

**FACING HUNGER FOODBANK, INC.
(A NON-PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

FACING HUNGER FOODBANK, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Facing Hunger Foodbank, Inc.
Huntington, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Facing Hunger Foodbank, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Facing Hunger Foodbank, Inc. as of December 31, 2015 and 2014, 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

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, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 June 30, 2016, on our consideration of Facing Hunger Foodbank, 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 Facing Hunger Foodbank, Inc.'s internal control over financial reporting and compliance.



June 30, 2016

FACING HUNGER FOODBANK, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 129,324	\$ 88,016
Accounts receivable, net of allowance	9,410	6,396
Grants receivable	69,183	5,000
Reimbursements receivable	17,620	61,857
Pledges receivable	10,420	4,670
Other receivables	5,379	5,765
Inventory - contributed	9,089	13,004
Inventory - purchased	36,125	30,419
Prepaid expenses	16,608	12,879
Deposits	-	6,418
Gift cards	302	9
TOTAL CURRENT ASSETS	303,460	234,433
PROPERTY AND EQUIPMENT, NET	806,392	860,422
TOTAL ASSETS	\$ 1,109,852	\$ 1,094,855
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 30,825	\$ 41,907
Accrued payroll and related liabilities	10,540	12,827
Accrued paid leave	17,936	17,589
Deposits - member agencies	1,456	771
Deferred revenue	-	6
Capital lease obligation - due within one year	4,253	-
TOTAL CURRENT LIABILITIES	65,010	73,100
LONG-TERM LIABILITY		
Capital lease obligation - due beyond one year	5,573	-
TOTAL LIABILITIES	70,583	73,100
NET ASSETS		
Unrestricted	986,639	971,304
Temporarily restricted	52,630	50,451
TOTAL NET ASSETS	1,039,269	1,021,755
TOTAL LIABILITIES AND NET ASSETS	\$ 1,109,852	\$ 1,094,855

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FACING HUNGER FOODBANK, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CHANGES IN UNRESTRICTED NET ASSETS:		
SUPPORT AND REVENUES		
Federal grants	\$ 1,542,631	\$ 1,478,373
State, municipal, and private grants	55,635	69,382
Contributions - donated food	4,361,850	5,036,109
Contributions - businesses and individuals	370,249	350,472
United Way	5,563	4,258
Shared maintenance fees	135,535	106,021
Purchased food program	84,939	44,859
Distribution income	24,337	22,992
Fundraiser income	69,050	44,940
Other	6,669	14,882
	<u>6,656,458</u>	<u>7,172,288</u>
Net assets released from restriction:		
Satisfaction of program restrictions	61,669	197,168
TOTAL UNRESTRICTED SUPPORT AND REVENUES	<u>6,718,127</u>	<u>7,369,456</u>
EXPENSES:		
Program services:		
Food distribution	6,403,398	7,063,351
Supporting services:		
Management and general	159,001	167,747
Fundraising	143,163	166,860
TOTAL EXPENSES	<u>6,705,562</u>	<u>7,397,958</u>
OTHER REVENUES AND GAINS		
Realized and unrealized gains (losses) on investments	-	(177)
Gain from insurance proceeds	2,770	-
TOTAL OTHER REVENUES AND GAINS	<u>2,770</u>	<u>(177)</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>15,335</u>	<u>(28,679)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Temporarily restricted contributions	21,570	3,745
Temporarily restricted grants	42,278	147,442
Net assets released from restrictions	(61,669)	(197,168)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>2,179</u>	<u>(45,981)</u>
INCREASE (DECREASE) IN NET ASSETS	<u>17,514</u>	<u>(74,660)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>1,021,755</u>	<u>1,096,415</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,039,269</u>	<u>\$ 1,021,755</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FACING HUNGER FOODBANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program		Support Services		Total
	Services			Expenses	
	Food Distribution	Management and General	Fund-Raising		
Salaries	\$ 236,870	\$ 106,026	\$ 18,351	\$ 361,247	
Payroll taxes and benefits	43,057	12,041	1,687	56,785	
Food and commodities	5,860,769	-	-	5,860,769	
Maintenance and repairs - buildings	9,295	435	-	9,730	
Utilities	26,478	1,154	-	27,632	
Telephone and internet	2,668	843	281	3,792	
Office supplies and expense	4,652	5,543	1,181	11,376	
Postage	3	838	1,305	2,146	
Insurance	21,821	2,499	488	24,808	
Travel, conferences and meetings	4,307	1,436	417	6,160	
Advertising	1,524	166	475	2,165	
Pest control	3,914	-	-	3,914	
Warehouse equipment repairs and maintenance	7,201	-	-	7,201	
Warehouse supplies	20,059	-	-	20,059	
Association fees and dues	9,604	-	862	10,466	
Freight	6,974	-	-	6,974	
Vehicle expense	34,212	-	-	34,212	
Contract services	9,729	20,269	890	30,888	
Depreciation	96,842	2,409	689	99,940	
Interest	-	1,271	-	1,271	
Municipal fees	-	1,674	-	1,674	
Licenses, permits and fees	2,750	220	371	3,341	
Direct mail fund raiser	-	-	87,807	87,807	
Staff development	150	714	-	864	
Other fundraiser expenses	-	-	25,438	25,438	
Cleaning and janitorial	223	319	-	542	
Storage and equipment rental	71	-	-	71	
Other expenses	225	1,144	2,921	4,290	
TOTAL	\$ 6,403,398	\$ 159,001	\$ 143,163	\$ 6,705,562	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FACING HUNGER FOODBANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	Program		Support Services		Total Expenses
	Services				
	Food Distribution	Management and General	Fund-Raising		
Salaries	\$ 254,706	\$ 107,900	\$ 43,758	\$ 406,364	
Payroll taxes and fringe benefits	35,030	8,842	8,684	52,556	
Food and commodities	6,492,083	-	-	6,492,083	
Maintenance and repairs - buildings	3,348	608	-	3,956	
Utilities	24,683	1,098	-	25,781	
Telephone and internet	2,487	721	306	3,514	
Office supplies and expense	1,707	9,873	2,312	13,892	
Postage	6	1,027	1,691	2,724	
Insurance	18,070	2,249	657	20,976	
Travel, conferences and meetings	3,501	113	1,586	5,200	
Advertising	7,222	464	850	8,536	
Pest control	6,870	-	-	6,870	
Warehouse equipment repairs and maintenance	14,539	-	-	14,539	
Warehouse supplies	15,366	-	-	15,366	
Association fees and dues	11,277	-	225	11,502	
Freight	13,160	-	-	13,160	
Vehicle expense	54,209	-	-	54,209	
Contract services	10,505	21,033	810	32,348	
Depreciation	90,076	5,784	906	96,766	
Interest	280	448	-	728	
Municipal fees	-	1,813	-	1,813	
Licenses, permits and fees	2,262	235	350	2,847	
Direct mail fund raiser	-	-	99,121	99,121	
Staff development	150	1,750	441	2,341	
Other fund raiser expenses	-	-	2,815	2,815	
Cleaning and janitorial	629	1,095	-	1,724	
Storage and equipment rental	670	-	-	670	
Other expenses	515	2,694	2,348	5,557	
TOTAL	\$ 7,063,351	\$ 167,747	\$ 166,860	\$ 7,397,958	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FACING HUNGER FOODBANK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 17,514	\$ (74,660)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	99,940	96,766
Realized loss on sale of investments	-	177
(Increase) decrease in operating assets:		
Receivables	(28,324)	(14,885)
Inventory	(1,791)	(15,590)
Prepaid expenses	(3,729)	3,273
Deposits	6,418	(3,212)
Other assets	(293)	31
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(11,082)	(69,740)
Accrued payroll and related liabilities	(2,287)	(9,153)
Deposits	685	(280)
Accrued paid leave	347	2,099
Deferred revenue	(6)	6
Net cash (used) provided by operating activities	77,392	(85,168)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceed from sale of investment	-	1,471
Purchase of property and equipment	(45,910)	(27,105)
Net cash (used) by investing activities	(45,910)	(25,634)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital lease	13,038	-
Payments on capital lease	(3,212)	-
Net cash provided by financing activities	9,826	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	41,308	(110,802)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	88,016	198,818
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 129,324	\$ 88,016
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 1,271	\$ 728

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FACING HUNGER FOODBANK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Facing Hunger Foodbank, Inc. is a non-profit corporation incorporated in 1983. The organization provides food and commodities to other member agencies who distribute the items to the hungry in seventeen counties in western West Virginia, eastern Kentucky and southeastern Ohio. The organization is supported primarily through cash and food donations, federal and state grants, and program fees.

B. BASIS OF ACCOUNTING

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

C. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

D. ACCOUNTS RECEIVABLE

Facing Hunger Foodbank, Inc. provides products to member agencies on account. This credit is unsecured and generally extended on a short-term basis; these accounts receivable do not bear interest. The Organization reserves the right to suspend the shopping privileges of its member agencies with past due balances of 60 days or more.

It is the policy of the Organization to ensure that all available means of collecting accounts receivable have been exhausted prior to beginning write-off procedures. Receivables over 90 days past due are reviewed for collectibility for the purpose of estimating the appropriate amount for allowance for uncollectible accounts. Actual write-offs are charged against the allowance for uncollectible accounts. Member agencies that have balances written-off are extended no further credit until previous debt is paid.

Accounts receivable are reported net of allowance of \$0 at both December 31, 2015 and 2014.

E. INVENTORY

Facing Hunger Foodbank, Inc. distributes food and commodities to recipient organizations free of charge. The Organization does, however, charge the recipient organization up to \$.19 per pound for non- U. S. Department of Agriculture donated food to help defray the cost of shipping and storage. Therefore, this inventory is valued at year end at \$.19 per pound which is considered to be the market value. This value is considerably less than cost. Cost is determined as discussed in Note 1-H, Contributions - Donated Foods.

Additionally, the Organization purchases some essential food items for distribution to member agencies. These items are valued in inventory and distributed to the agencies at purchase cost.

FACING HUNGER FOODBANK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. PROPERTY AND EQUIPMENT

It is the Organization's policy to capitalize property and equipment over \$1,500. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of contribution. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	40 years
Furniture and equipment	5 - 15 years
Vehicles	7 years

G. CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which contributions are received are classified as unrestricted contributions. At December 31, 2015 and 2014 the Organization had temporarily restricted net assets of \$52,630 and \$50,451, respectively.

H. CONTRIBUTIONS - DONATED FOODS

Donated foods received from the U. S. Department of Agriculture are reported in the accompanying financial statements at the value provided by that agency. All other donated food received is valued at \$1.67 per pound during 2015 and \$1.70 per pound during 2014 which is the standard utilized by the national affiliate, Feeding America, as the fair value of the items donated.

I. ADVERTISING COSTS

The Organization incurred advertising costs for non-direct response advertising during the year. Advertising costs, totaling \$2,165 in 2015 and \$8,536 in 2014, have been charged to operations as incurred. Additionally, the Organization utilizes a professional fundraising service for direct mailings. The total of these costs for 2015 and 2014 was \$87,807 and \$99,121, respectively.

J. INCOME TAXES

The Organization is a non-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization's Form 990, *Returns of Organizations Exempt from Income Tax*, are subject to examination by the IRS generally for three years after they were filed.

K. ESTIMATES

The preparation of financial statements in accordance 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.

L. FUNCTIONAL ALLOCATION OF EXPENSES

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

FACING HUNGER FOODBANK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - INVENTORY

Federal Awards

During 2015, Facing Hunger Foodbank, Inc. received food commodity donations from The Emergency Food Assistance Program (TEFAP) of \$1,438,818 as valued by the West Virginia Department of Agriculture. At December 31, 2015, Facing Hunger Foodbank, Inc. had \$244,760 of Emergency Food Assistance Program donations in inventory.

During 2014, Facing Hunger Foodbank, Inc. received food commodity donations from The Emergency Food Assistance Program (TEFAP) of \$1,403,585 as valued by the West Virginia Department of Agriculture. At December 31, 2014, Facing Hunger Foodbank, Inc. had \$146,610 of Emergency Food Assistance Program donations in inventory.

These TEFAP commodity donations are not valued in the Organization's ending inventory as they will be given away at no charge.

Contracted Distributor

Facing Hunger Foodbank, Inc. is a contracted distributor of TEFAP products for God's Pantry Foodbank, a subrecipient of the Kentucky Department of Agriculture. At December 31, 2015 and 2014, the Foodbank held 2,173 pounds and 746 pounds, respectively, of food belonging to God's Pantry Foodbank awaiting distribution.

NOTE 3 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at December 31, 2015 and 2014:

	2015	2014
Land	\$ 100,000	\$ 100,000
Buildings and improvements	673,405	669,692
Furniture and equipment	242,239	208,365
Vehicles	401,493	393,168
Total property and equipment	<u>1,417,137</u>	<u>1,371,225</u>
Less: Accumulated depreciation	<u>(610,745)</u>	<u>(510,803)</u>
Property and equipment, net	<u>\$ 806,392</u>	<u>\$ 860,422</u>

Depreciation expense for the year ended December 31, 2015 and 2014 totaled \$99,940 and \$96,766, respectively.

FACING HUNGER FOODBANK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 - SUMMARY OF FEDERAL AWARDS

The following summarizes grant awards and reimbursable service agreements which were active and awarded throughout the period from January 1, 2015 through December 31, 2015.

U.S. Department of Agriculture:	
Pass-through West Virginia Department of Agriculture	
Food Distribution Cluster:	
Emergency food assistance program (food commodities)	\$ 1,438,818
Emergency food assistance program (administrative costs)	171,527
Pass-through West Virginia Department of Education	
Summer Food Service Program	20,795
Federal Emergency Management Agency	
Emergency Food & Shelter Program	<u>11,827</u>
Total Awards	<u>\$ 1,642,967</u>

The following summarizes grant awards and reimbursable service agreements which were active and awarded throughout the period from January 1, 2014 through December 31, 2014.

U.S. Department of Agriculture:	
Pass-through West Virginia Department of Agriculture	
Food Distribution Cluster:	
Emergency food assistance program (food commodities)	\$ 1,403,585
Emergency food assistance program (administrative costs)	132,095
Pass-through West Virginia Department of Education	
Summer Food Service Program	12,574
Federal Emergency Management Agency	
Emergency Food & Shelter Program	11,094
FEMA grants	<u>1,219</u>
Total Awards	<u>\$ 1,560,567</u>

FACING HUNGER FOODBANK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 5 - DONATED SERVICES

The Organization receives donated services from a variety of unpaid volunteers providing assistance in the Foodbank's warehouse furthering its mission to distribute food and commodities to the needy. No amounts have been recognized in the accompanying statement of activities because criteria for recognition of such volunteer effort has not been satisfied.

NOTE 6 – CAPITAL LEASE PAYABLE

During 2015, the Facing Hunger Foodbank, Inc. entered into a capital lease agreement with Netranom to lease computer equipment. The term of the lease is for 36 months; starting March 25, 2015; with monthly payments of \$425.30, including interest of 10.75% per year.

Minimum future lease payments under the capital lease as of December 31, 2015, were as follows:

Year Ending December 31,	Amount
2016	\$ 5,104
2017	5,104
2018	851
Total minimum lease payments	11,059
Less: Amount representing interest	(1,233)
Present value of net minimum lease payments	\$ 9,826

NOTE 7 - OPERATING LEASES

The Organization leases copier equipment under operating leases expiring in various years. Rental expense for these leases totaled \$3,208 for 2015 and \$3,514 for 2014.

Minimum future rental payments under cancelable operating leases having remaining terms in excess of one year as of December 31, 2015 are as follows:

Year Ended	Amount
2016	3,208
2017	3,208
2018	3,208
2019	3,208
2020	3,209
Thereafter	9,735
Total minimum future payments	\$ 25,776

FACING HUNGER FOODBANK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 8 - CONTINGENT LIABILITIES

The Organization's programs are generally funded from federal and state sources, principal of which are programs of the U.S. Department of Agriculture. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits and reviews could result in requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures which may be disallowed by grantor agencies cannot be determined at this time, although management believes such amounts, if any, to be immaterial.

Additionally, the Organization has a contractual agreement with and receives awards from Feeding America and the Organization is subject to compliance reviews by Feeding America.

The Organization continually evaluates its exposure to loss contingencies arising from various claims in the normal course of business. Management believes that the Organization's liability insurance will mitigate potential liabilities and that claims are not likely to have a materially adverse effect on the Organization's financial statements.

NOTE 9 – RECLASSIFICATIONS

Certain amounts originally reported in the 2014 financial statements have been reclassified for comparative purposes to the 2015 amounts.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 30, 2016, which is the date the financial statements were available to be issued.

ACCOMPANYING INFORMATION

FACING HUNGER FOODBANK, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA#	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U. S. Department of Agriculture:				
Pass-through West Virginia Department of Agriculture				
Food Distribution Cluster:				
Emergency food assistance program (administrative costs)	10.568	N/A	\$ 171,527	N/A
Emergency food assistance program (food commodities)	10.569	N/A	1,340,668	1,340,668
Total Food Distribution Cluster			<u>1,512,195</u>	<u>1,340,668</u>
Pass-through West Virginia Department of Education				
Summer Food Service Program	10.559	62009	18,609	N/A
Total Department of Agriculture			<u>1,530,804</u>	<u>1,340,668</u>
U. S. Department of Homeland Security:				
Direct Program:				
Emergency Food and Shelter Program	97.024	N/A	11,827	N/A
Total Department of Homeland Security			<u>11,827</u>	<u>N/A</u>
Total Federal Awards			<u>\$ 1,542,631</u>	<u>\$ 1,340,668</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

FACING HUNGER FOODBANK, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Facing Hunger Foodbank, Inc. under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Facing Hunger Foodbank, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Facing Hunger Foodbank, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-Profit Organizations* (2CFR part 230) wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. Facing Hunger Foodbank, Inc. has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance because all the costs are charged directly to applicable programs.

NOTE 3 – FOOD COMMODITIES

Food Commodities represent Emergency Food Assistance Program commodities received from the U.S. Department of Agriculture passed through the West Virginia Department of Agriculture. Commodities are valued based on amounts as established by the U.S. Department of Agriculture. At December 31, 2015 total value on hand of the U.S. Department of Agriculture donated food inventories was \$244,760.

**REPORTS ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Facing Hunger Foodbank, Inc.
Huntington, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Facing Hunger Foodbank, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 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, and have issued our report thereon dated June 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Facing Hunger Foodbank, 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 Facing Hunger Foodbank, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Facing Hunger Foodbank, 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.



June 30, 2016

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

To the Board of Directors
Facing Hunger Foodbank, Inc.
Huntington, West Virginia

Report on Compliance for Each Major Federal Program

We have audited Facing Hunger Foodbank, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Facing Hunger Foodbank, Inc.'s major federal programs for the year ended December 31, 2015. Facing Hunger Foodbank, Inc.'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 Facing Hunger Foodbank, 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 the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Facing Hunger Foodbank, 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 federal program. However, our audit does not provide a legal determination of Facing Hunger Foodbank, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Facing Hunger Foodbank, 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 December 31, 2015.

Report on Internal Control Over Compliance

Management of Facing Hunger Foodbank, 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 Facing Hunger Foodbank, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Facing Hunger Foodbank, 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



June 30, 2016

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FACING HUNGER FOODBANK, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no findings for the prior year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FACING HUNGER FOODBANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be material weakness?	None Reported
Non compliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with §200.516(a) of the Uniform Guidance	No
The programs tested as major programs include:	

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>
U.S. Department of Agriculture Pass through West Virginia Department of Agriculture Food Distribution Cluster:	
TEFAP (Administrative Costs)	10.568
TEFAP (Food Commodities)	10.569

Dollar threshold used to distinguish between Type A and Type B Program:	\$750,000
Auditee qualifies as a low-risk auditee?	Yes

FACING HUNGER FOODBANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

None reported.