Food Bank of Central & Eastern North Carolina, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2014 and 2013, 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.

### ***Auditors' 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 auditors' 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 auditors consider 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Bank of Central & Eastern North Carolina, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of governmental awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 March 23, 2015 on our consideration of Food Bank of Central & Eastern North Carolina, 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 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 Food Bank of Central & Eastern North Carolina, Inc.'s internal control over financial reporting and compliance.

*Williams Overman Pierce, LLP*

Raleigh, North Carolina  
March 23, 2015

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and cash equivalents	\$ 3,181,484	\$ 3,276,168
Accounts receivable	153,760	68,196
Accrued interest receivable	5,759	2,065
Grants receivable	659,669	332,077
Food inventories	2,017,543	1,617,090
Prepaid expenses	<u>102,634</u>	<u>84,907</u>
Total current assets	<u>6,120,849</u>	<u>5,380,503</u>
Property and Equipment:		
Building	2,455,007	2,455,007
Fleet	1,166,640	1,166,640
Furniture and equipment	1,610,336	1,391,980
Leasehold improvements	<u>100,225</u>	<u>110,602</u>
	5,332,208	5,124,229
Less: accumulated depreciation	<u>3,021,155</u>	<u>3,057,632</u>
	<u>2,311,053</u>	<u>2,066,597</u>
Other Assets:		
Beneficial interest in Hofler Charitable Remainder Unitrust	608,238	552,947
Long term grants receivable	100,000	
Other investments	13,000	13,000
Deposits	<u>15,101</u>	<u>19,101</u>
	<u>736,339</u>	<u>585,048</u>
	<u>\$ 9,168,241</u>	<u>\$ 8,032,148</u>

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
Current Liabilities:		
Accounts payable	\$ 385,777	\$ 289,788
Accrued expenses:		
Accrued retirement payable	72,218	67,865
Accrued vacation payable	79,087	78,609
Accrued salaries and payroll taxes	<u>170,941</u>	<u>165,557</u>
Total current liabilities	<u>708,023</u>	<u>601,819</u>
Net Assets:		
Unrestricted	6,920,434	6,258,770
Temporarily restricted	931,546	618,612
Permanently restricted - Hofler Charitable		
Remainder Unitrust	<u>608,238</u>	<u>552,947</u>
	<u>8,460,218</u>	<u>7,430,329</u>
	 <u>\$ 9,168,241</u>	 <u>\$ 8,032,148</u>

See accompanying notes to financial statements.

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
 Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Changes in Unrestricted Net Assets:		
Support and revenues:		
Food donated	\$ 88,833,717	\$ 89,245,906
Shared maintenance - agencies	1,127,391	1,044,923
Food purchase programs	426,308	254,789
Contributions	5,486,536	5,311,036
United Way	213,996	214,997
Governmental awards	3,191,223	1,177,919
Goods, services, and facilities contributed	286,231	88,149
Food drives and other fundraising events	469,714	516,043
Interest	8,732	4,348
Other	102,294	241,116
Loss on disposal of fixed assets	<u>(57,105)</u>	<u>(2,427)</u>
Total unrestricted support and revenues before restrictions released	100,089,037	98,096,799
Net assets released from restrictions	<u>1,963,816</u>	<u>1,395,536</u>
Total unrestricted support and revenues after restrictions released	<u>102,052,853</u>	<u>99,492,335</u>
Expenses:		
Program services	98,200,190	96,494,817
Management and general	976,803	922,596
Fundraising	<u>2,214,196</u>	<u>1,965,137</u>
Total expenses	<u>101,391,189</u>	<u>99,382,550</u>
Increase in unrestricted net assets	<u>\$ 661,664</u>	<u>\$ 109,785</u>
Changes in Temporarily Restricted Net Assets:		
Support and revenues:		
Contributions	\$ 2,276,750	\$ 1,307,225
Net assets released from restrictions	<u>(1,963,816)</u>	<u>(1,395,536)</u>
Increase (decrease) in temporarily restricted net assets	<u>\$ 312,934</u>	<u>\$ (88,311)</u>

See accompanying notes to financial statements.

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
 Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Changes in Permanently Restricted Net Assets:		
Support and revenues:		
Change in beneficial interest in Hofler Charitable Remainder Unitrust	\$ <u>55,291</u>	\$ <u>110,512</u>
Increase in permanently restricted net assets	\$ <u>55,291</u>	\$ <u>110,512</u>
Increase in unrestricted net assets	\$ 661,664	\$ 109,785
Increase (decrease) in temporarily restricted net assets	312,934	(88,311)
Increase in permanently restricted net assets	<u>55,291</u>	<u>110,512</u>
	1,029,889	131,986
Net assets at beginning of year	<u>7,430,329</u>	<u>7,298,343</u>
Net assets at end of year	\$ <u>8,460,218</u>	\$ <u>7,430,329</u>

See accompanying notes to financial statements.



FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2014

	Program Services	Management and General	Fundraising	Total
Officer's salary	\$ 78,737	\$ 62,990	\$ 15,747	\$ 157,474
Salaries	2,607,817	484,309	633,327	3,725,453
Retirement	217,136	40,325	52,733	310,194
Employee benefits	468,476	87,003	113,773	669,252
Payroll taxes	201,867	37,490	49,025	288,382
Advertising			117,222	117,222
Conferences, meetings, and conventions	39,400	5,629	11,257	56,286
Consultants	39,852	19,926	338,738	398,516
Depreciation	245,023	13,173	5,269	263,465
Food distributed	88,370,644			88,370,644
Food purchase program	354,674			354,674
Fundraising expenses			79,020	79,020
Legal		1,450		1,450
Membership dues	28,212	46,087	3,420	77,719
Miscellaneous	24,439	12,518	22,651	59,608
Occupancy	686,301	44,759	14,920	745,980
Packaging	202,768			202,768
Payments to affiliated organizations	1,180,875			1,180,875
Postage and shipping	2,007	5,425	50,405	57,837
Printing and publications	12,865	1,979	84,120	98,964
Professional fees		46,793		46,793
Professional fundraising fees			593,067	593,067
Program cost	982,643			982,643
Rental and maintenance of equipment	360,207	15,167	3,792	379,166
State funded food purchases	499,985			499,985
Department of Justice funded purchases	450,354			450,354
Supplies	72,400	12,514	4,469	89,383
Telephone	100,687	3,971	5,335	109,993
Temporary help	217,289	11,436		228,725
Travel and transportation	755,532	23,859	15,906	795,297
	<u>\$ 98,200,190</u>	<u>\$ 976,803</u>	<u>\$ 2,214,196</u>	<u>\$ 101,391,189</u>

See accompanying notes to financial statements.

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Officer's salary	\$ 22,822	\$ 53,252	\$ 76,075	\$ 152,149
Salaries	2,529,109	450,389	485,035	3,464,533
Retirement	215,685	46,218	46,218	308,121
Employee benefits	484,514	43,482	93,176	621,172
Payroll taxes	184,715	39,524	44,633	268,872
Advertising			107,512	107,512
Conferences, meetings, and conventions	23,073	3,296	6,592	32,961
Consultants	5,440	35,362	231,213	272,015
Depreciation	230,801	12,409	4,963	248,173
Food distributed	89,227,718			89,227,718
Food purchase program	210,070			210,070
Fundraising expenses			53,043	53,043
Legal		29,741		29,741
Membership dues	23,712	38,735	2,874	65,321
Miscellaneous	23,331	11,950	21,624	56,905
Occupancy	565,170	36,859	12,286	614,315
Packaging	104,603			104,603
Payments to affiliated organizations	1,731			1,731
Postage and shipping	2,457	6,641	61,698	70,796
Printing and publications	15,479	2,381	101,206	119,066
Professional fees		43,385		43,385
Professional fundraising fees			587,377	587,377
Program cost	726,564			726,564
Rental and maintenance of equipment	329,176	13,860	3,465	346,501
State funded food purchases	453,344			453,344
Supplies	66,482	11,491	4,104	82,077
Telephone	80,637	3,180	4,272	88,089
Temporary help	124,059	13,784		137,843
Travel and transportation	844,125	26,657	17,771	888,553
	<u>\$ 96,494,817</u>	<u>\$ 922,596</u>	<u>\$ 1,965,137</u>	<u>\$ 99,382,550</u>

See accompanying notes to financial statements.

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
 STATEMENTS OF CASH FLOWS  
 Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from contributors	\$ 12,967,811	\$ 10,268,918
Cash paid to suppliers and employees	(12,601,983)	(9,813,727)
Interest and dividends received	5,038	5,403
	<u>370,866</u>	<u>460,594</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(474,450)	(218,037)
Proceeds from the sale of equipment	8,900	
	<u>(465,550)</u>	<u>(218,037)</u>
Net cash used in investing activities		
Net (decrease) increase in cash	(94,684)	242,557
Cash, beginning of year	<u>3,276,168</u>	<u>3,033,611</u>
Cash, end of year	<u>\$ 3,181,484</u>	<u>\$ 3,276,168</u>

See accompanying notes to financial statements.

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,029,889	\$ 131,986
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	263,465	248,173
Donated assets included in support	(99,476)	
Loss on disposal of fixed assets	57,105	2,427
Change in value of interest in Hofler Charitable Remainder Unitrust	(55,291)	(110,512)
Decrease (increase) in:		
Accounts receivable	(85,564)	(17,939)
Accrued interest receivable	(3,694)	1,055
Grants receivable	(427,592)	130,660
Food inventories	(400,453)	(2,634)
Prepaid expenses	(17,727)	11,039
Deposits	4,000	(10,064)
Increase (decrease) in:		
Accounts payable	95,989	65,513
Accrued expenses	10,215	10,890
	<u>370,866</u>	<u>460,594</u>
Net cash provided by operating activities	\$ 370,866	\$ 460,594

Supplemental schedule of noncash operating activities:

During the years ended June 30, 2014 and 2013, the Organization received donated goods, services, and facilities totaling \$89,119,948 and \$89,334,055, respectively. These amounts are shown in the statements of activities and changes in net assets as support, along with the related expenses in 2014 and 2013 totaling \$88,656,875 and \$89,315,867, respectively.

Food commodities were received and disbursed as follows, including food not fit for human consumption (in pounds):

	<u>2014</u>	<u>2013</u>
Beginning inventory	959,616	992,480
Food received	56,690,074	54,416,111
Food distributed	(56,442,299)	(54,448,975)
Ending inventory	<u>1,207,391</u>	<u>959,616</u>

See accompanying notes to financial statements.

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

Food Bank Activities:

The mission of Food Bank of Central & Eastern North Carolina, Inc. (the "Organization") is to contribute to the alleviation of hunger and need in thirty-four counties in central and eastern North Carolina by accumulating stores of high quality and nutritious surplus food and non-food essentials and providing them to non-profit agencies who distribute directly to the needy, the ill, or infants; assisting in the development of agencies responsible for directly distributing food and non-food items; extending Food Bank of Central & Eastern North Carolina, Inc. services to unserved communities within the service area; and advocating means that will eliminate hunger and the poverty that is its cause.

The Organization has warehouses at the following addresses in North Carolina: 3808 Tarheel Drive, Raleigh; 1712 Union Street, Greenville; 195 Sandy Avenue, Southern Pines; 708 Gilbert Street, Durham; 1314 Marstellar Street, Wilmington; and 205 S. Glenburnie Road, New Bern.

Support and Revenues:

Financial statement presentation follows the recommendations of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification. Under this topic, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are subject to donor-imposed restrictions on their use. Permanently restricted net assets include those net assets that must be maintained in perpetuity.

Under the Not-for-Profit Entities Topic, contributions received, including unconditional promises to give, are recognized as revenues in the period received at their estimated fair market value less an appropriate allowance for uncollectible amounts. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions are substantially met.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by the donor-imposed restrictions. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on the net assets, when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents. For purposes of the statement of cash flows, contributions of permanently restricted cash and cash equivalents are classified as cash flows from financing activities.

Accounts Receivable:

The Organization extends credit to various agencies. When an agency picks up food, shared maintenance revenue and a corresponding account receivable are recorded. Once the receivable is older than thirty days, it is considered past due.

The Organization periodically evaluates the balances in the various aging categories as well as the status of any significant past due accounts to determine if any balances are uncollectible.

When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged directly to earnings. Subsequent recoveries of amounts previously written off are credited directly to earnings.

At June 30, 2014 and 2013, management believed that a portion of agency receivables were uncollectible and, therefore, an allowance for doubtful accounts of \$1,589 was recorded.

Income Taxes:

The Organization formed in June 1980 for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for tax years prior to 2010.

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
NOTES TO FINANCIAL STATEMENTS

Inventory and Food Valuation:

The Organization values inventory at cost or, if donated, a stated value determined by Feeding America, Inc. The value of food donated is recorded as a contribution. Food donated and food distributed appear on the statements of activities and changes in net assets.

Property and Equipment:

Property and equipment is stated at cost or, if acquired by gift, the fair market value at the date of the gift. Depreciation is provided on the accelerated and straight line methods, using estimated useful lives of three to forty years. The cost of equipment, retired or disposed of, and the related depreciation are eliminated from the accounts, with the resulting gains and losses included in operations. The Organization capitalizes all property and equipment with a cost greater than \$1,000.

Contributed Services:

Numerous volunteers have contributed significant amounts of time to the Organization which have not been reflected in the accompanying statements of financial position as they did not meet the criteria for recognition as described in the Revenue Recognition for Contributions Received Topic of the FASB Accounting Standards Codification. The Organization estimates total volunteer hours to be 172,704 and 170,136 for the years ended June 30, 2014 and 2013, respectively.

The Organization received donated legal services totaling \$29,741 during the year ended June 30, 2013. There were no donated legal services during the year ended June 30, 2014.

Advertising Costs:

The Organization expenses advertising costs as incurred. Advertising expense is included in fundraising expenses on the statements of functional expenses.

Estimates:

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

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
NOTES TO FINANCIAL STATEMENTS

Reclassifications:

Certain amounts in the 2013 financial statements have been reclassified to conform with the 2014 presentation with no effect on previously reported changes in net assets.

2. Concentrations of Credit Risk:

The Organization maintains cash balances at several financial institutions located in Raleigh, North Carolina. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the fiscal year, the Organization's cash balances may have exceeded the federally insured limit. Uninsured cash balances at June 30, 2014 and 2013 totaled \$1,950,832 and \$2,098,823, respectively.

Accounts at another institution are insured by the National Credit Union Administration up to \$250,000. At various times during the fiscal year, the Organization's cash balances may have exceeded the federally insured limit. At June 30, 2014 and 2013, cash at this institution was fully insured.

The Organization has been a member of the Feeding America, Inc. national network of food banks since the 1980's, and it is currently a member in good standing. It has been given the right to serve thirty-four counties in central and eastern North Carolina by Feeding America, Inc. The Organization received 4% of its donated food for the years ended June 30, 2014 and 2013 through its relationship with Feeding America, Inc. Feeding America, Inc. also provides technical assistance and makes periodic audits of the food distribution operations of the Organization.

3. Fair Value of Assets and Liabilities:

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs, have the lowest priority, and would only be used when Level 1 or Level 2 inputs were not available to the Organization. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.



FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
NOTES TO FINANCIAL STATEMENTS

Level 1 Fair Value Measurements:

The fair values are based on quoted market prices, when available.

Level 2 Fair Value Measurements:

Level 2 assets include donated food inventories and other investments. Donated food inventories are presented at the standard cost that is influenced by product mix as determined by Feeding America, Inc. The standard costs were \$1.72 and \$1.69 per pound at June 30, 2014 and 2013, respectively. Other investments, consisting of Silver Peak REIT, Inc. and donated timeshare interests, are presented at the fair market value of similar assets.

Level 3 Fair Value Measurements:

The beneficial interest in Hofler Charitable Remainder Unitrust is presented at net present value, which was calculated using a discount rate of 2.29% and 1.14% as of June 30, 2014 and 2013, respectively. See Note 4 for further discussion of the beneficial interest in Hofler Remainder Unitrust.

Fair values of assets measured on a recurring basis at June 30, 2014 are as follows:

	<u>Fair Value Measurements at Reporting Date</u>			
	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Donated food inventories	\$ 1,947,075	\$	\$ 1,947,075	\$
Beneficial interest in Hofler Charitable Remainder Unitrust	608,238			608,238
Other investments	<u>13,000</u>	<u>                    </u>	<u>13,000</u>	<u>                    </u>
Total	<u>\$ 2,568,313</u>	<u>\$ 0</u>	<u>\$ 1,960,075</u>	<u>\$ 608,238</u>

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
NOTES TO FINANCIAL STATEMENTS

Fair values of assets measured on a recurring basis at June 30, 2013 are as follows:

	<u>Fair Value Measurements at Reporting Date</u>			
	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Donated food inventories	\$ 1,484,003	\$	\$ 1,484,003	\$
Beneficial interest in Hofler Charitable Remainder Unitrust	552,947			552,947
Other investments	<u>13,000</u>	<u>                    </u>	<u>13,000</u>	<u>                    </u>
Total	<u>\$ 2,049,950</u>	<u>\$ 0</u>	<u>\$ 1,497,003</u>	<u>\$ 552,947</u>

Fair value measurements using significant unobservable inputs (level 3):

	<u>Beneficial Interest in Hofler Charitable Remainder Unitrust</u>
Balance at June 30, 2012	\$ 442,435
Present value adjustment	<u>110,512</u>
Balance at June 30, 2013	552,947
Present value adjustment	<u>55,291</u>
Balance at June 30, 2014	<u>\$ 608,238</u>

4. Charitable Remainder Unitrust:

In May 1996, the Organization was named the beneficiary of a charitable remainder unitrust. The net assets remaining in the trust at the death of the grantor and his wife will be distributed to the Organization for the purpose of establishing an endowment. The net present value of the trust is recorded in the financial statements as a beneficial interest in a charitable remainder unitrust and permanently restricted net assets. The calculation was made using a discount rate of 2.29% and 1.14% as of June 30, 2014 and 2013, respectively.

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
NOTES TO FINANCIAL STATEMENTS

5. Nature and Amount of Temporarily Restricted Net Assets:

Temporarily restricted net assets as of June 30, 2014 and 2013, are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Duplin County Kids' Programs	\$ 303,108	\$ 155,846
Food Purchase Program	30,000	
Heart of Carolina Bags	12,000	
Kids Cafe	39,260	56,982
Kids Meals and More	134,297	51,647
Operations	123,243	10,000
Other		703
Senior Citizens	1,785	40,000
Stop Summer Hunger Campaign		6,500
Summer Foods Feeding Program		13,440
Summer Feeding Programs (Reimbursements)	(2,076)	(1,219)
Three Squares for CENC & Mobile Food Pantries	38,190	19,754
Weekend Power Pack	<u>251,739</u>	<u>264,959</u>
	<u>\$ 931,546</u>	<u>\$ 618,612</u>

6. Allocation of Expenses:

The costs of providing the various programs have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

7. Retirement Plan:

The Organization has a defined contribution retirement plan covering all employees who meet minimum age and service requirements. Retirement plan expense is included in retirement expenses on the statements of functional expenses.

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
NOTES TO FINANCIAL STATEMENTS

8. Leases:

The Organization leases warehouse space in Southern Pines, Durham, Greenville, Raleigh, and New Bern, North Carolina. This space is used for office facilities as well as storage facilities for the food inventory. The operating leases expire at various dates through July 2016. The Organization also has multiple office equipment and vehicle leases which expire at various dates through November 2017. Annual commitments under the leases are:

<u>Year ending June 30:</u>	<u>Amount</u>
2015	\$ 178,535
2016	107,199
2017	12,266
2018	<u>738</u>
	<u>\$ 298,738</u>

Rent expense for the years ended June 30, 2014 and 2013, was \$299,020 and \$261,081, respectively.

9. Subsequent Events:

The Organization has evaluated subsequent events through March 23, 2015, the date which the financial statements were available to be issued. No significant subsequent events have been identified by management.

SUPPLEMENTARY INFORMATION

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
 SCHEDULE OF EXPENDITURES OF GOVERNMENTAL AWARDS  
 Year Ended June 30, 2014

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<b>Federal Awards:</b>			
U.S. Department of Agriculture Pass-through from North Carolina Department of Agriculture: Food Distribution Division: <u>Emergency Food Assistance Cluster</u> Emergency Food Assistance Program: Administrative Costs	10.568	N/A	\$ 276,838
Emergency Food Assistance Program: Food Commodities	10.569	N/A	4,577,784
U.S. Department of Health and Human Services Pass-through from North Carolina Department of Health and Human Services: Division of Social Services: Food & Nutrition Services Outreach	10.561	N/A	<u>96,589</u>
Total Federal Awards			<u>4,951,211</u>
<b>State Awards:</b>			
North Carolina Department of Health and Human Services: State Funded Food Purchases Summer Food Service Program	N/A N/A	N/A N/A	500,001 362,210
North Carolina Department of Justice: Food Bank of Central & Eastern North Carolina	N/A	N/A	<u>1,631,229</u>
Total State Awards			<u>2,493,440</u>
Total Awards			<u>\$ 7,444,651</u>

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
SCHEDULE OF EXPENDITURES OF GOVERNMENTAL AWARDS  
Year Ended June 30, 2014

19

Notes to Schedule of Expenditures of Governmental Awards:

Basis of Presentation:

The accompanying schedule of expenditures of governmental awards includes the grant activity of the Food Bank of Central & Eastern North Carolina, Inc. and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Expenditures and disclosures below are reported at the value prescribed by the USDA. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Food Commodities:

The Food Bank of Central & Eastern North Carolina, Inc. received USDA food commodities valued at \$5,032,056 during the year ended June 30, 2014.

At June 30, 2014, inventory included USDA food commodities valued at \$483,518.

## COMPLIANCE SECTION





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  
Food Bank of Central & Eastern North Carolina, Inc.  
Raleigh, North Carolina

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 Food Bank of Central & Eastern North Carolina, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Food Bank of Central & Eastern North Carolina, Inc.'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 Food Bank of Central & Eastern North Carolina, Inc.'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 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.



As part of obtaining reasonable assurance about whether Food Bank of Central & Eastern North Carolina, 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 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.

*Williams Dverman Pierce, LLP*

Raleigh, North Carolina  
March 23, 2015



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors  
Food Bank of Central & Eastern North Carolina, Inc.  
Raleigh, North Carolina

**Report on Compliance for Each Major Governmental Program**

We have audited Food Bank of Central & Eastern North Carolina, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Food Bank of Central & Eastern North Carolina, Inc.'s major governmental programs for the year ended June 30, 2014. Food Bank of Central & Eastern North Carolina, Inc.'s major governmental programs are 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 governmental programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Food Bank of Central & Eastern North Carolina, Inc.'s major governmental 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 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 governmental program occurred. An audit includes examining, on a test basis, evidence about Food Bank of Central & Eastern North Carolina, 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 each major governmental program. However, our audit does not provide a legal determination of Food Bank of Central & Eastern North Carolina, Inc.'s compliance.

**Opinion on Each Major Governmental Program**

In our opinion, Food Bank of Central & Eastern North Carolina, 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 governmental programs for the year ended June 30, 2014.



## Report on Internal Control Over Compliance

Management of Food Bank of Central & Eastern North Carolina, 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 Food Bank of Central & Eastern North Carolina, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major governmental program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Food Bank of Central & Eastern North Carolina, 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 governmental 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 governmental 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 governmental 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 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 have not been identified.

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

*Williams Dverman Pierce, LLP*

Raleigh, North Carolina  
March 23, 2015

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

A. SUMMARY OF AUDITORS' RESULTS:

1. The auditors' report expresses an unmodified opinion on the financial statements of Food Bank of Central & Eastern North Carolina, Inc.
2. No deficiencies in internal control over financial reporting and compliance and other matters were reported in the 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.
3. No instances of noncompliance material to the financial statements of Food Bank of Central & Eastern North Carolina, Inc., which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No deficiencies in internal control over major governmental award programs were reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditors' report on compliance for the major governmental award programs for Food Bank of Central & Eastern North Carolina, Inc. expresses an unmodified opinion on all major governmental programs.
6. Audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs were:

CFDA Number	Name of Governmental Program
10.568	Emergency Food Assistance Program: Administrative Costs
10.569	Emergency Food Assistance Program: Food Commodities

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Food Bank of Central & Eastern North Carolina, Inc. was determined to be a low-risk auditee.

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR GOVERNMENTAL AWARD PROGRAMS  
AUDIT

None

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

A. FINDINGS - FINANCIAL STATEMENT AUDIT

None

B. FINDINGS AND QUESTIONED COSTS - MAJOR GOVERNMENTAL AWARD PROGRAMS  
AUDIT

None