

**GREATER BERKS FOOD BANK**  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
YEARS DECEMBER 31, 2017 AND 2016  
AND  
INDEPENDENT AUDITOR'S REPORT



**McKONLY & ASBURY**

# GREATER BERKS FOOD BANK

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statement of Activities - 2017	5
Statement of Activities - 2016	6
Statements of Cash Flows	7
Notes to Financial Statements	8
Supplementary Information	
Schedule of Functional Expenses - 2017	21
Schedule of Functional Expenses - 2016 (Unaudited)	22
Schedule of Expenditures of Federal Awards	23
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 <i>Government Auditing Standards</i>	25
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Required by the Uniform Guidance	27
Summary Schedule of Prior Audit Findings	29
Schedule of Findings and Questioned Costs	30

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Greater Berks Food Bank  
Reading, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Berks Food Bank (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the 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 the Greater Berks Food Bank as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The financial statements of the Greater Berks Food Bank as of December 31, 2016, were audited by other auditors whose report dated August 18, 2017, expressed an unmodified opinion on those statements.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. 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 taken as a whole. The information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2018, on our consideration of the Greater Berks Food Bank’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 solely 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 effectiveness of the Greater Berks Food Bank’s 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 the Greater Berks Food Bank’s internal control over financial reporting and compliance.

*McKonly & Asbury, LLP*

Camp Hill, Pennsylvania  
August 13, 2018

# GREATER BERKS FOOD BANK

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

### ASSETS

	2017	2016
Current assets		
Cash		
Unrestricted	\$ 920,808	\$ 799,003
Restricted	30,590	75,056
Accounts receivable	8,812	40,859
Grants receivable	51,399	61,406
Gift cards and certificates	23,906	17,954
Inventory		
Purchased	239,729	146,843
Donated	1,024,491	1,512,508
Pledges receivable - Capital Campaign	94,876	184,163
Prepaid expenses and other current assets	38,029	26,913
	2,432,640	2,864,705
Total current assets		
Investments	292,538	281,910
Property and equipment		
Land	594,770	594,770
Building and improvements	3,645,051	3,645,051
Office furniture and fixtures	20,815	15,675
Warehouse furniture and fixtures	8,204	5,636
Office equipment	112,135	111,315
Warehouse equipment	149,183	109,206
Offsite equipment	1,000	1,000
Vehicles	368,111	368,111
	4,899,269	4,850,764
Less accumulated depreciation	(847,545)	(695,905)
Property and equipment, net	4,051,724	4,154,859
Other assets		
Pledges receivable - Capital Campaign, non-current	11,000	48,900
Beneficial interest in assets held by the Berks County Community Foundation	20,964	18,063
Total other assets	31,964	66,963
Total assets	\$ 6,808,866	\$ 7,368,437

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

## LIABILITIES AND NET ASSETS

	2017	2016
Current liabilities		
Accounts payable	\$ 42,228	\$ 37,446
Accrued wages	33,690	19,371
Deferred revenue	30,605	65,586
Current portion of note payable	129,996	129,996
Current portion of capital lease obligations	7,887	1,512
Total current liabilities	244,406	253,911
Long-term liabilities, less current portions		
Note payable	670,004	859,426
Capital lease obligations	28,026	266
Total long-term liabilities, less current portions	698,030	859,692
Total liabilities	942,436	1,113,603
Net assets		
Unrestricted	5,856,430	6,244,834
Unrestricted, board designated	10,000	10,000
Total net assets	5,866,430	6,254,834
Total liabilities and net assets	\$ 6,808,866	\$ 7,368,437

## GREATER BERKS FOOD BANK

### STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue, gains, and other support			
Direct public support, monetary	\$ 1,025,971	\$ -	\$ 1,025,971
Public support, in-kind contributions	8,531,256	-	8,531,256
Capital campaign	-	9,704	9,704
Government grants, monetary	632,359	-	632,359
Government grants, in-kind contributions	1,575,128	-	1,575,128
Program services	736,827	-	736,827
Interest income	5,673	-	5,673
Net unrealized/realized gain on investments	2,901	-	2,901
Miscellaneous income	3,799	-	3,799
Net assets released from restriction	9,704	(9,704)	-
	12,523,618	-	12,523,618
 Expenses			
Food distribution	12,478,931	-	12,478,931
Management and general	255,030	-	255,030
Fundraising	178,061	-	178,061
	12,912,022	-	12,912,022
 Change in assets	(388,404)	-	(388,404)
 Net assets, beginning	6,254,834	-	6,254,834
 Net assets, ending	\$ 5,866,430	\$ -	\$ 5,866,430

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

# GREATER BERKS FOOD BANK

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains, and other support			
Direct public support, monetary	\$ 872,585	\$ -	\$ 872,585
Public support, in-kind contributions	8,822,277	-	8,822,277
Capital campaign	-	13,856	13,856
Government grants, monetary	663,862	-	663,862
Government grants, in-kind contributions	1,472,413	-	1,472,413
Program services	657,574	-	657,574
Interest income	2,312	-	2,312
Net unrealized/realized gain on investments	1,163	-	1,163
Miscellaneous income	2,506	-	2,506
Net assets released from restriction	13,856	(13,856)	-
	<u>12,508,548</u>	<u>-</u>	<u>12,508,548</u>
Total revenue, gains, and other support			
Expenses			
Food distribution	12,780,835	-	12,780,835
Management and general	246,124	-	246,124
Fundraising	188,256	-	188,256
	<u>13,215,215</u>	<u>-</u>	<u>13,215,215</u>
Total expenses			
Change in assets	(706,667)	-	(706,667)
Net assets, beginning	<u>6,961,501</u>	<u>-</u>	<u>6,961,501</u>
Net assets, ending	<u>\$ 6,254,834</u>	<u>\$ -</u>	<u>\$ 6,254,834</u>

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



# GREATER BERKS FOOD BANK

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (388,404)	\$ (706,667)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	159,727	178,019
Food contributions	(10,106,384)	(10,292,209)
Distributions of food	10,594,401	10,934,624
Net unrealized gain on endowment fund	(2,009)	(685)
Contributions restricted for Capital Campaign	(9,704)	(13,856)
(Increase) decrease in		
Accounts receivable	32,047	(9,620)
Gift cards and certificates	(5,952)	238
Grants receivable	10,007	239,504
Inventory purchased	(92,886)	(56,994)
Pledges receivable - Capital Campaign	121,934	238,948
Prepaid expenses	(11,116)	(12,992)
Increase (decrease) in		
Accounts payable	4,782	19,879
Accrued wages	14,319	(19,453)
Deferred revenue	(34,981)	(100,499)
	285,781	398,237
Net cash provided by operating activities		
Cash flows from investing activities		
Cash paid for property and equipment	(16,615)	(51,699)
Proceeds from sale of property and equipment held-for-sale	-	13,698
Reinvested realized gains on endowment fund	(892)	(478)
Proceeds from certificate of deposit	-	69,831
Interest reinvested in certificates of deposit	(5,375)	(2,238)
	(22,882)	29,114
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Payments on note payable	(189,422)	(281,823)
Payments on capital lease obligations	(5,842)	(1,315)
Proceeds from contributions restricted for Capital Campaign	9,704	13,856
	(185,560)	(269,282)
Net cash used in investing activities		
Net increase in cash	77,339	158,069
Cash, beginning of year	874,059	715,990
Cash, end of year	\$ 951,398	\$ 874,059
Supplemental disclosure of cash flow information		
Cash paid for		
Interest	\$ 30,206	\$ 31,410
Supplemental schedule of noncash investing and financing activities		
Property and equipment acquisition through capital lease obligation	\$ 39,977	\$ -

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

# GREATER BERKS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Organization*

Greater Berks Food Bank (the “Organization”) is a nonprofit organization that collects, stores, and distributes surplus food and other food products to charitable organizations serving the food insecure in Berks and Schuylkill Counties. The Organization is supported primarily through public support and government grants.

The Organization is a member of Feeding America, a national Food Bank Network.

#### *Basis of Accounting*

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

#### *Basis of Presentation*

The Organization’s financial statement presentation includes the requirements of Accounting Standards Codification (ASC) No. 958, “*Not-for-Profit Entities*.” Under ASC No. 958, 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. In addition, the Organization is required to present the statement of cash flows. Under the provisions of ASC No. 958, net assets and changes therein are classified and reported, based on the existence or absence of donor-imposed stipulations as follows:

*Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations. The Board of Directors may, at its discretion, designate unrestricted funds for specific purposes.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that will be met either by action of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* - Net assets subject to permanent donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets for general or specific purposes. The Organization does not have any permanently restricted net assets for the years ended December 31, 2017 and 2016.

#### *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, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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# GREATER BERKS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

### *Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Organization considers all unrestricted cash, restricted cash, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash on the accompanying statements of financial position.

Feeding America requires a minimum of a 3-month cash reserve to cover operating expenses.

### *Restricted Cash*

Grant monies received, restricted for the purchase of food but not yet expended at year end, are reported as restricted cash and maintained in a separate bank account, as required.

### *Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to earnings and a credit to accounts receivable. Bad debts have historically been immaterial, and management concluded that, based on its review of any material balances outstanding, a valuation allowance was not needed.

### *Inventories*

Purchased inventories - are stated at cost using wholesale competitive bid prices or better.

#### Donated inventories:

*National and local*- are stated at the average wholesale value per pound at approximately \$1.67 and \$1.70 in 2017 and 2016. The average wholesale value of donated food was determined based upon a study performed by Feeding America.

*Federal* - are stated at the United States Department of Agriculture (USDA) published commodity price per case.

### *Property and Equipment*

Property and equipment are capitalized and recorded at cost if the per unit cost is \$500 or more.

Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Building and improvements	10 - 40
Office furniture, fixtures, and equipment	3 - 10
Warehouse furniture and fixtures	3 - 10
Warehouse and offsite equipment	5 - 10
Vehicles	5

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# GREATER BERKS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the statements of activities.

Depreciation expense for the years ended December 31, 2017 and 2016, was \$159,727 and \$178,019, respectively.

### *Long-Lived Assets*

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

### *Income Taxes*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2017 and 2016. The Organization was organized under the Pennsylvania Non-Profit Law of 1988 and, as such, is exempt from state income taxes.

The Organization adheres to the provisions of FASB ASC 740, *Income Taxes*. ASC 740 establishes rules for recognizing and measuring tax positions taken in an income tax return, including disclosures of uncertain tax positions (UTPs). ASC 740 mandates that companies evaluate all material income tax positions for periods that remain open under applicable statutes of limitation, as well as positions expected to be taken in future returns. The UTP rules then impose a recognition threshold on each tax position. A company can recognize an income tax benefit only if the position has a “more likely than not” (i.e., more than 50 percent) chance of being sustained on the technical merits. For the years ended December 31, 2017 and 2016, the Organization has taken no material tax positions on its applicable tax filings that do not meet the “more likely than not” threshold. As a result, no amount for UTPs has been included in the financial statements. Management believes it is no longer subject to income tax examinations for years prior to 2014.

### *Contributions*

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted.

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# GREATER BERKS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

### *Advertising Costs*

Advertising costs are expensed as incurred and recorded to the agency cost center to which it relates. There were no advertising costs for the years ended December 31, 2017 and 2016, respectively.

### *Donated Food and Grocery Products*

The Organization reports gifts of donated food and grocery products over which it has control (i.e. variance power) as unrestricted public support and as an expense when granted to local food rescue organizations (e.g. local food pantries). The Organization distributed donated products received from national, state, and local donors approximating 6.7 million and 7.0 million pounds during the years ended December 31, 2017 and 2016, respectively.

USDA agriculture products are valued at a commodity price per case, as published by the USDA for the Emergency Food Assistance Program, Bonus Commodities and Commodity Supplemental Food Program.

For the years ended December 31, 2017 and 2016, in-kind food donations have been reflected in the financial statements at their estimated fair value of \$10,106,384 and \$10,292,209. The total value includes USDA commodity donations valued at \$1,575,128 and \$1,472,413 for years ended December 31, 2017 and 2016.

### *Donated Services*

The Organization's Board of Directors and a substantial number of volunteers donate significant hours to the Organization's program services and fund-raising campaigns during the year. Donated services are not reflected in the accompanying financial statements because they do not meet the criteria for recognition. Total volunteer hours were 12,915 and 10,685 for the years ended December 31, 2017 and 2016, respectively.

### *Shipping and Handling Fees and Costs*

All amounts billed for food distribution related to shipping and handling represent revenues earned and are reported in program services revenue. The costs incurred by the Organization for shipping and handling are reported in food distribution.

### *Functional Allocation of Expenses*

The costs of providing the various programs and supporting services have been summarized in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited using both judgment and specific identification.

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# GREATER BERKS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

### *Concentration of Credit Risk*

The Organization maintains cash deposits with various financial institutions. Certain accounts are insured by the Federal Deposit Insurance Corporation (FDIC). The uninsured balance was \$374,202 and \$499,672 as of December 31, 2017 and 2016, respectively. The Organization does not believe that it is exposed to any significant risk with regards to these accounts.

### *Recently Issued Accounting Pronouncements*

In August 2016, the FASB issued Accounting Standard Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The amendments in this ASU include two classes of net asset classifications, options for presenting cash flow from operations, and many additional disclosure requirements. The changes became effective for the Organization on January 1, 2018. Management has not determined the impact of these changes on the Organization's financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The pronouncement, and related subsequent pronouncements, requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The changes become effective for the Organization on January 1, 2019. Management has not determined the impact of these changes on the Organization's financial statements.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash (Topic 230)*. The changes associated with this ASU include the requirement for amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The changes become effective for the Organization on January 1, 2019. Management has not determined the impact of these changes on the Organization's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The changes associated with this ASU include the requirement for lessees to recognize the underlying assets and liabilities associated with all operating leases with terms greater than 12 months. The changes become effective for the Organization on January 1, 2020. Management has not determined the impact of these changes on the Organization's financial statements.

### *Subsequent Events*

The Food Bank has evaluated subsequent events through August 13, 2018, the date the financial statements were available to be issued.

## **2. PLEDGES RECEIVABLE - CAPITAL CAMPAIGN**

In 2013, the Organization launched a \$3 million Capital Campaign for the purchase of a new storage facility. On April 23, 2014, the Organization purchased a new facility and moved its operations and storage to the new warehouse facility during 2014.

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# GREATER BERKS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

Unconditional promises to give received for the Capital Campaign are recorded as temporarily restricted. For the years ended December 31, 2017 and 2016, temporarily restricted revenue was \$9,704 and \$13,856.

Future unconditional promises to give for the Capital Campaign are as follows:

Years Ending December 31:

2018	\$	94,876
2019		11,000
Total		105,876
Less current portion		(94,876)
Pledges receivable, non-current	\$	<u>11,000</u>

Management has determined that the future unconditional promised to give are fully collectible because of the history of collections towards initial promises and the donor relationships with the Organization.

### 3. GRANTS RECEIVABLE

Grants receivable consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
The Emergency Food Assistance Program	\$ 9,496	\$ 33,523
Commodity Supplemental Food Program	6,054	27,883
Pennsylvania Agricultural Surplus System	35,849	-
	<u>\$ 51,399</u>	<u>\$ 61,406</u>

### 4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820, *Fair Value Measurements and Disclosures* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

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## GREATER BERKS FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

*Certificates of Deposit:* The carrying amount of certificates of deposit approximate fair value because of the short-term nature of those investments.

*Beneficial Interest in Funds held by the Berks County Community Foundation:* Valued at the net asset value of the allocable portion of the common pool investments.

Assets at fair value as December 31, 2017:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 292,538	\$ -	\$ -	\$ 292,538
Beneficial interest	-	-	20,964	20,964
	\$ 292,538	\$ -	\$ 20,964	\$ 313,502

Assets at fair value as December 31, 2016:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 281,910	\$ -	\$ -	\$ 281,910
Beneficial interest	-	-	18,063	18,063
	\$ 281,910	\$ -	\$ 18,063	\$ 299,973

(continued)



# GREATER BERKS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

	<u>2017</u>	<u>2016</u>
Balance as of January 1	\$ 18,063	\$ 16,901
Change in value of beneficial interest	<u>2,901</u>	<u>1,162</u>
Balance as of December 31	<u>\$ 20,964</u>	<u>\$ 18,063</u>

### 5. BENEFICIAL INTEREST IN ASSETS HELD BY BERKS COUNTY COMMUNITY FOUNDATION

The Organization has established the Greater Berks Food Bank Fund (the “Fund”) through an “Organizational Endowment Fund” (the “Agreement”) at the Berks County Community Foundation (the “Foundation”). The Board initially designated \$10,000 for endowment purposes. The Foundation holds this gift as a permanent endowment fund. The Foundation invests and reinvests the assets of the Fund pursuant to its Articles of Incorporation and Bylaws. The Organization prefers that the Fund be invested in a mix of equity and debt securities, money market, cash and cash equivalents, designed to produce a total return intended to maintain the real value of the Fund against the Consumer Price Index while permitting a reasonable annual distribution to the Organization net of fees. All contributions made to the Fund are irrevocable, except as specifically provided in the endowment agreement.

All funds established at the Foundation are subject to the Foundation’s variance power as set forth in its Bylaws. The variance power gives the Foundation the authority to modify donor recommendations or conditions on distributions from a fund for any specified charitable purpose or to any specified charitable organization.

If in the sole discretion of the Foundation’s Board, the original purpose of a fund becomes impossible, incapable of fulfillment, or inconsistent with the charitable needs of the community, the Foundation has the legal authority through its variance power to redirect the fund. If the Organization no longer operates in a manner which qualifies it as a permissible recipient of Foundation distributions, the Foundation shall distribute or accumulate the unallocated amounts as it shall in its discretion, determine.

Annual investment income was reinvested in the Fund in 2017 and 2016. The reinvested earnings may be applied towards the general purposes as determined from time to time by the Organization’s governing body. There were no contributions or distributions from the Fund during the years ended December 31, 2017 and 2016.

(continued)

## GREATER BERKS FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

#### 6. LONG-TERM LIABILITIES

	2017	2016
On April 23, 2014, the Organization executed a Term Note ("Note") with M&T Bank in the amount of \$2,600,000. Payments of interest only for the first 12 months followed by 60 principal payments of \$10,833 per month, plus interest, amortized over 240 months, with a balloon payment due on the maturity date. The interest rate is variable, equal to 1-Month LIBOR plus 2.10%. There is no prepayment premium and the Note is collateralized by a first-priority lien on the property.	\$ 800,000	989,422
Total long-term liabilities	800,000	989,422
Less current portion	(129,996)	(129,996)
Total long-term liabilities, net of current portion	\$ 670,004	\$ 859,426

Estimated maturities on long-term liabilities are as follows:

2018	\$	129,996
2019		129,996
2020		540,008
Total	\$	800,000

#### 7. CAPITAL LEASES

The Organization leases warehouse and office equipment under the terms of two capital leases.

Property and equipment held under capital leases consists of the following as of December 31:

	2017	2016
Warehouse equipment	\$ 39,977	\$ -
Office equipment	5,957	5,957
Accumulated depreciation	45,934 (9,756)	5,957 (4,567)
	\$ 36,178	\$ 1,390

Depreciation expense amounted to \$5,189 and \$1,191 for the years ended December 31, 2017 and 2016.

(continued)

## GREATER BERKS FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

Capital lease obligations consist of the following as of December 31:

	2017	2016
Capital lease agreement in 2013 for office equipment; payable in monthly installments of \$139, including interest at 14.13%; matured February 2018.	\$ 266	\$ 1,778
Capital lease agreement for a 2017 forklift; payable in monthly installments of \$724, including interest at 3.32%; matures May 2022.	35,647	-
	35,913	1,778
Current portion	(7,887)	(1,512)
	\$ 28,026	\$ 266

Future minimum lease payments under capital leases consist of the following for the five years ending December 31:

2018	\$ 8,966
2019	8,688
2020	8,688
2021	8,688
2022	3,620
	38,650
Amount representing interest	(2,737)
	\$ 35,913

#### 8. SIMPLIFIED EMPLOYEE PENSION PLAN

The Organization has a pension plan for those employees who meet the eligibility requirements as set forth in the Plan. Plan contributions are made at the discretion of the Board of Directors. Total pension expense was \$18,045 and \$15,189 for the years ended December 31, 2017 and 2016.

(continued)

## GREATER BERKS FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

#### 9. DEFERRED REVENUE

Deferred revenue are as follows at December 31:

	<u>2017</u>	<u>2016</u>
Deferred revenue, State Food Purchase Program	\$ 30,605	\$ 50,248
Deferred revenue, ESFP	-	15,338
	<u>\$ 30,605</u>	<u>\$ 65,586</u>

#### 10. SUMMARY OF GRANTS FUNDING

Government grants, as reported in the statements of activities, consist of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
The Emergency Food Assistance Program, monetary	\$ 43,200	\$ 55,614
The Emergency Food Assistance Program, in-kind	1,136,529	1,099,531
Commodity Supplemental Food Program, monetary	105,411	104,675
Commodity Supplemental Food Program, in-kind	389,074	357,702
Emergency Food Shelter Program	49,525	15,180
State Food Purchase Program	398,265	459,564
Pennsylvania Agricultural Surplus System	85,483	44,009
	<u>\$ 2,207,487</u>	<u>\$ 2,136,275</u>

#### 11. CONTINGENCIES

The operation of the Organization is dependent upon the grants received from federal and state agencies, as well as donations from various organizations and individuals. A significant reduction in the level of this support would have a material effect on the Organization's programs and activities.

The grants received by the Organization are subject to audit by federal, state, and local governments. As of the date of this report, management is unaware of any material adjustments that will be required as a result of such audits.

(continued)

# GREATER BERKS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

### 12. UNEMPLOYMENT SAVINGS PROGRAM

The Organization is a member in the First Nonprofit Unemployment Savings Program, LLC (the Program) in which the Organization uses the reimbursable method to finance Pennsylvania Unemployment Compensation coverage. The Organization makes quarterly contributions into the Program for estimated benefit charges, reserves, and administrative costs which are maintained in a custodial account. The Organization's actual unemployment claims are paid from this account, with the provision that any claims in excess of the Organization's deposit and reserve amounts must be repaid with interest over a three-year period maximum.

Stop loss insurance covers claims in excess of the attachment point of \$25,000 to \$75,000, without reimbursement required from the Organization. Claims in excess of \$75,000 must be repaid in the same manner as claims up to the attachment point.

For the years ended December 31, 2017 and 2016, the Organization paid, including fees, \$12,610 and \$6,162 respectively, to the Program which is recorded as an expense in the accompanying Statements of Activities. As of December 31, 2017 and 2016, the Organization's reserve balance in the Program was \$23,536 and \$13,567, respectively. The Organization could receive a refund or be assessed an additional amount based on actual experience. For financial statement purposes, no amounts have been recorded for any refund or additional assessment as the amount of adjustment, if any, cannot be determined until the Program informs the Organization of such adjustments.

**SUPPLEMENTARY INFORMATION**

## GREATER BERKS FOOD BANK

### SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	<u>Food Distribution</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>Labor costs</b>				
Wages and salaries	\$ 573,381	\$ 57,338	\$ 68,626	\$ 699,345
Payroll taxes and benefits	172,207	30,136	14,073	216,416
Contract labor	138,173	34,543	-	172,716
<b>Total labor costs</b>	<u>883,761</u>	<u>122,017</u>	<u>82,699</u>	<u>1,088,477</u>
<b>Other costs</b>				
Food purchases	449,973	-	-	449,973
Food donations	10,537,166	-	-	10,537,166
Supplies	26,316	2,924	-	29,240
Occupancy	55,237	13,415	10,258	78,910
Telephone	4,905	1,208	996	7,109
Feeding America	5,048	-	-	5,048
Commodity Supplemental Food Program	50,804	-	-	50,804
Program development	123,262	-	-	123,262
Freight	22,046	-	-	22,046
Equipment rent and maintenance	50,547	4,395	-	54,942
Professional dues	-	12,997	1,444	14,441
Office expense	15,709	3,870	3,188	22,767
Truck expense	116,007	-	-	116,007
Conferences and training	-	3,758	2,954	6,712
Professional fees	5,396	21,586	-	26,982
Fundraising fees	-	-	63,743	63,743
Insurance	14,556	3,638	-	18,194
Depreciation	118,198	28,750	12,779	159,727
Miscellaneous	-	6,266	-	6,266
Interest expense	-	30,206	-	30,206
<b>Total other costs</b>	<u>11,595,170</u>	<u>133,013</u>	<u>95,362</u>	<u>11,823,545</u>
<b>Total functional expenses</b>	<u>\$ 12,478,931</u>	<u>\$ 255,030</u>	<u>\$ 178,061</u>	<u>\$ 12,912,022</u>

## GREATER BERKS FOOD BANK

### SCHEDULE OF FUNCTIONAL EXPENSES (UNAUDITED)

YEAR ENDED DECEMBER 31, 2016

	<u>Food Distribution</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>Labor costs</b>				
Wages and salaries	\$ 530,784	\$ 53,078	\$ 79,618	\$ 663,480
Payroll taxes and benefits	152,702	26,723	11,453	190,878
Contract labor	148,636	37,159	-	185,795
<b>Total labor costs</b>	<u>832,122</u>	<u>116,960</u>	<u>91,071</u>	<u>1,040,153</u>
<b>Other costs</b>				
Food purchases	515,561	-	-	515,561
Food donations	10,897,175	-	-	10,897,175
Supplies	22,904	2,545	-	25,449
Occupancy	56,113	13,627	10,421	80,161
Telephone	4,148	1,022	842	6,012
Feeding America	4,942	-	-	4,942
Commodity Supplemental Food Program	47,315	-	-	47,315
Program development	62,277	-	-	62,277
Freight	29,964	-	-	29,964
Equipment rent and maintenance	36,309	3,157	-	39,466
Professional dues	-	10,248	1,139	11,387
Office expense	23,331	5,748	4,734	33,813
Truck expense	105,659	-	-	105,659
Conferences and training	-	2,454	1,929	4,383
Professional fees	6,085	24,341	-	30,426
Fundraising fees	-	-	63,877	63,877
Insurance	5,197	1,299	-	6,496
Depreciation	131,733	32,043	14,243	178,019
Miscellaneous	-	1,270	-	1,270
Interest expense	-	31,410	-	31,410
<b>Total other costs</b>	<u>11,948,713</u>	<u>129,164</u>	<u>97,185</u>	<u>12,175,062</u>
<b>Total functional expenses</b>	<u>\$ 12,780,835</u>	<u>\$ 246,124</u>	<u>\$ 188,256</u>	<u>\$ 13,215,215</u>



# GREATER BERKS FOOD BANK

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Food Distribution Cluster				
Passed through the Commonwealth of Pennsylvania				
Department of Agriculture Bureau of Food Distribution				
Commodity Supplemental Food Program	10.565	101257	\$ -	\$ 105,411
The Emergency Food Assistance Program (Administrative Costs)	10.568	ME 44155223	-	43,200
The Emergency Food Assistance Program (Food Commodities)	10.569	ME 44155223	<u>1,166,526</u>	<u>1,166,526</u>
 Total U.S. Department of Agriculture programs in cluster			<u>1,166,526</u>	<u>1,315,137</u>
 Total Food Distribution Cluster			<u>1,166,526</u>	<u>1,315,137</u>
 Total expenditures of federal awards			<u>\$ 1,166,526</u>	<u>\$ 1,315,137</u>

**NOTES:**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Greater Berks Food Bank (the Organization) under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. INDIRECT COST RATE**

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(continued)

## **GREATER BERKS FOOD BANK**

### **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

#### **4. FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed.

#### **5. COMMODITY RECEIVED**

Greater Berks Food Bank received \$1,136,529 of USDA commodities (CFDA #10.569) during the year ended December 31, 2017. The remaining \$29,997 was distributed from donated inventory at December 31, 2016.

## 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  
Greater Berks Food Bank  
Reading, Pennsylvania

We have audited, 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, the financial statements of the Greater Berks Food Bank (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 13, 2018.

### Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

(continued)

25

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 and therefore, material weaknesses or significant deficiencies 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 2017-001 that we consider to be a material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Greater Berks Food Bank'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*.

### **Greater Berks Food Bank's Response to Findings**

Greater Berks Food Bank's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Greater Berks Food Bank's response was not subjected to the auditing procedures applied in the audit of the financial statements and, and accordingly, we express no opinion on it.

### **Purpose of this Report**

This 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.

*McKonly & Asbury, LLP*

Camp Hill, Pennsylvania  
August 13, 2018

## 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  
Greater Berks Food Bank  
Reading, Pennsylvania

### Report on Compliance for Each Major Federal Program

We have audited Greater Berks Food Bank'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 Greater Berks Food Bank's major federal programs for the year ended December 31, 2017. Greater Berks Food Bank'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 Greater Berks Food Bank's major federal programs based on our audit of the types of compliance requirements referred 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 Greater Berks Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

(continued)

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 Greater Berks Food Bank's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Greater Berks Food Bank 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, 2017.

### **Report on Internal Control over Compliance**

Management of Greater Berks Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Greater Berks Food Bank'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 Greater Berks Food Bank's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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.

*McKonly & Asbury, LLP*

Camp Hill, Pennsylvania  
August 13, 2018

# GREATER BERKS FOOD BANK

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

### *Prior Year Findings*

#### **Finding 2016-1:**

**Condition:** Adjusting journal entries, two of which were material, were required so the financial statements were not materially misstated.

**Criteria:** Auditor proposed thirteen adjusting journal entries. Two entries were material in nature.

**Effect:** Material journal entries to inventory and program revenue were required in order for the financial statements to not be materially misstated.

**Recommendation:** The auditor recommended that management review daily pricing upon receipt of inventory and perform reconciliations of inventory reports to the general ledger monthly.

**Current Status:** The recommendation was adopted in April 2017. There was no finding regarding inventory pricing noted in the 2017 audit.

# GREATER BERKS FOOD BANK

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

### SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Greater Berks Food Bank were prepared in accordance with GAAP.
2. One material weakness disclosed during the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting 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 the Greater Berks Food Bank, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Greater Berks Food Bank expresses an unmodified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:
  - a. The Food Distribution Cluster:
    - i. Commodity Supplemental Food Program (CFDA #10.565)
    - ii. The Emergency Food Assistance Program (CFDA #10.568)
    - iii. The Emergency Food Assistance Program (CFDA #10.569)
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Greater Berks Food Bank does not qualify as a low-risk auditee.

### FINDINGS – FINANCIAL STATEMENT AUDIT

#### *Material Weakness*

#### **Finding 2017- 001: Inventory Reporting and Reconciliation**

**Condition:** The Organization's inventory management system did not reconcile to the general ledger as of December 31, 2017. A material audit adjustment was required to be made for year end financial reporting. The adjustment was a result of a previously identified inventory matter.

(continued)



# GREATER BERKS FOOD BANK

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

**Criteria:** The inventory management system should be reconciled to the general ledger at year end to facilitate financial reporting.

**Cause:** Management had believed the inventory matter was corrected through consultation with its previous auditor, however, a known adjustment for 2017 inventory activity was not made by management and was subsequently identified during the external audit.

**Effect:** A material audit adjustment was required to be made for year end financial reporting.

**Recommendation:** Management should reconcile its inventory records with the general ledger on a monthly basis. These reconciliations will ensure that accurate financial balances are reported, and that any needed adjustments are recorded in a timely manner.

**Management's Corrective Action Plan:** Management has implemented improvements to its financial reporting close process, including the reconciliation of its inventory management system to the general ledger on a monthly basis. The Organization's Executive Director is responsible for overseeing the corrective action.

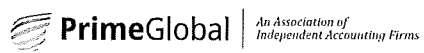
### FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

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