

WESTMORELAND COUNTY FOOD BANK, INC.

**AUDIT REPORT
BASIC FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORT**

YEARS ENDED DECEMBER 31, 2016 AND 2015

WESTMORELAND COUNTY FOOD BANK, INC.
YEARS ENDED DECEMBER 31, 2016 AND 2015

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Zelenkofske Axelrod LLC

Independent Auditor's Report

To the Board of Directors of the
Westmoreland County Food Bank, Inc.
100 Devonshire Drive
Delmont, Pennsylvania 15626

Report on the Financial Statements

We have audited the accompanying financial statements of the Westmoreland County Food Bank, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits 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 Westmoreland County Food Bank, Inc. as of December 31, 2016 and 2015, 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.

Harrisburg

830 Sir Thomas Court, Suite 100
Harrisburg, PA 17109
717.561.9200 Fax 717.561.9202

Philadelphia

2370 York Road, Suite A-5
Jamison, Pa 18929
215.918.2277 Fax 215.918.2302

Pittsburgh

3800 McKnight E. Drive, Suite 3805
Pittsburgh, PA 15237
412.367.7102 Fax 412.367.7103

Greensburg

210 Tollgate Hill Road
Greensburg, PA 15601
724.834.2151 Fax 724.834.5969

Zelenkofske Axelrod LLC

Board of Directors of the
Westmoreland County Food Bank, Inc.
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Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses and 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*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2017, on our consideration of the Westmoreland County 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 the Westmoreland County Food Bank, Inc.'s internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

Zelenkofske Axelrod LLC

Greensburg, Pennsylvania
May 22, 2017

WESTMORELAND COUNTY FOOD BANK, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and Cash Equivalents	\$ 1,099,487	\$ 872,457
Accounts Receivable	74,257	243,104
Inventory	1,384,500	1,556,111
Other Assets	<u>7,877</u>	<u>8,943</u>
Total Current Assets	<u>2,566,121</u>	<u>2,680,615</u>
Fixed Assets:		
Land	30,600	30,600
Building and Equipment	3,126,215	2,915,884
Less: Accumulated Depreciation	<u>(1,820,198)</u>	<u>(1,695,262)</u>
Net Fixed Assets	<u>1,336,617</u>	<u>1,251,222</u>
Total Assets	<u>\$ 3,902,738</u>	<u>\$ 3,931,837</u>
<u>Total Liabilities and Net Assets</u>		
Current Liabilities:		
Accrued Liabilities	\$ 59,471	\$ 54,877
Accounts Payable	197,532	160,145
Unearned Revenues	<u>94,570</u>	<u>63,567</u>
Total Current Liabilities	<u>351,573</u>	<u>278,589</u>
Net Assets:		
Unrestricted	2,214,548	2,402,026
Unrestricted Investment in Net Assets	<u>1,336,617</u>	<u>1,251,222</u>
Total Net Assets	<u>3,551,165</u>	<u>3,653,248</u>
Total Liabilities and Net Assets	<u>\$ 3,902,738</u>	<u>\$ 3,931,837</u>

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

WESTMORELAND COUNTY FOOD BANK, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	<u>2016</u>	<u>2015</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
Support and Revenue:		
<hr/>		
Public Support:		
Grants and Contracts	\$ 1,529,759	\$ 1,376,471
Contributions:		
Donated Food	8,361,568	8,784,035
Contributions, Other	15,400	15,400
Corporate and Individual Donations	1,788,242	1,730,213
Donations, Other	1,000	660
Shared Maintenance	187	295
Interest Income	690	560
Rental Income	176	-
Other Income	16,153	2,001
Salvage Income	5,343	4,226
Trucking Income	47,260	49,200
Membership Fees	5,971	6,331
Gain on Sale of Assets	1,000	750
Total Support and Revenue	<u>11,772,749</u>	<u>11,970,142</u>
Expenses:		
<hr/>		
Program Services	11,307,681	11,218,406
Management and General	198,648	202,646
Fundraising	368,503	340,373
Total Expenses	<u>11,874,832</u>	<u>11,761,425</u>
Change in net assets	(102,083)	208,717
Net Assets:		
<hr/>		
Beginning of year	3,653,248	3,444,531
End of year	<u>\$ 3,551,165</u>	<u>\$ 3,653,248</u>

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

WESTMORELAND COUNTY FOOD BANK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2016	2015
Operating Activities:		
Change in Net Assets	\$ (102,083)	\$ 208,717
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	146,063	165,459
(Increase) Decrease in Operating Assets:		
Accounts Receivable	168,847	(208,329)
Inventory	171,611	(147,314)
Prepaid Expense	-	3,400
Other Assets	1,066	772
Increase (Decrease) in Operating Liabilities:		
Accrued Liabilities	4,594	(29,418)
Accounts Payable	37,387	(9,728)
Unearned Revenue	31,003	(66,167)
Net Cash Provided (Used) by Operating Activities	458,488	(82,608)
Cash Flows from Investing Activities:		
Net Capital Additions	(231,458)	(128,473)
Net Cash Used in Investing Activities	(231,458)	(128,473)
Increase (Decrease) in Cash and Cash Equivalents	227,030	(211,081)
Cash and Cash Equivalents, January 1	872,457	1,083,538
Cash and Cash Equivalents, December 31	\$ 1,099,487	\$ 872,457

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

WESTMORELAND COUNTY FOOD BANK, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Westmoreland County Food Bank, Inc., is a private nonprofit 501(c)(3) corporation that operates in cooperation with support agencies and community groups committed to helping to alleviate hunger in Westmoreland County.

Organization

The Westmoreland County Food Bank, Inc., was incorporated under the laws of Pennsylvania as a nonprofit corporation. As such, it has no stockholders and excess revenues must be used for its nonprofit activity. Prior to October 1, 1982, Westmoreland County Food Bank, Inc. was operated as a segment of another entity. As of this date, they separated from the other entity and commenced operations as an independent agency. Westmoreland County Food Bank, Inc., receives revenues from member pantries who contribute a shared maintenance fee from other agencies on a fee-for-service basis, donations from the public, and governmental appropriations. In addition, they receive noncash donations in the form of food.

The Westmoreland County Food Bank, Inc. is certified by Feeding America as a participant in its National Food Bank Network.

Basis of Accounting

The books and records of the Westmoreland County Food Bank, Inc., are maintained on the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenses are generally recognized when the related program liability is incurred.

Basis of Presentation

The Westmoreland County Food Bank, Inc. has adopted FASB ASC section 958-205-05, Presentation of Financial Statements of Not-for-Profit Organizations. FASB ASC section 958-205-05 establishes standards for external financial reporting by not-for-profit organizations and requires that resources are classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions, as follows:

- Unrestricted net assets – Net assets that are not subject to donor imposed restrictions.
- Temporarily restricted net assets – Net assets that are subject to donor imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the organization may spend the funds.
- Permanently restricted net assets – Net assets that are subject to donor imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the organization.

The Westmoreland County Food Bank, Inc. only had accounting transactions that fell into the unrestricted classification in 2016 and 2015.

WESTMORELAND COUNTY FOOD BANK, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

Revenue and Support Recognition

The Westmoreland County Food Bank, Inc., follows the recommendations of FASB ASC section 958-605-25, Revenue Recognition of Not-for-Profit Organizations. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

The Westmoreland County Food Bank, Inc., reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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.

Contributions receivable represent amounts committed by donors that have not been received by the Westmoreland County Food Bank, Inc. Contributions with donor imposed restrictions that limit their use to long-term purposes are classified as a noncurrent asset.

The Westmoreland County Food Bank, Inc., accounts for contract and grant revenues, which are exchange transactions, in the statement of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual program are used as guidance. All monies not expended in accordance with the grant or contract are recorded as a liability to the grantor as the Westmoreland County Food Bank, Inc., does not maintain any equity in the grant or contract. Additionally, funds received in advance of their proper usage are accounted for as unearned revenue in the statement of financial position.

It is the Westmoreland County Food Bank, Inc.'s practice to recognize restricted contributions as unrestricted revenue when these funds are received and spent during the same year.

All monies and noncash donations are to be used for the direct and indirect expenses of feeding the hungry.

Use of Estimates

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

Fixed Assets

Fixed Assets are recorded at cost if over \$5,000. Those fixed assets which have been donated to the Food Bank have been recorded at their fair value on the date the donations were made. All assets are being depreciated by use of the straight-line method.

<u>Type of Assets</u>	<u>Years Depreciated</u>
Auto and Trucks	5 years
Office Equipment	5 years
Warehouse Equipment	5 years
Capital Improvements	27.5 years

WESTMORELAND COUNTY FOOD BANK, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

A summary of property, plant, and equipment for the years ended December 31, 2016 and 2015 follows:

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/16</u>
Land	\$ 30,600	\$ -	\$ -	\$ 30,600
Building and Equipment	2,915,884	231,458	(21,127)	3,126,215
Accumulated Depreciation	(1,695,262)	(146,063)	21,127	(1,820,198)
Fixed Assets, Net	<u>\$ 1,251,222</u>	<u>\$ 85,395</u>	<u>\$ -</u>	<u>\$ 1,336,617</u>

For the years ended December 31, 2016, and 2015, the total depreciation expense was \$146,063 and \$165,459.

Functional Allocation of Expenses

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

Inventory

For the years ended December 31, 2016, and 2015, there were three major classes of inventory: purchased food, donated food, and USDA Government Commodities.

For the years ended December 31, 2016, and 2015, inventory was valued at the lower of cost or market for purchased food on the first in/first out (FIFO) basis. Feeding America's product valuation method was used to determine the inventory value for donated food. For the year ended December 31, 2016, this figure represented a \$.03 decrease from the prior year. Commodities inventory was valued at USDA assigned values.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Westmoreland County Food Bank, Inc., considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

The Westmoreland County Food Bank, Inc., carried no investments during the fiscal years ended December 31, 2016 and 2015.

WESTMORELAND COUNTY FOOD BANK, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Income Taxes

Westmoreland County Food Bank, Inc., is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Westmoreland County Food Bank, Inc. is not classified as a private foundation. The accounting standard on accounting for uncertainty income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Westmoreland County Food Bank, Inc. may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Westmoreland County Food Bank, Inc. and various positions related to the potential sources of unrelated business taxable income (UBIT). Tax benefits would be recognized in the financial statements from such a position and be measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified nor recorded as liabilities for the years ended December 31, 2016 or 2015. The Westmoreland County Food Bank, Inc. files Form 990 in the U.S. federal jurisdiction. The Westmoreland County Food Bank, Inc. is generally no longer subject to examination by the Internal Revenue Service for years before 2013.

Date of Management's Review

Subsequent events have been evaluated through the Independent Auditor's Report Date, which is the date the financial statements were available to be issued.

NOTE 2: CONTINGENCIES

The Westmoreland County Food Bank, Inc. is unaware of any other asserted litigation that would materially affect the financial statements.

NOTE 3: PENSION

Effective January 1, 2005, the Board of Directors adopted a 401(k) Safe Harbor Plan, managed by the Mass Mutual Financial Group, using the American Funds Family of Mutual Funds as their investment choices. Employer contributions to the plan may consist of three parts, a three percent Safe Harbor contribution, a four and one half percent Discretionary Profit Sharing contribution, and a Discretionary Matching contribution on each eligible employee's wages. For the years ended December 31, 2016 and 2015, the Board approved a .25-cent match. Employer Contributions to the plan by the Westmoreland County Food Bank, Inc., totaled \$86,330 and \$78,657 for the years ended December 31, 2016 and 2015.

The Westmoreland County Food Bank, Inc. offers employees the option to participate in a voluntary savings plan with no employer match with American Funds Service Company. For the years ended December 31, 2016, and 2015, no employees participated in the plan.

NOTE 4: CONTRIBUTED SERVICES

For the years ended December 31, 2016 and 2015, the Westmoreland County Food Bank, Inc., received contributed services. These services consist of contributed time by volunteers, which is administered by the Westmoreland County Food Bank, Inc. For the above years, none of these services were recognized as revenue in accordance with FASB ASC section 958-605-25.

WESTMORELAND COUNTY FOOD BANK, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5: ECONOMIC DEPENDENCY

The Westmoreland County Food Bank, Inc., receives approximately 12.4 percent of total cash revenue from the state food purchase program. If this program was discontinued, it would adversely affect the organization's financial position.

NOTE 6: CONCENTRATION OF CREDIT RISK

Westmoreland County Food Bank, Inc. maintains its bank accounts with Standard Bank. Accounts at the institution are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash may exceed federally insured limits at various times during the year. The amount in excess of the FDIC limit was \$881,071 as of December 31, 2016, and \$568,652 as of December 31, 2015. For the years ended December 31, 2016 and December 31, 2015, the uninsured deposits were collateralized in a pooled pledged account with Standard Bank, by FHL Bank of Pittsburgh. The safe keeping Department of the Bank has possession of, and is the custodian of the collateral securities.

NOTE 7: COMPENSATED ABSENCES

It is the policy of the Westmoreland County Food Bank, Inc., that an employee may carry over a maximum of five earned but unused vacation days from one year to the next. Upon voluntary termination of employment, all earned but unused vacation days shall be taken prior to date of termination or be forfeited by the employee. Upon involuntary termination of employment, an employee shall be paid for all earned but unused vacation days. Within thirty days after the end of a calendar year, the Westmoreland County Food Bank, Inc., will pay an employee for an unused sick day at his/her rate of pay in effect as of January 1 of the calendar year during which the sick days were given. An employee who leaves employment by either voluntarily or involuntarily actions shall not receive pay for unused sick days. The Westmoreland County Food Bank, Inc. paid out \$13,050 and \$12,581 for unused sick days for the years ended December 31, 2016 and December 31, 2015.

NOTE 8: REVOLVING LINE OF CREDIT

During March 2013, the Westmoreland County Food Bank, Inc., entered into a five-year \$350,000 revolving line of credit agreement with Standard Bank. The line of credit is secured by a first lien mortgage on the Westmoreland County Food Bank, Inc.'s real estate located in Delmont, Pennsylvania. Amounts borrowed on the line bear interest at 3.25 percent and have a maturity date of April 29, 2018. During 2016 and 2015, the Westmoreland County Food Bank, Inc. did not borrow against the line of credit.

WESTMORELAND COUNTY FOOD BANK, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 9: LEASE AGREEMENTS

During 2015, the Westmoreland County Food Bank, Inc. entered into lease agreements for 2 vehicles. The rental expense in 2016 under these agreements was \$41,574. Of this amount, \$38,808 was the base payment, while the remainder was the contingent payment determined by mileage. The future minimum payments are as follows:

2017	\$38,808
2018	38,808
2019	38,808
2020	38,808
2021	21,373
2022	1,649
	<u>\$178,254</u>

WESTMORELAND COUNTY FOOD BANK, INC.
 SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Food Distribution				Volunteer Activities	Agency Relations	Development	Grant Writer	Food Solicitation	Super Cupboard Program	Expansion Program	SNAP	Food Drives	Backpack	Total Program Service	Management and General	Fundraising	2016 Total	2015 Total
	Warehouse Operations	Summer Food Service Program	Operation Fresh Express Program	Commodity Supplemental Food Program															
Salaries and Wages	\$ 368,890	\$ 6,453	\$ 51,667	\$ 52,053	\$ 60,546	\$ 155,860	\$ 50,551	\$ 34,535	\$ 14,022	\$ 4,079	\$ 11,581	\$ 40,796	\$ 8,405	\$ 2,252	\$ 861,690	\$ 130,739	\$ 51,323	\$ 1,043,752	\$ 964,244
Employee Benefits	136,634	1,738	15,591	20,994	18,336	45,004	13,114	12,479	2,904	1,146	4,378	9,035	1,755	762	283,870	34,606	17,184	335,660	318,198
Payroll Taxes	28,087	494	3,953	3,982	4,632	11,923	3,867	2,642	1,073	312	886	3,121	643	172	65,787	8,430	3,926	78,143	72,092
Payroll Services	213	-	213	213	213	213	213	213	213	213	213	213	213	213	2,769	213	460	3,442	3,099
Workers Compensation	8,614	213	1,279	1,119	1,509	5,045	390	277	237	211	306	728	285	93	20,306	1,930	642	22,878	29,353
Unemployment Compensation	260	-	260	260	260	260	260	260	260	260	260	260	260	260	3,380	260	260	3,900	9,331
Overtime Wages	15	-	-	-	-	-	-	-	-	-	-	-	-	-	15	-	-	15	-
Part Time Wages	-	9,233	-	-	-	-	-	-	-	-	-	-	-	-	9,233	-	-	9,233	10,032
Part Time Taxes	-	706	-	-	-	-	-	-	-	-	-	-	-	-	706	-	-	706	767
Employee Cost	1,182	-	116	116	-	-	-	-	-	-	-	-	116	116	1,646	-	-	1,646	1,945
Total Salaries and Related Expenses	543,895	18,837	73,079	78,737	85,496	218,305	68,395	50,406	18,709	6,221	17,624	54,153	11,677	3,868	1,249,402	176,178	73,795	1,499,375	1,409,061
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Delivery Costs / Truck	33,873	-	4,839	4,839	-	-	-	-	-	-	-	-	4,839	-	48,390	-	-	48,390	51,650
Fundraising Expense	1,462	1,462	1,461	1,462	1,462	1,462	19,742	1,462	1,462	1,462	1,462	1,462	1,627	1,462	38,912	1,462	262,718	303,092	294,861
Insurance	954	-	954	954	954	954	954	954	954	954	954	954	954	954	12,402	954	-	13,356	12,246
Miscellaneous Expense	3,950	-	2,638	4,138	2,663	2,638	4,523	2,638	2,638	2,638	2,638	2,638	2,638	2,638	39,016	7,229	2,638	48,883	45,403
Office Expense	1,966	701	1,312	1,312	1,312	1,341	1,636	1,312	1,312	1,312	1,462	1,463	1,312	1,312	19,065	1,974	21,109	42,148	37,523
Professional Fees	2,376	2,376	2,376	2,376	2,376	8,866	2,376	2,376	2,376	2,376	2,376	2,376	2,376	2,376	39,754	2,376	2,376	44,506	48,647
Program Expenses	670,512	52,239	4,449	8,798	9,367	5,807	2,035	528	528	4,028	753	1,039	7,231	14,737	782,051	846	2,580	785,477	844,442
Reimbursable Expenses	2,867	-	1,588	1,479	739	2,367	4,256	230	-	220	77	2,055	410	-	16,288	1,171	561	18,020	16,139
Donated Gift Certificate	-	-	-	-	-	2,140	-	-	-	-	-	-	-	-	2,140	-	-	2,140	1,125
Repairs and Maintenance	73,860	998	12,734	12,734	2,325	2,325	2,325	2,325	2,325	2,325	2,993	12,734	2,325	134,653	1,991	1,991	138,635	129,704	
Utilities and Telephone	39,709	1,196	1,503	1,503	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,503	1,196	56,178	735	735	57,648	61,762	
Warehouse Expense	51,703	-	7,386	7,386	-	-	-	-	-	-	-	-	7,386	-	73,861	-	-	73,861	85,438
Total Expenses Before Inventory Distributions and Depreciation	1,427,127	77,809	114,319	125,718	107,890	247,401	107,438	63,427	31,500	22,732	30,867	70,329	54,687	30,868	2,512,112	194,916	368,503	3,075,531	3,038,001
Value of Price Adjustment	95,390	-	-	-	-	-	-	-	-	-	-	-	-	-	95,390	-	-	95,390	61,053
Value of TEFAP Distributed	1,332,936	-	-	-	-	444,312	-	-	-	-	-	-	-	-	1,777,248	-	-	1,777,248	1,376,608
Value of CSFP Product Distributed	119,083	-	-	119,083	-	119,083	-	-	-	-	-	-	-	-	357,249	-	-	357,249	354,052
Value of Donated Food Distributed	3,161,380	-	1,580,690	-	-	1,580,690	-	-	-	-	-	-	-	-	6,322,760	-	-	6,322,760	6,600,728
Value of Donated Food Disposed	75,443	-	25,148	-	-	-	-	-	-	-	-	-	-	-	100,591	-	-	100,591	165,524
Total Expenses Before Depreciation	6,211,359	77,809	1,720,157	244,801	107,890	2,391,486	107,438	63,427	31,500	22,732	30,867	70,329	54,687	30,868	11,165,350	194,916	368,503	11,728,769	11,595,966
Depreciation Expense	101,279	-	3,732	3,732	3,732	3,732	3,732	3,732	3,732	3,732	3,732	3,732	3,732	-	142,331	3,732	-	146,063	165,459
Total Expenses	\$ 6,312,638	\$ 77,809	\$ 1,723,889	\$ 248,533	\$ 111,622	\$ 2,395,218	\$ 111,170	\$ 67,159	\$ 35,232	\$ 26,464	\$ 34,599	\$ 74,061	\$ 58,419	\$ 30,868	\$ 11,307,681	\$ 198,648	\$ 368,503	\$ 11,874,832	\$ 11,761,425

See accountant's report on supplementary information.

WESTMORELAND COUNTY FOOD BANK, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor/Contract Number</u>	<u>Federal Expenditures</u>	<u>Subrecipient Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Passed Through the Pennsylvania Department of Education:				
Summer Food Service Program for Children	10.559	300-65-209-0	\$ 58,096	\$ -
Passed Through Hunger-Free Pennsylvania:				
Commodity Supplemental Food Program	10.565	-	444,838 *	-
Passed Through the County of Westmoreland, Pennsylvania:				
Emergency Food Assistance Program (Administrative Costs)	10.568	-	42,277 *	-
Emergency Food Assistance Program (Food Commodities)	10.569	-	1,777,248 *	-
			<u>1,819,525</u>	<u>-</u>
Total Food Distribution Cluster			<u>2,264,363</u>	<u>-</u>
Total U.S. Department of Agriculture			2,322,459	-
<u>U.S. Department Homeland Security</u>				
Passed Through the United Way of Westmoreland County				
Emergency Food and Shelter National Board Program	97.024	-	3,657	-
Total U.S. Department of Homeland Security			<u>3,657</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 2,326,116</u>	<u>\$ -</u>

* Denotes program tested as major

WESTMORELAND COUNTY FOOD BANK, INC.
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: REPORTING ENTITY

The Westmoreland County Food Bank is the reporting entity for financial reporting purposes as defined in Note 1 to the financial statements.

NOTE 2: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Westmoreland County Food Bank, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Westmoreland County Food Bank did not use the 10% de minimis indirect cost rate.

NOTE 3: PROGRAM CLUSTERS

<u>Cluster Name</u>	<u>CFDA #</u>	<u>Amount</u>
Food Distribution Cluster	10.565	\$ 444,838
	10.568	42,277
	10.569	1,777,248
		<u>\$ 2,264,363</u>

NOTE 4: RISK-BASED AUDIT APPROACH

All Type-A programs were audited as major for the year ended December 31, 2016.

The amount expended under programs audited as major federal programs for the year ended December 31, 2016, totaled \$2,264,363 or 97.35% of total federal awards expended.

NOTE 5: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the USDA assigned values of the commodities received and disbursed. At December 31, 2016, the Food Bank had food commodities totaling \$631,679 in inventory.

Zelenkofske Axelrod LLC

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 of the
Westmoreland County Food Bank, Inc.
100 Devonshire Drive
Delmont, Pennsylvania 15626

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Westmoreland County Food Bank, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 May 22, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Westmoreland County Food Bank, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Harrisburg

830 Sir Thomas Court, Suite 100
Harrisburg, PA 17109
717.561.9200 Fax 717.561.9202

Philadelphia

2370 York Road, Suite A-5
Jamison, Pa 18929
215.918.2277 Fax 215.918.2302

Pittsburgh

3800 McKnight E. Drive, Suite 3805
Pittsburgh, PA 15237
412.367.7102 Fax 412.367.7103

Greensburg

210 Tollgate Hill Road
Greensburg, PA 15601
724.834.2151 Fax 724.834.5969

Zelenkofske Axelrod LLC

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zelenkofske Axelrod LLC

Zelenkofske Axelrod LLC

Greensburg, Pennsylvania
May 22, 2017

Zelenkofske Axelrod LLC

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

To the Board of Directors of the
Westmoreland County Food Bank, Inc.
100 Devonshire Drive
Delmont, Pennsylvania 15626

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Westmoreland County Food Bank, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 Westmoreland County Food Bank, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Westmoreland County Food Bank, Inc.'s compliance.

Opinion on Each Major Federal Program

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

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Zelenkofske Axelrod LLC

Report on Internal Control Over Compliance

Management of the Westmoreland County Food Bank, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Westmoreland County Food Bank, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Westmoreland County Food Bank, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was 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.

Zelenkofske Axelrod LLC

Zelenkofske Axelrod LLC

Greensburg, Pennsylvania
May 22, 2017

WESTMORELAND FOOD BANK, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified not considered to be material weaknesses?
 yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified not considered to be material weaknesses?
 yes none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance Act
 yes no

Identification of major programs:

CFDA Numbers

Name of Federal Programs or Clusters

10.565/10.568/10.569

Food Distribution Cluster

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

Auditee qualified as low-risk auditee? yes no

WESTMORELAND FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Section II – Findings Relating to the Financial Statements Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

No matters were reported.

Section III – Findings and Questioned Costs for Federal Awards

No matters were reported.

WESTMORELAND FOOD BANK, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

There were no audit findings in the prior year.