

# **Lowcountry Food Bank, Inc.**

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## **Financial Statements**

**Years Ended December 31, 2016 and 2015**



## **Table of Contents**

<b>Independent Auditors' Report .....</b>	<b>1</b>
<b>Financial Statements:</b>	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Functional Expenses.....	6
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9
<b>Reporting Under <i>Government Auditing Standards</i>:</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	16
<b>Reporting Under <i>The Uniform Guidance</i>:</b>	
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by <i>The Uniform Guidance</i> .....	18
Schedule of Expenditures of Federal Awards .....	20
Schedule of Findings and Questioned Costs:	
Schedule of Findings and Questioned Costs .....	22
Summary Schedule of Prior Findings.....	24



## Independent Auditors' Report

Board of Directors  
Lowcountry Food Bank, Inc.  
Charleston, South Carolina

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

We have audited the accompanying financial statements of Lowcountry Food Bank, Inc. which comprise the statements of financial position as of December 31, 2016 and 2015 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Lowcountry Food Bank, Inc. as of December 31, 2016 and 2015, 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.

***Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also included our report dated June 15, 2017 on our consideration of Lowcountry Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lowcountry Food Bank, Inc.'s internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

**Greenville, South Carolina**  
**June 15, 2017**

**Lowcountry Food Bank, Inc.**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

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	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 2,340,138	\$ 2,298,955
Inventories	1,499,433	1,477,088
Accounts receivable	98,489	89,871
Grants receivable	335,084	382,924
Prepaid expenses and other current assets	92,904	87,546
Unconditional promise to give, net	414,660	489,660
Property and equipment, net	<u>5,769,590</u>	<u>5,664,623</u>
Total assets	<u><u>\$ 10,550,298</u></u>	<u><u>\$ 10,490,667</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 230,828	\$ 202,616
Accrued expenses	237,109	205,407
Deferred revenue	46,200	72,920
Note payable	<u>1,896,036</u>	<u>2,042,742</u>
Total liabilities	<u><u>2,410,173</u></u>	<u><u>2,523,685</u></u>
Net assets:		
Unrestricted:		
Board designated	6,850	6,850
Undesignated	<u>7,469,712</u>	<u>6,902,764</u>
Total unrestricted	<u><u>7,476,562</u></u>	<u><u>6,909,614</u></u>
Temporarily restricted	<u>663,563</u>	<u>1,057,368</u>
Total net assets	<u><u>8,140,125</u></u>	<u><u>7,966,982</u></u>
Total liabilities and net assets	<u><u>\$ 10,550,298</u></u>	<u><u>\$ 10,490,667</u></u>

**Lowcountry Food Bank, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2016**

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	<b>2016</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Revenues, gains and other support:			
Donated inventory	\$ 40,786,966	\$ -	\$ 40,786,966
Shared maintenance revenue	1,313,186	-	1,313,186
Grants and contributions	2,967,913	1,399,554	4,367,467
United Way affiliates support	74,015	-	74,015
Gifts in kind	272,719	-	272,719
Special events	647,253	-	647,253
Program fees	1,645,077	-	1,645,077
Rental income	120,495	-	120,495
Miscellaneous income	9,782	-	9,782
Interest income	2,648	-	2,648
Gain on sale of assets	5,871	-	5,871
Total unrestricted	<u>47,845,925</u>	<u>1,399,554</u>	<u>49,245,479</u>
Net assets released from restrictions	<u>1,793,359</u>	<u>(1,793,359)</u>	<u>-</u>
Total revenue, gains and other support	<u>49,639,284</u>	<u>(393,805)</u>	<u>49,245,479</u>
Expenses and losses:			
Food distribution	47,322,956	-	47,322,956
Management and general	919,316	-	919,316
Fundraising	830,064	-	830,064
Total expenses	<u>49,072,336</u>	<u>-</u>	<u>49,072,336</u>
Change in net assets	<u>566,948</u>	<u>(393,805)</u>	<u>173,143</u>
Net assets, beginning of year	<u>6,909,614</u>	<u>1,057,368</u>	<u>7,966,982</u>
Net assets, end of year	<u>\$ 7,476,562</u>	<u>\$ 663,563</u>	<u>\$ 8,140,125</u>

**Lowcountry Food Bank, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2015**

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	<b>2015</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Revenues, gains and other support:			
Donated inventory	\$ 39,596,709	\$ -	\$ 39,596,709
Shared maintenance revenue	1,364,077	-	1,364,077
Grants and contributions	2,854,489	1,487,303	4,341,792
United Way affiliates support	85,661	-	85,661
Gifts in kind	233,611	-	233,611
Special events	490,364	-	490,364
Program fees	1,338,262	-	1,338,262
Rental income	134,370	-	134,370
Miscellaneous income	11,525	-	11,525
Interest income	1,909	-	1,909
Gain on sale of assets	3,000	-	3,000
Total unrestricted	<u>46,113,977</u>	<u>1,487,303</u>	<u>47,601,280</u>
Net assets released from restrictions	<u>1,302,196</u>	<u>(1,302,196)</u>	<u>-</u>
Total revenue, gains and other support	<u>47,416,173</u>	<u>185,107</u>	<u>47,601,280</u>
Expenses:			
Food distribution	45,340,646	-	45,340,646
Management and general	721,728	-	721,728
Fundraising	807,170	-	807,170
Total expenses	<u>46,869,544</u>	<u>-</u>	<u>46,869,544</u>
Change in net assets	<u>546,629</u>	<u>185,107</u>	<u>731,736</u>
Net assets, beginning of year	<u>6,362,985</u>	<u>872,261</u>	<u>7,235,246</u>
Net assets, end of year	<u>\$ 6,909,614</u>	<u>\$ 1,057,368</u>	<u>\$ 7,966,982</u>

**Lowcountry Food Bank, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2016**

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	2016				
	Program Services		Supporting Services		
	Food Distribution	Management and General	Fundraising	Total Supporting Services	Total
Contract services	\$ 90,328	\$ 66,602	\$ -	\$ 66,602	\$ 156,930
Development and marketing	11,140	-	473,726	473,726	484,866
Donated and purchased food distributed	43,237,205	-	-	-	43,237,205
Financial fees	17,777	8,024	-	8,024	25,801
Insurance	48,594	118,288	-	118,288	166,882
Miscellaneous	18,964	15,845	-	15,845	34,809
Occupancy	235,576	22,211	-	22,211	257,787
Office expense	45,599	28,972	-	28,972	74,571
Other loss	-	1,125	-	1,125	1,125
Professional fees	-	29,950	-	29,950	29,950
Program expenses	216,567	-	-	-	216,567
Repairs and maintenance	83,831	8,087	-	8,087	91,918
Salaries and related expenses	2,642,647	448,663	132,347	581,010	3,223,657
Special events	92,212	8,634	218,561	227,195	319,407
Transportation	207,811	-	-	-	207,811
 Total expenses before depreciation and interest	 46,948,251	 756,401	 824,634	 1,581,035	 48,529,286
Depreciation	331,006	143,915	4,797	148,712	479,718
Interest	43,699	19,000	633	19,633	63,332
 Total depreciation and interest	 374,705	 162,915	 5,430	 168,345	 543,050
 Total expenses	 <u>\$ 47,322,956</u>	 <u>\$ 919,316</u>	 <u>\$ 830,064</u>	 <u>\$ 1,749,380</u>	 <u>\$ 49,072,336</u>

See accompanying notes.

**Lowcountry Food Bank, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2015**

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	2015				
	Program Services		Supporting Services		
	Food Distribution	Management and General	Fundraising	Total Supporting Services	Total
Contract services	\$ 82,687	\$ 66,644	\$ -	\$ 66,644	\$ 149,331
Development and marketing	21,205	-	430,307	430,307	451,512
Donated and purchased food distributed	41,672,909	-	-	-	41,672,909
Financial fees	61,418	7,601	-	7,601	69,019
Insurance	32,482	85,817	-	85,817	118,299
Miscellaneous	14,635	14,818	-	14,818	29,453
Occupancy	217,939	19,304	-	19,304	237,243
Office expense	88,156	11,046	-	11,046	99,202
Other loss	-	20,614	-	20,614	20,614
Professional fees	-	43,855	-	43,855	43,855
Program expenses	148,587	-	-	-	148,587
Repairs and maintenance	57,503	-	-	-	57,503
Salaries and related expenses	2,425,743	324,620	125,990	450,610	2,876,353
Special events	42,515	8,813	225,561	234,374	276,889
Transportation	161,053	-	-	-	161,053
 Total expenses before depreciation and interest	 45,026,832	 603,132	 781,858	 1,384,990	 46,411,822
Depreciation	267,387	101,050	21,567	122,617	390,004
Interest	46,427	17,546	3,745	21,291	67,718
 Total depreciation and interest	 313,814	 118,596	 25,312	 143,908	 457,722
 Total expenses	 \$ 45,340,646	 \$ 721,728	 \$ 807,170	 \$ 1,528,898	 \$ 46,869,544

See accompanying notes.

**Lowcountry Food Bank, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

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	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Change in net assets	\$ 173,143	\$ 731,736
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	479,718	390,004
Net (gain) loss on disposal of property and equipment	(4,746)	339
Donated inventory revenues	(40,786,966)	(39,596,709)
Donated food distribution expenses	39,707,715	38,740,647
Contributions restricted for property and equipment purchase	-	(120,000)
Changes in operating assets and liabilities:		
Unconditional promises to give	75,000	50,000
Accounts receivable	(8,618)	42,867
Grants receivable	47,840	(163,222)
Inventories	1,056,906	735,793
Prepaid expenses and other current assets	(5,358)	(55,269)
Accounts payable	28,212	(2,177)
Accrued expenses	31,702	9,987
Deferred revenue	<u>(26,720)</u>	<u>17,020</u>
Net cash provided by operating activities	<u>767,828</u>	<u>781,016</u>
Investing activities:		
Purchases of property and equipment	(590,810)	(532,942)
Proceeds from sale of property and equipment	<u>10,871</u>	<u>-</u>
Net cash used by investing activities	<u>(579,939)</u>	<u>(532,942)</u>
Financing activities:		
Payments on note payable	(146,706)	(142,272)
Contributions restricted for property and equipment purchase	<u>-</u>	<u>120,000</u>
Net cash used by financing activities	<u>(146,706)</u>	<u>(22,272)</u>
Net increase in cash and cash equivalents	41,183	225,802
Cash and cash equivalents, beginning of year	<u>2,298,955</u>	<u>2,073,153</u>
Cash and cash equivalents, end of year	<u>\$ 2,340,138</u>	<u>\$ 2,298,955</u>
 <b>Supplemental Cash Flow Information</b>		
Cash paid for interest	<u>\$ 63,332</u>	<u>\$ 67,718</u>

## **Notes to Financial Statements**

### **1. Summary of Significant Accounting Policies**

#### ***Nature of Activities***

Lowcountry Food Bank, Inc. (the “Organization”), a non-profit organization, was incorporated in August 1983. Located in Charleston, Myrtle Beach and Yemassee, South Carolina, the Organization’s purpose is food storage and distribution. The mission of the Organization is to gather, store, and distribute food through a network of non-profit agencies, to provide services through a variety of programs, to feed the needy in ten coastal counties of South Carolina, and to serve as an educational resource for hunger and hunger-related issues. The Organization serves as a collecting center for surplus and salvageable food obtained through donations from processors, wholesalers, retailers, and brokers. The food is then distributed to qualifying agencies. The Organization charges a fee called shared maintenance revenue to the agencies and churches benefited in order to recover a portion of the costs associated with food collection.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of results of operations during the reporting period. Actual results could differ from those estimates and assumptions.

#### ***Basis of Presentation***

The Organization’s statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification. The Organization is required to report information regarding its financial position and activities according to three classes of net assets. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

Donor-restricted support received is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction. The Organization had no permanently restricted net assets at December 31, 2016 and 2015.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less when purchased.

**Lowcountry Food Bank, Inc.**  
**Notes to Financial Statements**

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**Accounts and Grants Receivable and Allowance for Doubtful Accounts**

Accounts receivable consist primarily of agency maintenance fees for distributed food. Grants receivable consist primarily of amounts due from government agencies. As of December 31, 2016 and 2015, the Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

**Inventory and Donated Food Products**

The Organization receives food products governed by the United States Department of Agriculture (USDA) primarily through the USDA's state disbursing agent, the South Carolina Department of Social Services. The food products received through USDA programs are valued using prices determined by the USDA. Other donated food products reflected in the financial statements are valued at a rate per pound, which is determined by management based on the rate per pound provided by Feeding America, the Organization's national affiliate. The donated inventory balance, and associated revenues and expenses, as of and for the years ended December 31, 2016 and 2015 related to Feeding America, have been adjusted to reflect a rate per pound of \$1.67 and \$1.70, respectively.

Donated food products are recorded as revenue and support when received and recorded as expense when disbursed. Food products purchased are recorded at cost and disbursed at the same purchase price, if distinguishable. Certain purchased products are commingled and packaged with donated products; these items are revalued using the Feeding America rate per pound and disbursed at the Feeding America cost. Inventories are valued at the lower of cost, as determined above, or market.

**Unconditional Promise to Give**

Unconditional promises to give are recognized when the donor makes a promise to give that, in substance, is unconditional. Conditional promises to give are recognized as revenue when the specified conditions are substantially met and the promises become unconditional. There were no conditional promises to give at December 31, 2016 and 2015.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount rate used to determine the present value of the estimated future cash flows was 1.9% in 2016 and 2015.

The Organization presents unconditional promise to give net of an allowance for uncollectibility when deemed necessary. The allowance is based on prior years' experience and management's analysis of specific promises made. During the years ended December 31, 2016 and 2015, the Organization wrote off \$0 in uncollectible promise to give. As of December 31, 2016 and 2015, the Organization considers all unconditional promise to give to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

**Property and Equipment**

Property and equipment are stated at cost or, if donated, at the approximated fair value at the date of donation. Improvements which materially add to the value of productivity or extend the useful life of assets are capitalized. Expenditures for repairs and maintenance are charged to operations in the year the costs are incurred. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years.

Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In the event that facts and circumstances indicate that cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

**Lowcountry Food Bank, Inc.**  
**Notes to Financial Statements**

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***Contributions***

Contributions are recognized as revenue when they are received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

***Donated Services***

Donated services are reported as contributions if the services either: a.) Create or enhance nonfinancial assets, or b.) Require specialized skills, are performed by people with those skills, and would otherwise be purchased. In accordance with accounting standards, donated services of \$84,347 and \$31,078 for the years ended December 31, 2016 and 2015, respectively, were recognized because these services require specialized skills and would otherwise be purchased by the Organization.

***Donated Property and Equipment***

The Organization has recorded donated property and equipment as support at the estimated fair value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. When a temporary restriction expires, temporarily restricted net assets are released to unrestricted net assets.

***Shared Maintenance Revenue and Expenses***

Shared maintenance revenue represents the amount the Organization charges local agencies and churches to recover a portion of the costs associated with food collection and distribution.

The majority of the cost of shared maintenance revenue is related to the value of donated inventory received. Although the expense consists mainly of the value of donated inventory, there are other costs associated with the distribution of the food such as shared maintenance paid to other food banks to obtain the food, transportation of the food, and value-added product purchases.

The cost of food spoilage for the years ended December 31, 2016 and 2015 was approximately \$1,065,000 and \$736,000, respectively, and is included in food distribution expenses.

***Deferred Revenue***

Deferred revenue consists of sponsorship and ticket sales received in advance of the events. The revenue is recognized in the period during which the event is held. Deferred revenue totaled \$46,200 and \$72,920 at December 31, 2016 and 2015, respectively.

***Functional Allocation of Expenses***

The costs of providing the various program and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimate of the time spent by the individuals in each functional category as well as each department's allocation of expenses.

***Income Tax Status***

The Organization is exempt from both federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been determined by the Internal Revenue Service not to be a private foundation under Section 509(a)(2).

**Lowcountry Food Bank, Inc.**  
**Notes to Financial Statements**

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Management evaluated the Organization's tax positions and concluded that the Organization does not have any significant uncertain tax positions resulting in unrecognized tax obligations or benefits as of December 31, 2016.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 15, 2017 the date the financial statements were available to be issued.

**2. Inventories**

Inventories consist of the following at December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Non-USDA commodities	\$ 877,516	\$ 1,164,755
USDA commodities	<u>621,917</u>	<u>312,333</u>
	<u><b>\$ 1,499,433</b></u>	<u><b>\$ 1,477,088</b></u>

**3. Unconditional Promise to Give, net**

Unconditional promise to give are comprised of the following at December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Amounts due in:		
Less than one year	\$ 100,000	\$ 100,000
One to five years	<u>325,000</u>	<u>400,000</u>
	<u><b>425,000</b></u>	<u><b>500,000</b></u>
Less present value discount	<u>(10,340)</u>	<u>(10,340)</u>
	<u><b>\$ 414,660</b></u>	<u><b>\$ 489,660</b></u>

Restrictions on unconditional promises to give represent time restrictions for amounts to be received in future periods and for designated purposes.

**Lowcountry Food Bank, Inc.**  
**Notes to Financial Statements**

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**4. Property and Equipment, net**

Property and equipment consisted of the following at December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Building and improvements	\$ 4,520,080	\$ 4,359,049
Land	1,200,000	1,200,000
Warehouse equipment	1,035,643	954,435
Transportation equipment	1,255,661	1,030,983
Furniture and office equipment	134,374	126,244
Leasehold improvements	19,194	17,800
Software	144,678	-
Software in progress	-	71,609
	<b>8,309,630</b>	7,760,120
Less accumulated depreciation	<b>(2,540,040)</b>	<b>(2,095,497)</b>
Property and equipment, net	<b>\$ 5,769,590</b>	<b>\$ 5,664,623</b>

Depreciation expense totaled \$479,718 and \$390,004 for the years ended December 31, 2016 and 2015, respectively.

**5. Note Payable**

The Organization has a promissory note with a financial institution that accrues interest at a rate of 3.15% per annum and requires monthly payments of principal and interest in the amount of \$17,499 with a final balloon payment of \$1,498,060 due on August 28, 2019. The note is secured by a mortgage on the underlying real property.

The following table summarizes future principal payment requirements for the years ending December 31:

<b><u>Year Ending December 31,</u></b>	
2017	\$ 147,765
2018	157,479
2019	<u>1,590,792</u>
	<b><u>\$ 1,896,036</u></b>

**Lowcountry Food Bank, Inc.**  
**Notes to Financial Statements**

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## **6. Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following at December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Acquisition, renovation of facilities and time restrictions	\$ 414,660	\$ 489,660
Feeding programs	<u>248,903</u>	<u>567,708</u>
	<b><u>\$ 663,563</u></b>	<b><u>\$ 1,057,368</u></b>

Temporarily restricted net assets released from restrictions are as follows for the years ended December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Acquisition, renovation of facilities and time restrictions	\$ 75,000	\$ 50,000
Feeding programs	<u>1,718,359</u>	<u>1,252,196</u>
	<b><u>\$ 1,793,359</u></b>	<b><u>\$ 1,302,196</u></b>

## **7. Related Party Transactions**

The Organization is affiliated with Feeding America, a national food bank association. Food obtained through Feeding America and affiliated food banks represents approximately 12% and 9% of the total amount of donated food received during 2016 and 2015, respectively. The Organization paid a membership fee to Feeding America of \$12,916 and \$12,516 for the years ended December 31, 2016 and 2015, respectively, based on food received. At December 31, 2016 and 2015, the Organization had an outstanding payable due to Feeding America in the amount of \$31,357 and \$45,022, respectively.

The President and Chief Executive Officer of the Organization serves on the Board of Directors of the South Carolina Food Bank Association. The Organization receives donated USDA food commodities and administrative grant funds under the Emergency Food Assistance Program from the South Carolina Food Bank Association. The Organization received \$3,148,487 and \$2,301,483 in 2016 and 2015, respectively, from these revenue sources.

At December 31, 2016 and 2015, total unconditional promise to give of \$425,000 and \$500,000, respectively, were due from a member of the Board of Directors.

## **8. Employee Benefit Plan**

The Organization sponsors a defined contribution salary deferral plan covering substantially all employees. Under the plan, the Organization contributes two percent of each eligible employee's salary and also matches up to another two percent for each eligible employee's salary. Contributions to the plan by the Organization for the years ended December 31, 2016 and 2015 were \$62,735 and \$58,480, respectively.

## **9. Operating Facilities**

The Organization leases the Yemassee operating facility as a tenant-at-will, with monthly rental payments of \$1,440.

**Lowcountry Food Bank, Inc.**  
**Notes to Financial Statements**

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The Organization leases the Myrtle Beach operating facility under an operating lease agreement requiring monthly rental payments of \$5,400 and \$5,200 during 2016 and 2015, respectively. In January 2017, the Organization extended the lease through December 31, 2018.

Rent charged to operations was \$82,080 and \$79,680 for the years ended December 31, 2016 and 2015.

The Organization subleases office space to tenants-at-will, with monthly rental payments of \$11,041. Effective December 2015, the Organization entered into a lease agreement with a catering company expiring December 31, 2020, with four months of rent abatement and monthly payments of \$4,000 commencing April 1, 2016, subject to 3% escalation per year. The lease provides for a one-time renewal option of five years. Effective April 2016, the Organization entered into a lease agreement with a charter high school expiring March 31, 2021, with monthly payments of \$7,041 commencing April 1, 2016, subject to 1.5% escalation per year after the first two years. Total rental income recognized for the years ended December 31, 2016 and 2015 was \$120,495 and \$134,370, respectively. As of December 31, 2016, the total cost and accumulated depreciation of the facility and improvements of which a portion is leased is approximately \$4,520,000 and \$1,002,000, respectively. Future minimum lease income under these leases is as follows:

2017	\$ 134,000
2018	136,000
2019	139,000
2020	142,000
2021	22,000
	<hr/>
	\$ 573,000

## **10. Concentration of Credit Risk**

The Organization maintains its cash deposit accounts at various financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). At times, the Organization may maintain bank account balances in excess of the FDIC insured limit. The Organization has not experienced losses in such deposit accounts and believes it is not exposed to any significant credit risk in this regard.

**Independent Auditors' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Based On an Audit Of the Financial Statements Performed In  
Accordance With *Government Auditing Standards***

Management and the Board of Directors  
Lowcountry Food Bank, Inc.  
Charleston, South Carolina

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 Lowcountry Food Bank, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2017.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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 the 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 were not identified. 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 the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

*Dixon Hughes Goodman LLP*

**Greenville, South Carolina**  
**June 15, 2017**



## **Independent Auditors' Report On Compliance For Each Major Federal Program and on Internal Control Over Compliance Required By The Uniform Guidance**

Management and the Board of Directors  
Lowcountry Food Bank, Inc.  
Charleston, South Carolina

### ***Report on Compliance for Each Major Federal Program***

We have audited Lowcountry Food Bank, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended December 31, 2016. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization'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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

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

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2016.



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

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the Organization'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.

### ***Purpose of this Report***

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.

*Dixon Hughes Goodman LLP*

**Greenville, South Carolina**  
**June 15, 2017**

**Lowcountry Food Bank, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2016**

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<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass- Through Grantor's Number</b>	<b>Total Federal Expenditures</b>	<b>Passed through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
<b>Passed through from the SC Department of Social Services</b>				
<b>Food Distribution Cluster</b>				
Emergency Food Assistance Program (Administrative Costs)	10.568	4400011128/ 4400014275	\$ 249,000	\$ -
Emergency Food Assistance Program (Food commodities)	10.569	4400011128/ 4400014275	2,675,354	2,675,354
Commodity Supplemental Food Program (Administrative Costs)	10.565	4400011129/ 4400014260	123,120	-
Commodity Supplemental Food Program (Food commodities)	10.565	4400011129/ 4400014260	501,524	501,524
<b>Total Food Distribution Cluster</b>			<u>3,548,998</u>	<u>3,176,878</u>
Supplemental Nutrition Assistance Program	10.551	4400010957/ 4400014564	210,045	-
Child and Adult Care Food Program	10.558	C11135F	709,002	-
Summer Food Service Program for Children	10.559	SF-6372	104,969	-
<b>Total U.S. Department of Agriculture</b>			<u>4,573,014</u>	<u>3,176,878</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 4,573,014</u></u>	<u><u>\$ 3,176,878</u></u>

**Lowcountry Food Bank, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2016**

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## **Notes to Schedule of Expenditures of Federal Awards**

### **1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Lowcountry Food Bank, Inc. (the “Organization”) under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 Account 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.

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

**Lowcountry Food Bank, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2016**

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**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes  X  No

Significant deficiency(ies) identified?

Yes  X  None reported

Noncompliance material to financial statements noted?

Yes  X  No

**Federal Awards**

Internal control over major program:

Material weakness(es) identified?

Yes  X  No

Significant deficiency(ies) identified?

Yes  X  None reported

Type of auditors’ report issued on compliance for major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 of Uniform Guidance?

Yes  X  No

Identification of major federal program:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.568, 10.569, and 10.565	Food Distribution Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**Section II – Financial Statement Findings**

There are no matters that are required to be reported for the year ended December 31, 2016.

**Section III – Federal Award Findings and Questioned Costs**

There are no matters that are required to be reported for the year ended December 31, 2016.

**Lowcountry Food Bank, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2016**

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**Federal Award Findings and Questioned Costs**

No prior audit findings reported in 2015 or 2014.