MOUNTAINEER FOOD BANK, INC.

Financial Report and Single Audit Reports

December 31, 2015
## CONTENTS

INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES OF FEDERAL AND STATE AWARDS  

FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>Financial Statement</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Financial Position</td>
<td>1 of 8</td>
</tr>
<tr>
<td>Statement of Activities and Changes in Net Assets</td>
<td>2 of 8</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>3 of 8</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>4-8 of 8</td>
</tr>
</tbody>
</table>

Schedule of Expenditures of Federal Awards                                         1 of 1

Schedule of Expenditures of State Awards                                           1 of 1

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  

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

Schedule of Findings and Questioned Costs                                         1-5 of 5
INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES OF FEDERAL AND STATE AWARDS

To the Board of Directors
Mountaineer Food Bank, Inc.
Gassaway, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Mountaineer Food Bank, Inc. which comprise the statement of financial position as of December 31, 2015, and the related statements of financial position, activities and changes in net assets, 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 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 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 Mountaineer Food Bank, Inc. as of December 31, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the 2015 financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State of West Virginia, is presented for purposes of additional analysis and is not a required part of the financial statements. The 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 July 7, 2016, on our consideration of Mountaineer 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 or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mountaineer Food Bank, Inc.’s internal control over financial reporting and compliance.

Arnett Carlis LLP
Bridgeport, West Virginia
July 7, 2016
MOUNTAINEER FOOD BANK, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2015

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalent</td>
<td>$916,560</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>91,245</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>7,500</td>
</tr>
<tr>
<td>Inventory</td>
<td>1,619,119</td>
</tr>
<tr>
<td>Prepaid assets</td>
<td>12,915</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>2,647,339</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROPERTY AND EQUIPMENT, at cost</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>120,093</td>
</tr>
<tr>
<td>Building</td>
<td>1,567,664</td>
</tr>
<tr>
<td>Equipment</td>
<td>764,065</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>2,451,822</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less accumulated depreciation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,183,436</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>1,268,386</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$14,793</td>
</tr>
<tr>
<td>Accrued salaries and benefits</td>
<td>23,257</td>
</tr>
<tr>
<td>Accrued payroll taxes</td>
<td>1,324</td>
</tr>
<tr>
<td>Due to sub-recipient food pantries</td>
<td>893,099</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>932,473</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>2,983,252</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>2,983,252</strong></td>
</tr>
</tbody>
</table>

| Total liabilities and net assets            | $3,915,725 |

The Notes to Financial Statements are an integral part of this statement.
MOUNTAINEER FOOD BANK, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2015

CHANGE IN UNRESTRICTED NET ASSETS:

<table>
<thead>
<tr>
<th>Revenue</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Donated food items</td>
<td>$ 6,715,608</td>
</tr>
<tr>
<td>Public support</td>
<td>1,131,152</td>
</tr>
<tr>
<td>Grant income</td>
<td>878,408</td>
</tr>
<tr>
<td>Cost sharing</td>
<td>648,099</td>
</tr>
<tr>
<td>Other</td>
<td>3,228</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$ 9,376,495</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost of Revenue</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Donated food items</td>
<td>7,357,089</td>
</tr>
<tr>
<td>Repairs and maintenance - vehicles</td>
<td>48,180</td>
</tr>
<tr>
<td>Supplies</td>
<td>6,271</td>
</tr>
<tr>
<td>Transportation</td>
<td>146,727</td>
</tr>
<tr>
<td>Utilities</td>
<td>63,388</td>
</tr>
<tr>
<td><strong>Total Cost of Revenue</strong></td>
<td>7,621,655</td>
</tr>
</tbody>
</table>

| Gross Margin                     | 1,754,840 |

<table>
<thead>
<tr>
<th>Other Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>481,208</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>154,797</td>
</tr>
<tr>
<td>Depreciation</td>
<td>110,846</td>
</tr>
<tr>
<td>Interest</td>
<td>1,591</td>
</tr>
<tr>
<td>Membership fees</td>
<td>10,606</td>
</tr>
<tr>
<td>Supplies</td>
<td>8,225</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>41,541</td>
</tr>
<tr>
<td>Scrapped equipment</td>
<td>30,186</td>
</tr>
<tr>
<td>Travel</td>
<td>13,396</td>
</tr>
<tr>
<td>Insurence</td>
<td>30,151</td>
</tr>
<tr>
<td>Professional fees</td>
<td>15,356</td>
</tr>
<tr>
<td>Fundraising</td>
<td>31,388</td>
</tr>
<tr>
<td>Other- fundraising</td>
<td>40,171</td>
</tr>
<tr>
<td>Other - admin</td>
<td>3,553</td>
</tr>
<tr>
<td>Other</td>
<td>39,073</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,012,088</td>
</tr>
</tbody>
</table>

| Income from operations           | 742,752 |

NET ASSETS AT BEGINNING OF YEAR  2,240,500

NET ASSETS AT END OF YEAR         $ 2,983,252

The Notes to Financial Statements are an integral part of this statement.
MOUNTAINEER FOOD BANK, INC.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets $ 742,752
Adjustments to reconcile change in net assets to net cash provided by operating activities:
   Depreciation 110,846
   Loss on disposal of fixed assets 30,186
(Increase) decrease in:
   Accounts receivable 180,518
   Grants receivable 22,500
   Inventory (93,970)
   Prepaid assets (5,363)
Increase (decrease) in:
   Accounts payable (314,664)
   Accrued expenses (5,522)
   Due to subrecipients 424,896
   Net cash provided by operating activities 1,092,179

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment (198,624)
Net cash (used in) investing activities (198,624)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on long-term debt (49,300)
Net cash (used in) financing activities (49,300)

Net increase in cash and cash equivalent 844,255
Cash and cash equivalent at beginning of year 72,305
Cash and cash equivalent at end of year $ 916,560

Supplemental disclosure of cash flow information:
   Cash paid for interest $ 1,591

The Notes to Financial Statements are an integral part of this statement.
NOTE 1. NATURE OF OPERATIONS

The Mountaineer Food Bank, Inc. (Food Bank or Organization) is a nonprofit organization with its administrative office and a warehouse in Gassaway, West Virginia. The Organization's purpose is to provide educational resources on basic nutrition, cause and effects of hunger and community alternatives for alleviating hunger, to locate and collect food items from manufacturers and producers within West Virginia and surrounding areas, to serve as a distributor of food items to county/local food pantries and other nonprofit organizations who provide emergency food supplies to qualified persons, and to assist and advise interested people and groups in the formation and operation of a food pantry. The Organization provides warehousing, distribution, and development activities that facilitate food distribution through nonprofit organizations throughout West Virginia.

Mountaineer Food Bank, Inc. is a member of Feeding America, a nationwide nonprofit organization which collects and allocates food pantry goods to regional/state food banks through its distribution network. Feeding America solicits product suppliers and supervises the distribution of its products to member food banks.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Mountaineer Food Bank, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are the representation of management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Financial Reporting
These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Management's 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 dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.
NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation
The Food Bank is required to report information regarding its financial position and activities according to three classes of net assets based on the absence or existence and nature of donor imposed restrictions as follows:

Unrestricted Net Assets – Amounts included in this class represent resources not subject to donor imposed restrictions which can be used for any purpose consistent with the mission of the Food Bank.

Temporarily Restricted Net Assets – Amounts in this class represent resources that are subject to specific donor imposed restrictions to be used for a specific purpose or a stated period of time. There were no temporarily restricted net assets as of December 31, 2015.

Permanently Restricted Net Assets – Amounts in this class represent resources which are to be permanently used for a specific purpose determined by the donor. There were no permanently restricted net assets as of December 31, 2015.

Cash and Cash Equivalents
For purposes of the statements of financial position and cash flow, the Organization considers all highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. The carrying amount of cash equivalents approximates fair value because of the short maturity of these financial instruments.

Accounts Receivable, net
Accounts receivable represent amounts owed the Organization for food products sold ($1.19/lb.) and transportation ($0.08/lb.) for 2015. The Organization uses the allowance method to determine uncollectable accounts receivable. The allowance is based on prior years’ experience and management’s analysis of specific accounts receivable. The allowance for doubtful accounts was $2,500 at December 31, 2015.

Inventory
Food donated to the Food Bank is accounted for as unrestricted contributions. Inventory consists of food and commodities donated primarily by Feeding America. Inventory of foods and commodities, received from Feeding America, are valued at $1.70 per pound as of December 31, 2015, as determined by the most recent information available from Feeding America, the principal provider of donated foods and commodities. This valuation is adjusted periodically by Feeding America. In addition, commodities received under the U.S. Department of Agriculture TEFAP program, to be passed-through to sub-recipient pantries, are valued at $.73 per pound as of December 31, 2015.
NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services
No amounts have been reflected in the financial statements for donated services. The Food Bank generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Food Bank, but these services do not meet the criteria for recognition as contributed services.

Economic Dependency and Geographic Concentration
The Company generates a substantial portion of its revenue from the contribution of food and related commodities from The Emergency Food Assistance Program and the State of West Virginia. Changes in the level of contributions could significantly impact operations. The Company also receives significant funding from federal and state grants, and discontinuation of support from these sources would significantly impact operations.

Fixed Assets
The Organization capitalizes property and equipment over $500. Lesser amounts are expensed. Land, buildings, and equipment are carried at cost, except for gifts or donations which are reported as contributions and stated at estimated fair value at date of receipt. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to 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 contributions. 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. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation of the building and equipment is computed using the straight-line method over the respective assets’ estimated useful lives which range from 5 to 40 years.

Income Taxes
The Company is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Company qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an entity that is not a private foundation under 509(a)(1). The Company had no unrelated business income during the year ended December 31, 2015.

Interest and Advertising Costs
All interest and advertising costs incurred in 2015 have been expensed. Additionally, the Organization utilizes a professional fundraising service for direct mailings. The total of these costs for 2015 was $31,388.
NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensation for Accrued Absences
A liability for compensated absences earned but not paid as of December 31, 2015 has been recognized and is included on the statement of financial position. As of December 31, 2015 $17,308 remained unpaid.

Fair Value of Financial Instruments
The fair value of cash, receivables, accounts payable and accrued expenses approximates their carrying values due to the short-term maturities of these financial instruments.

NOTE 3. GRANT AWARDS

The West Virginia Department of Agriculture has approved grants to the Organization for the purpose of determining the eligibility of new pantries and the transportation, storage, distribution, and administrative costs of USDA and non-USDA commodities. The Organization recognized $293,556 of the amounts awarded during its fiscal year ended December 31, 2015.

In addition, the Organization recognized West Virginia Department of Agriculture monies in the amounts of $70,615 during the fiscal year ended December 31, 2015.

NOTE 4. INVENTORY AND CONTRIBUTED FOODS

During 2015, the Organization received approximately 45% of its food pantry merchandise inventories from Feeding America and other donors. The Organization records donated goods that are not provided by USDA as a contribution of merchandise inventory when the merchandise is received at $1.70 per pound for 2015, the amount determined by Feeding America. The USDA commodities are not recorded as a contribution of merchandise inventory but are recorded in inventory as of December 31, 2015, at $.73 per pound, the value of such commodities as determined by the West Virginia Department of Agriculture – Food Distribution Division.

NOTE 5. CASH BALANCES IN EXCESS OF FDIC LIMITS

The Company maintains accounts in local banks. The Federal Deposit Insurance Corporation (FDIC) insures a maximum of $250,000 per depositor. Differences between book and bank balances exist due to deposits in transit, outstanding checks and other reconciling items. The Organization's balances may exceed this limit from time to time; however, management believes the credit risk related to the cash balances in excess of insurance is minimal.
NOTE 6. PROGRAM AND OTHER EXPENDITURES

Expenditures for the year ended December 31, 2015, were as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative and general</td>
<td>$146,349</td>
</tr>
<tr>
<td>Program services</td>
<td>$8,415,834</td>
</tr>
<tr>
<td>Fundraising</td>
<td>$71,560</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,633,743</strong></td>
</tr>
</tbody>
</table>

NOTE 7. UNCERTAIN TAX POSITIONS

Accounting Standards prescribe a disclosure for a tax position taken where there is uncertainty about whether a tax position will ultimately be sustained upon examination. The Company does not believe its financial statements include any uncertain tax positions. The Company’s Return’s for tax years 2012, 2013, 2014 (filed) and 2015 (unfiled) remain subject to examination by the Internal Revenue Service.

NOTE 8. SUBSEQUENT EVENTS

The Organization’s management has evaluated events subsequent from December 31, 2015 through July 7, 2016, which is the date this report is available to be issued. There has been no material event noted during this period that would either impact the results reflected in this report or the Organization’s results going forward.
MOUNTAINEER FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2015

Program Title

Pass Through Funding From Department of Agriculture

<table>
<thead>
<tr>
<th>Federal CFDA Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>State of West Virginia- The Emergency Food Assistance Program (3,849,195 Pounds of Food Commodities)</td>
<td>10.569</td>
</tr>
<tr>
<td>State of West Virginia- The Emergency Food Assistance Program (Administrative Costs)</td>
<td>10.568</td>
</tr>
</tbody>
</table>

**Total** | $3,019,732

Note A – Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity and is presented on the accrual basis of accounting. 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. Therefore, some amounts presented may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note B – Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, the Organization was responsible to provide $893,099 of the food commodities to approximately 350 subrecipients. Individual amounts of these subrecipient awards average less than $3,300 per recipient and it is impractical to list each of them in this schedule.
MOUNTAINEER FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended December 31, 2015

Program Title

<table>
<thead>
<tr>
<th>WEST VIRGINIA</th>
<th>Prior Year</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>DEPARTMENT</td>
<td>(Deferred</td>
<td>Award</td>
<td>Expenditures</td>
<td>Receipts</td>
<td>(Deferred</td>
</tr>
<tr>
<td>OF AGRICULTURE</td>
<td>Revenue)</td>
<td>Amount</td>
<td></td>
<td></td>
<td>Revenue)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State of West Virginia- The Emergency Food Assistance Program</td>
<td>$ -</td>
<td>$70,615</td>
<td>$70,615</td>
<td>$70,615</td>
<td>$ -</td>
</tr>
<tr>
<td>Total</td>
<td>$ -</td>
<td>$70,615</td>
<td>$70,615</td>
<td>$70,615</td>
<td>$ -</td>
</tr>
</tbody>
</table>

Note A – Basis of Presentation

The schedule of expenditures of federal awards includes the State grant activity and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the State of West Virginia. Therefore, some amounts presented may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended and does not present the financial position, changes in net assets, or cash flows of the Organization.
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
Mountaineer Food Bank, Inc.
Gassaway, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United
States of America, and the standards applicable to financial audits contained in Government
Auditing Standards issued by the Comptroller General of the United States, the financial
statements of Mountaineer Food Bank, Inc. (a nonprofit organization) which comprise the
statement of financial position as of December 31, 2015, and the related statements of activities
and changes in net assets, and cash flows for the year then ended, and the related notes to the
financial statements, and have issued our report thereon dated July 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mountaineer Food Bank, Inc.’s internal control
over financial reporting (internal control) to determine the auditing 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 Mountaineer Food Bank Inc.’s
internal control. Accordingly, we do not express an opinion on the effectiveness of the
Organization’s internal control.

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 weakness or significant deficiencies and therefore, material weaknesses or significant
deficiencies may exist that were not identified. However, as described in the accompanying
schedule of findings and questioned costs, we identified certain deficiencies in internal control that
we consider to be material weaknesses and significant deficiencies.

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 entity’s financial statements will not be prevented, or detected and
corrected on a timely basis. We consider the deficiencies described in the accompanying schedule
of findings and questioned costs to be material weaknesses. We consider items number 2015-1, 2015-2 and 2015-3, to be material weaknesses.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mountaineer Food Bank Inc.'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2015-003.

Mountaineer Food Bank, Inc.'s Response to Findings

The Organization's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's response was not subject to the auditing procedures applied in the audit of the financial statements 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.

Anett Carls & Toothman LLP

Bridgeport, West Virginia
July 7, 2016
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Mountaineer Food Bank, Inc.
Gassaway, West Virginia

Report on Compliance for Each Major Federal Program

We have audited Mountaineer 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 Mountaineer Food Bank Inc.’s major federal programs for the year ended December 31, 2015. Mountaineer 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 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 Mountaineer Food Bank’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 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 Mountaineer 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 Mountaineer Food Bank, Inc.’s compliance.
Opinion on Each Major Federal Program

In our opinion, Mountaineer Food Bank, Inc. complied, in all material respects, with the type of requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-003. Our opinion on each major federal program is not modified with respect to these matters.

The Organization’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization’s response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of Mountaineer 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, we considered Mountaineer 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 Mountaineer 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 the 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 and therefore, material weaknesses and significant deficiencies may exist that were not identified.
We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items number 2015-1 and 2015-3 that we consider to be material weaknesses.

The Organization's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Anett Carlyle Toothman LLP

Bridgeport, West Virginia
July 7, 2016
MOUNTAINEER FOOD BANK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2015

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control of financial reporting:
Material weakness(es) identified?  X Yes  No
Significant deficiencies identified that are not considered to be material weakness(es)?  X Yes  No

Noncompliance material to financial Statements noted?  Yes  No

Federal Awards

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Internal control of financial reporting:
Material weakness(es) identified?  X Yes  No
Significant deficiencies identified that are not considered to be material weakness(es)?  X Yes  No

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?  Yes  No

Identification of Major Programs:

<table>
<thead>
<tr>
<th>Name of Program</th>
<th>CFDA #</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Emergency Food Assistance Program (TEFAP)</td>
<td>10.569</td>
</tr>
<tr>
<td>The Emergency Food Assistance Program (TEFAP)</td>
<td>10.568</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee?  Yes  No

1 of 5
Section II – Financial Statement Findings

Finding Number  2015-001

Finding
Segregation of Duties

Criteria or specific requirement
During our analysis of internal control, we noted that duties related to the custody of assets, authorization of transactions, accounting function, and the record keeping responsibility are not properly separated.

Condition
We noted during our audit that Mountaineer Food Bank, Inc. did not have adequate segregation of duties in the financial accounting office.

Effect
Internal accounting control would not reduce to a relatively low level, the risk that irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Cause
The financial and accounting department consists of only three employees and a fee accountant. The office staff at Mountaineer Food Bank, Inc. is not adequate enough to have proper segregation of duties.

Questioned Costs
There were no questioned costs associated with this finding.

Recommendation
Responsibilities of accounting and financial duties should be distributed among office staff to the best degree possible to assure proper segregation of duties.

Views of Responsible Officials and Planned Corrective Action
To the extent possible, the Organization has segregated duties. The board of directors has taken a more active role in overseeing the Director.
Finding Number  2015-002

Finding
Supporting Documentation for Expenses

Criteria or specific requirement
Documentation should be retained regarding expenditures to ensure proper accountability in the area of expenditures.

Condition
Accounting records including supporting invoices and signatures could not be readily located for three items during expense testing.

Effect
The Organization was failing to exercise proper control over disbursements and record keeping.

Cause
The Organization has not retained adequate documentation and signatures of approval for all expenditures.

Questioned Costs
There were no questioned costs associated with this finding.

Recommendation
All statements and invoices for all expenditures should be maintained in a proper filing system for accessibility in the event of inspection, along with all signatures of approval.

Views of Responsible Officials and Planned Corrective Action
The Organization has been making efforts to follow this practice consistently going forward. Significant improvement was made subsequent to the appointment of the new Board of Directors and the CEO. The disbursements in the later portion of the fiscal year were supported properly based on our testing.

Finding Number  2015-003

Finding
Timeliness of Audit

Criteria or specific requirement
The Emergency Food Assistance Program Sub-Recipient Agency Agreement to participate with the West Virginia Department of Agriculture requires the Food Bank to provide copies of the independent annual audit report within 180 days of its fiscal year end.

Condition
The Organization did not provide the required independent annual audit report for the year ended December 31, 2014, to the West Virginia Department of Agriculture within the
required timeframe. Additionally, the Organization did not file its audit with the federal audit clearinghouse in a timely manner.

Effect
The Organization is not in compliance with the sub-recipient agreement. As such, the total contract costs may be disallowed and funds may be required to be returned to the State Distributing Agency. In addition to disallowance of contract funds, the Organization may become ineligible for future grant awards.

Cause
The Organization and its fee accountant did not provide the independent auditor with December 31, 2014, financial records until July 2015, which is after the 180 day required due date for the audit report. Additionally, the completion of the audit report in November was after the nine month filing period for submission to the Federal Audit Clearing House.

Questioned Costs
There were no questioned costs associated with this finding.

Recommendation
We recommend the Organization set policies for completion of the independent annual audit prior to the required due date and ensure the report is filed by the due date in the future. The past Federal Audit Clearing House filings should be reviewed to ensure all have been filed.

Views of Responsible Officials and Planned Corrective Action
The Organization filed the December 31, 2014 audit report on November 20, 2015. The Organization has contracted an outside CPA firm to prepare financial statements going forward in an attempt to have timely financial information for audit purposes. The Organization will review the Federal Audit Clearing House filings and submit reports that may be missing.

Section III – Federal Award Findings and Questioned Costs

2015-1 See description and comments above (Financial Statement Finding 2015-0001).

2015-3 See description and comments above (Financial Statement Finding 2015-003).

Section IV – Corrective Action Plan

2015-1- To the extent possible, the organization has segregated duties. The board of directors has taken a more active role in overseeing the Director.

2015-2- The Organization has been making efforts to follow this practice consistently going forward. Significant improvement was made subsequent to the appointment of the new Board of Directors and the CEO.

2015-3- The Organization filed the December 31, 2014 audit report on November 20, 2015. The Organization has contracted an outside CPA firm to prepare financial statements going forward in an attempt to have timely financial information for audit purposes.
Section V – Summary of Prior Audit Findings

2014-1
Finding
Segregation of Duties - repeated for 2015 see comments above.

2014-2
Finding
Supporting Documentation for Expenses – repeated for 2015 see comments above.

2014-3
Finding
Delinquent Payments – substantially corrected during 2015.

2014-4
Finding
Lack of Governance - substantially corrected during 2015.

2014-5
Finding
Non-Compliance with Feeding America Member Contract - substantially corrected during 2015.

2014-6
Finding
Employee versus Service Vendor - substantially corrected during 2015.

2014-7
Finding
Timeliness of Audit- repeated for 2015 see comments above.