

**HIGH PLAINS FOOD BANK  
FINANCIAL STATEMENTS  
(Single Audit)  
Years Ended December 31, 2015 and 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
High Plains Food Bank

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

I have audited the accompanying financial statements of High Plains Food Bank (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of High Plains Food Bank as of December 31, 2015 and 2014, 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***

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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*, I have also issued my report dated September 29, 2016, on my consideration of High Plains Food Bank's internal control over financial reporting and on my 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 my 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 High Plains Food Bank's internal control over financial reporting and compliance.

*Victor B. Glenn*

Amarillo, Texas  
September 29, 2016

HIGH PLAINS FOOD BANK  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 444,981	\$ 917,787
Accounts receivable	117,585	134,982
Food inventory	788,177	676,057
Prepaid insurance	19,171	17,332
Promises to give - restricted	1,000	50,544
Investments	263,791	441,055
Investments held for endowment purposes	300,000	300,000
Cash restricted for acquisition of property	-	104,369
Property and equipment (net)	<u>4,141,036</u>	<u>3,720,668</u>
 Total assets	 <u><u>\$ 6,075,741</u></u>	 <u><u>\$ 6,362,794</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 89,470	\$ 119,022
Accrued liabilities	30,435	15,464
Line of credit	<u>40,083</u>	<u>-</u>
 Total liabilities	 159,988	 134,486
 <b>NET ASSETS</b>		
Unrestricted	5,267,962	5,507,855
Temporarily restricted	347,791	420,453
Permanently restricted	<u>300,000</u>	<u>300,000</u>
 Total net assets	 <u>5,915,753</u>	 <u>6,228,308</u>
 Total liabilities and net assets	 <u><u>\$ 6,075,741</u></u>	 <u><u>\$ 6,362,794</u></u>

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
STATEMENTS OF ACTIVITIES  
Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Support</b>		
Food contributions	\$ 9,628,173	\$ 8,562,721
Cash contributions	1,138,556	1,492,764
Grants	96,293	146,945
Other non-cash contributions	<u>243,548</u>	<u>38,089</u>
Total unrestricted support	11,106,570	10,240,519
<b>Revenue</b>		
Purchased product sales	310,510	539,447
Cost of purchased product	<u>(311,502)</u>	<u>(540,154)</u>
	(992)	(707)
Share maintenance fees	370,700	356,588
Third-party reimbursement	545,262	435,805
Special events	44,134	34,473
Interest and investment income	31,394	44,911
Net gain (loss) on investments	(11,177)	8,357
Other	<u>240,743</u>	<u>97,805</u>
Total unrestricted revenue	1,220,064	977,232
Net assets released from restrictions	<u>1,092,209</u>	<u>2,579,116</u>
Total revenue and support	13,418,843	13,796,867
<b>Expenses</b>		
Program services		
Food distribution	11,837,965	11,358,391
Kid's Café	1,097,589	716,519
Management and general	241,392	207,859
Cost of benefits to donors	23,089	15,310
Fund-raising	<u>465,960</u>	<u>272,310</u>
Total expenses	<u>13,665,995</u>	<u>12,570,389</u>
Increase (decrease) in unrestricted net assets	(247,152)	1,226,478

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
STATEMENTS OF ACTIVITIES  
Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
TEMPORARILY RESTRICTED NET ASSETS		
Food contributions-USDA	\$ 595,873	\$ 537,072
Grants and contributions	430,933	1,891,959
Net assets released from restrictions	<u>(1,092,209)</u>	<u>(2,579,116)</u>
Decrease in temporarily restricted net assets	<u>(65,403)</u>	<u>(150,085)</u>
Increase (decrease) in net assets	(312,555)	1,076,393
Net assets at beginning of year	<u>6,228,308</u>	<u>5,151,915</u>
Net assets at end of year	<u><u>\$ 5,915,753</u></u>	<u><u>\$ 6,228,308</u></u>

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
STATEMENTS OF CASH FLOWS  
Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from contributors and grants	\$ 1,715,326	\$ 3,505,844
Cash received from service recipients	1,288,071	1,365,317
Investment income	31,326	44,753
Other	240,743	97,805
Cash paid to employees and suppliers	<u>(3,412,424)</u>	<u>(3,457,567)</u>
Net cash provided by operating activities	(136,958)	1,556,152
<b>Cash Flows From Investing Activities</b>		
Payments for property and equipment	(648,814)	(1,815,399)
Purchase of long-term investments	(514,890)	(532,589)
Sale of property and equipment	2,428	35
Sale of short-term investments	380,976	430,740
Sale of long-term investment	<u>300,000</u>	<u>300,000</u>
Net cash used by investing activities	<u>(480,300)</u>	<u>(1,617,213)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from short-term debt	<u>40,083</u>	<u>-</u>
Net cash used by investing activities	<u>40,083</u>	<u>-</u>
Net decrease in cash	(577,175)	(61,061)
Beginning cash	<u>1,022,156</u>	<u>1,083,217</u>
Ending cash	<u><u>\$ 444,981</u></u>	<u><u>\$ 1,022,156</u></u>

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
STATEMENTS OF CASH FLOWS  
Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of Changes in Net Assets to Net Cash Used by Operating Activities		
Increase (decrease) in net assets	\$ (312,555)	\$ 1,089,814
Adjustments to reconcile change in net assets to net cash		
Depreciation	226,018	166,351
Unrealized (gain)/loss on investments	11,177	(8,357)
(Increase) decrease in operating assets		
Accounts receivable	17,397	(1,154)
Promises to give	49,544	(25,824)
Food inventory	(112,120)	407,894
Prepaid expenses	(1,839)	(5,108)
Increase (decrease) in operating liabilities		
Accounts payable	(29,551)	(71,879)
Accrued liabilities	14,971	4,415
	<u>14,971</u>	<u>4,415</u>
Net cash provided (used) by operating activities	<u>\$ (136,958)</u>	<u>\$ 1,556,152</u>

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2015

	Program Costs			Management & General	Benefit to Donors	Fund- Raising	Total
	Food Distribution	Kid's Café	Total Program				
Salaries	\$ 809,361	\$ 413,657	\$ 1,223,018	\$ 137,767	\$ -	\$ 131,469	\$ 1,492,254
Payroll taxes	65,091	35,140	100,231	10,921	-	10,634	121,786
Employee benefits	119,344	44,933	164,277	20,025	-	10,065	194,367
	<u>993,796</u>	<u>493,730</u>	<u>1,487,526</u>	<u>168,713</u>	<u>-</u>	<u>152,168</u>	<u>1,808,407</u>
Food distribution	10,082,766	384,767	10,467,533	1,004	-	523	10,469,060
Cost of goods sold	311,502	-	311,502	-	-	-	311,502
Professional fees	10,864	566	11,430	45,164	-	400	56,994
Conferences and training	20,352	3,558	23,910	14,203	-	2,904	41,017
Occupancy	124,659	28,069	152,728	2,123	-	5,450	160,301
Dues and subscriptions	15,250	2,384	17,634	1,931	-	3,079	22,644
Insurance	85,706	7,768	93,474	2,318	-	1,163	96,955
Postage	11,194	-	11,194	70	-	7,362	18,626
Supplies/Food	121,957	41,181	163,138	1,427	2,424	708	167,697
Printing	-	5,987	5,987	-	-	73,175	79,162
Telephone	8,917	2,123	11,040	115	-	121	11,276
Vehicle/Delivery	155,799	30,025	185,824	154	-	1,270	187,248
Equipment repair & maintenance	36,602	4,068	40,670	644	-	815	42,129
Contract labor	7,890	1,458	9,348	-	-	-	9,348
Other	5,041	1,923	6,964	1,187	20,633	215,554	244,338
Agency support	24,775	-	24,775	-	-	-	24,775
Depreciation & amortization	132,397	89,982	222,379	2,339	32	1,268	226,018
Total expenses	<u>12,149,467</u>	<u>1,097,589</u>	<u>13,247,056</u>	<u>241,392</u>	<u>23,089</u>	<u>465,960</u>	<u>13,977,497</u>
Less expenses netted with revenue on the statement of activities	<u>311,502</u>	<u>-</u>	<u>311,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>311,502</u>
Total expenses reported by function	<u>\$ 11,837,965</u>	<u>\$ 1,097,589</u>	<u>\$ 12,935,554</u>	<u>\$ 241,392</u>	<u>\$ 23,089</u>	<u>\$ 465,960</u>	<u>\$ 13,665,995</u>

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2014

	Program Costs			Management & General	Benefit to Donors	Fund- Raising	Total
	Food Distribution	Kid's Café	Total Program				
Salaries	\$ 770,878	\$ 244,183	\$ 1,015,061	\$ 125,899	\$ -	\$ 124,052	\$ 1,265,012
Payroll taxes	62,222	20,955	83,177	9,878	-	10,042	103,097
Employee benefits	122,564	19,875	142,439	20,073	-	13,336	175,848
	<u>955,664</u>	<u>285,013</u>	<u>1,240,677</u>	<u>155,850</u>	<u>-</u>	<u>147,430</u>	<u>1,543,957</u>
Food distribution	9,563,217	297,232	9,860,449	1,116	-	682	9,862,247
Cost of goods sold	540,155	-	540,155	-	-	-	540,155
Professional fees	17,996	110	18,106	32,804	-	1,710	52,620
Conferences and training	5,591	3,903	9,494	8,406	-	9,163	27,063
Occupancy	137,487	22,316	159,803	1,904	-	762	162,469
Dues and subscriptions	11,846	954	12,800	1,247	-	2,802	16,849
Insurance	65,234	-	65,234	1,256	-	310	66,800
Postage	13,004	2,078	15,082	80	-	14,558	29,720
Supplies/Food	106,769	25,312	132,081	986	238	394	133,699
Printing	150	16,028	16,178	-	-	66,975	83,153
Telephone	10,598	2,054	12,652	272	-	593	13,517
Vehicle/Delivery	229,391	20,404	249,795	253	-	2,782	252,830
Equipment repair & maintenance	31,725	4,052	35,777	1,233	-	942	37,952
Contract labor	11,250	210	11,460	-	-	-	11,460
Interest expense	-	-	-	71	-	-	71
Other	13,811	1,589	15,400	134	15,038	21,819	52,391
Agency support	57,240	-	57,240	-	-	-	57,240
Depreciation & amortization	127,418	35,264	162,682	2,247	34	1,388	166,351
Total expenses	<u>11,898,546</u>	<u>716,519</u>	<u>12,615,065</u>	<u>207,859</u>	<u>15,310</u>	<u>272,310</u>	<u>13,110,544</u>
Less expenses netted with revenue on the statement of activities	<u>540,155</u>	<u>-</u>	<u>540,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>540,155</u>
Total expenses reported by function	<u>\$ 11,358,391</u>	<u>\$ 716,519</u>	<u>\$ 12,074,910</u>	<u>\$ 207,859</u>	<u>\$ 15,310</u>	<u>\$ 272,310</u>	<u>\$ 12,570,389</u>

See accompanying notes and accountant's report

# HIGH PLAINS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

### NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

High Plains Food Bank (Food Bank) is a Texas non-profit corporation chartered on September 27, 1982 to serve the Texas Panhandle area. Its purpose is to collect, store and preserve surplus food and to distribute the food among the indigent and needy and among charitable organizations, agencies and governmental units for use by the indigent and needy. Under the Kids Café program, the Food Bank supplies the food, funds as well as food preparation to feed needy children. The Food Bank's support comes primarily from public and governmental contributions and grants, and from shared maintenance fees paid by recipient agencies.

#### Basis of Accounting

The financial statements of the Food Bank have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

#### Basis of Presentation

The Food Bank is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

#### Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Food Bank considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### Food Inventories

The inventory of publicly donated food items is valued at \$1.70 and \$1.60 per pound at December 31, 2015 and 2014 respectively, as recommended by the Feeding America Organization. Inventories of purchased food items are stated at the lower of cost or market, using the first-in, first-out method. USDA donated food items are valued at the USDA stated value, using the first-in, first-out method.

# HIGH PLAINS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

### Donated property and equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support 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 support. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Food Bank reclassifies temporarily restricted net assets to unrestricted net assets at that time.

### Donated food, materials, and services

Significant food items are donated to the Food Bank by various individuals and organizations. A food item donated by the public for which the donor has not placed a value on the food donated is recorded at the Feeding America Organization recommended per pound rate which averaged \$1.67 and \$1.60 a pound for 2015 and 2014, respectively. Food items donated under a contract agreement with the Texas Department of Human Services for USDA commodities are recorded at their stated value for the food item. Any non-food donated materials and services are recorded at fair market value at date of donation.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

### Promises to Give

Contributions are recognized when the donor makes a promise to give to the Food Bank, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

### Expense Allocation

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

### Property and Equipment

Property and equipment are carried at cost, or if donated, at the approximate fair value at date of donation. Depreciation on property and equipment was calculated using the straight-line method. All acquisitions of

HIGH PLAINS FOOD BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

property and equipment in excess of \$1,000 and repairs and improvements in excess of \$1,000 are capitalized if the estimated life expectancy is greater than two years.

Restricted and unrestricted revenue and support

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

Concentration of Contributions

The Food Bank receives approximately 16% of food and 24% of its budgeted revenue under the United States Department of Agriculture food commodity program.

Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits

The Food Bank maintains its cash balances at several financial institutions located in the Texas Panhandle. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2015, the Food Bank's unsecured cash balances totaled \$294,341. The Board of Directors believes that the Food Bank has no significant risk of loss on these accounts due to the failure of the institution.

NOTE 2 - FEDERAL INCOME TAX

No provision is made for federal income tax as the Food Bank is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Food Bank's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2013, 2014 and 2015 are subject to examination by the Internal Revenue Service, generally for 3 years after they were filed.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable are stated at unpaid balances. It is the Food Bank's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Accounts receivable are considered to be fully collectible and consist of the following:

	<u>2015</u>	<u>2014</u>
Accounts receivable - fees	\$ 34,286	\$ 64,994
Cost reimbursement receivable	81,435	68,192
Accrued interest	<u>1,864</u>	<u>1,796</u>
	<u>\$ 117,585</u>	<u>\$ 134,982</u>

HIGH PLAINS FOOD BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 4 - FOOD INVENTORY

Food inventory as of December 31, 2015 and 2014 consist of the following:

	2015	2014
Donated food	\$ 581,186	\$ 444,245
Purchased food program	45,650	163,910
USDA commodities	159,394	67,902
Meat program	1,947	-
	<u>\$ 788,177</u>	<u>\$ 676,057</u>

NOTE 5 - PROMISES TO GIVE - RESTRICTED

The promises to give - restricted as of December 31, 2015 are unconditional and are due \$1,000 in 2016. The promises to give are considered to be fully collectible.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2015	2014
Land	\$211,045	\$211,045
Building and improvements	4,907,013	4,353,090
Warehouse equipment	613,148	594,858
Office furniture and equipment	235,359	232,835
Vehicles	537,333	484,069
Software	14,584	14,584
	<u>6,518,482</u>	<u>5,890,481</u>
Accumulated depreciation	<u>(2,377,446)</u>	<u>(2,169,813)</u>
	<u>\$4,141,036</u>	<u>\$3,720,668</u>

For building and facility expansion in 2000 and 2001, the Food Bank had obtained partial funding from the City of Amarillo. The new facility is subject to a lien and encumbrance to the City of Amarillo, in the initial amount of \$270,000, to be amortized over a period of 20 years from October 1, 1999. Should the Food Bank cease to occupy or use the structure for which the funds were given, the Food Bank is required to repay the unamortized balance to the City of Amarillo. As of December 31, 2015 the unamortized balance was approximately \$51,750.

HIGH PLAINS FOOD BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 7 - INVESTMENTS

Investments are reported on the basis of quoted market prices and consist of equity securities, bonds and certificate of deposits as follows:

	<u>2015</u>	<u>2014</u>
Equity mutual funds	\$ 333,519	\$ 512,705
Certificates of deposit	230,373	228,350
	<u>\$ 563,892</u>	<u>\$ 741,055</u>

Investment returns were \$3,753 and \$4,259 and net realized/unrealized gains (losses) were \$7,538 and \$39,320 for 2015 and 2014 respectively.

NOTE 8 - TAX-DEFERRED ANNUITY PLAN

The Food Bank has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan is voluntary and covers full-time employees of the Food Bank. The Food Bank matches participant contributions up to five percent of the individual compensation. Food Bank contributions to the plan were \$19,595 and \$21,107 in 2015 and 2014 respectively.

NOTE 9 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are restricted for subsequent year activities.

	<u>2015</u>	<u>2014</u>
USDA Commodities	\$ 159,394	\$ 67,902
Rural Service	110,000	131,741
Kid's Café	-	9,000
Purchased Food	-	22,000
Kids Café Expansion	1,000	52,000
Food Drive	-	7,259
Agency Relations	28,225	-
Miscellaneous Program	49,172	130,551
	<u>\$ 355,050</u>	<u>\$ 420,453</u>

NOTE 10 - DONATED MATERIALS AND SERVICES

Non-food donated materials were \$240,891 and \$33,850 in 2015 and 2014 respectively and were included in revenue and expenses. Only those services that meet the criteria for recognition are included in revenue and expenses. Volunteer services for 2015 and 2014 with an estimated value of \$386,976 and \$337,057

HIGH PLAINS FOOD BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

respectively, were not recognized in the financial statements because they did not meet the criteria for recognition. Donated services recognized in the financial statements are as follows:

	<u>2015</u>	<u>2014</u>
Transportation Services	\$ -	\$ 1,200
Professional	3,949	2,964
Other	982	75
	<u>\$ 4,931</u>	<u>\$ 4,239</u>

NOTE 11 - ADVERTISING

The Food Bank uses advertising to promote its programs. The costs of advertising are expensed as incurred.

NOTE 12 - AMARILLO AREA FOUNDATION, INC. AGREEMENT

In 1992, the Food Bank entered in to an agreement with the Amarillo Area Foundation, Inc. (Foundation), a community charitable organization. Under this agreement, the Food Bank transferred the Mr. and Mrs. Tom Boyer Endowment, the Katherine Wilson Endowment and the Harrington Endowment to the Foundation. The income of the endowments will from time to time be distributed for one or more exempt purposes within the Amarillo Area with the primary consideration given to the Food Bank. The endowments are a component fund of the Foundation and therefore the Foundation has the absolute right to make the final decision as to any and all distributions from these endowments. Distributions to the Food Bank were \$7,457 and \$8,337 for 2015 and 2014, respectively. The market values of the endowment funds at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Boyer Endowment	\$ 21,350	\$ 23,143
Wilson Endowment	23,507	25,472
Harrington Endowment	115,069	124,523
	<u>\$ 159,926</u>	<u>\$ 173,138</u>

NOTE 13 – ENDOWMENT FUNDS

The Food Bank’s endowment consists of four funds which includes donor-restricted funds, and the funds described in Note 12. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# HIGH PLAINS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

The Board of Directors of the Food Bank has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Food Bank classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Food Bank in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Food Bank considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund(s), (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Food Bank, and (7) the Food Bank's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Food Bank has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix and include equity and debt securities with the objective of minimizing risk and volatility while maximizing expected returns. A spending policy had not been finalized as of December 31, 2015.

Endowment Net Asset Composition by Type of Fund as of December 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 49,172	\$ 459,926	\$ 509,098

Changes in endowment net assets as of December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ -	\$ 50,657	\$ 473,139	\$ 523,796
Contributions	-	-	-	-
Investment income	-	9,190	6,333	15,523
Net appreciation (depreciation)	-	(10,675)	(10,987)	(21,662)

HIGH PLAINS FOOD BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

Amounts appropriated for expenditure	-	-	(8,559)	(8,559)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 49,172</u>	<u>\$ 459,926</u>	<u>\$ 509,098</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 50,657</u>	<u>\$ 473,139</u>	<u>\$ 523,796</u>

Changes in endowment net assets as of December 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ -	\$ 72,882	\$ 477,886	\$ 550,768
Contributions	-	-	-	-
Investment income	-	11,401	8,585	19,986
Net appreciation (depreciation)	-	6,374	(4,996)	1,378
Amounts appropriated for expenditure	-	(40,000)	(8,336)	(48,336)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 50,657</u>	<u>\$ 473,139</u>	<u>\$ 523,796</u>

NOTE 14 – FAIR VALUE MEASUREMENT

The carrying amount of cash and cash equivalents, certificates of deposit, accounts receivable, and accounts payable approximate their fair value due to the short-term nature of such instruments.

The Food Bank uses the following hierarchical disclosures framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Measurement based on the Food Bank’s assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

HIGH PLAINS FOOD BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

The Food Bank uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets and liabilities. When available, the Food Bank measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

Fair values of assets measure on a recurring basis at December 31, 2015 and 2014 were as follows:

	2015			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity Mutual Funds	<u>\$ 333,519</u>	<u>\$ 333,519</u>	<u>\$ -</u>	<u>\$ -</u>
	2014			
Equity Mutual Funds	<u>\$ 512,705</u>	<u>\$ 512,705</u>	<u>\$ -</u>	<u>\$ -</u>

For promises to give that are due within one year, carrying amount is a reasonable estimate of fair value. For promises to give that are due in more than one year, fair value is estimated at the present value of estimated future cash flows using a discount rate reflective of current interest rates. The estimated fair value for promises to give at December 31, 2015 is as follows:

	<u>Promised Cash Flows</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Promises to give	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>

NOTE 15 – LINE OF CREDIT

The Food Bank has a \$100,000 line of credit dated December 3, 2015 and maturing December 3, 2016 of which \$60,000 was unused as of December 31, 2015. Interest is payable monthly at 2.4% per annum beginning January 3, 2016. There was no interest paid in 2015.

NOTE 16 – RELATED PARTY TRANSACTION

The construction service contract for a facility addition constructed in 2014 was awarded through the obtaining of bids from various construction contractors. The winning bid was to a construction company for whom a company employee was also a member of the Food Bank’s board. The Food Bank has a conflict of interest policy whereby board members are disqualified from participation in the final decisions regarding any action affecting their related company or organization. The board and management believe that the transaction was completed at arm’s length and are within the normal scope of business.

HIGH PLAINS FOOD BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 29, 2016, which is the date the financial statements were available to be issued.

HIGH PLAINS FOOD BANK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2015

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- Through Number	Federal Disbursements Expenditures
U.S. Department of Agriculture			
Passed through Texas Health and Human Services Commission			
Emergency Food Assistance Program (Administrative Costs)	10.568	1887048	\$ 98,799
Emergency Food Assistance Program (Food Commodities)	10.569	1887048	504,381
Summer Food Service Program for Children	10.559	TX188-1005	63,555
Child and Adult Care Food Program	10.558	TX188-0032	320,559
Supplemental Nutrition Assistance Program Education	10.580	529-11-0077-00001	<u>62,349</u>
			<u>\$ 1,049,643</u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of High Plains Food Bank under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of High Plains Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of High Plains Food Bank.

NOTE B -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, *Organizations Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At December 31, 2015 the organization had food commodities totaling \$159,394.

See accompanying notes and accountant's report

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

To the Board of Directors of  
High Plains Food Bank

I 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 High Plains Food Bank (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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 my report thereon dated September 29, 2016.

### **Internal Control Over Financial Reporting**

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

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I 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 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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses; 2015-001, 2015-002, and 2015-003.

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. I consider the deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency; 2015-004.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether High Plains Food Bank's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **High Plains Food Bank's Response to Findings**

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

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

The purpose of this report is solely to describe the scope of my 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.

*Victor B. Glenn*

Amarillo, Texas  
September 29, 2016

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

To the Board of Trustees of  
High Plains Food Bank

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

I have audited High Plains Food Bank's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of High Plains Food Bank's major federal programs for the year ended December 31, 2015. High Plains Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of High Plains Food Bank's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 High Plains Food Bank's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of High Plains Food Bank's compliance.

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

In my opinion, High Plains Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

#### ***Other Matters***

The results of my auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

## **Report on Internal Control Over Compliance**

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

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

My 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. I 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 my 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.

*Victor B. Glenn*

Amarillo, Texas  
September 29, 2016

HIGH PLAINS FOOD BANK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on whether the financial statements of High Plains Food Bank were prepared in accordance with GAAP.
2. Four significant deficiencies disclosed during the audit of the financial statements are reported. Three of those deficiencies are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of High Plains Food Bank were disclosed during the audit.
4. There were no deficiencies in internal control over major federal award programs that were disclosed during the audit and reported as a material weakness.
5. The auditor's report on compliance for the major federal award program for High Plains Food Bank expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that were required to be reported in accordance with 2 CFR Section 200.516(a) in this Schedule.
7. The programs tested as major programs included: Child and Adult Care Food Program, CFDA 10.558; Summer Food Service Program for Children, CFDA 10.559 and Supplemental Nutrition Assistance Program, CFDA 10.580.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. High Plains Food Bank was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESESS

2015-001. Reconciling Contribution Activity to Development Department Records

*Criteria:* Donor tracking database records should reconcile to the accounting records.

*Condition:* The development department maintains a separate donor database that is used to track donors and their contributions. This donor database was not reconciled to the accounting records. This is a repeat of the prior year finding.

*Cause:* Donor receipts are not being input in a timely manner or are not properly identified

when received.

*Effect:* Contributions might have been missed or improperly classified in either the donor database or the accounting records.

*Recommendation:* Effort should be made to reconcile the donor database and the accounting records to ensure that both the donor database and the accounting records are accurate and up-to-date.

*View of Responsible Officials and Planned Corrective Action:* Procedures have been put in place to reconcile the donor database and the accounting records during the latter months of 2015. The donor tracking database should reconcile to the accounting records in 2016.

#### 2015-002. Capitalization of Property and Equipment

*Criteria:* Under the current capitalization policy, all acquisitions of property and equipment in excess of \$1,000 are capitalized if the life expectancy is greater than two years.

*Condition:* Not all of the equipment meeting the criteria for capitalization was identified and capitalized.

*Cause:* The entity, in order to manage its budgeted expenditures, records capital expenditures as expenses during the year instead of recording capital expenditures to their respective property and equipment fixed asset accounts. Year-end adjustments were not made to properly reflect capital expenditures.

*Effect:* Expenses were overstated and fixed assets were understated.

*Recommendation:* Procedures should be in place to ensure that all property and equipment expenditures meeting the capitalization criteria are properly identified and capitalized.

*View of Responsible Officials and Planned Corrective Action:* Procedures will be put in place to review capital accounts, repairs and maintenance accounts, and equipment accounts monthly to ensure that items that need to be capitalized are posted correctly.

#### 2015-003. Classification and Posting of Revenue

*Criteria:* The processing of revenue should ensure that transactions will be posted to the correct general ledger accounts

*Condition:* Certain grant revenue was posted to the improper revenue account. Certain fundraising receipts were posted to an expense account instead of the proper revenue account.

*Cause:* Due care not exercised in recording and monitoring revenue.

*Effect:* The financial statement revenue and support accounts were misstated but not in total revenue and support reported.

*Recommendation:* Due care should be exercised in recording revenue. The detail general ledger accounts should be reviewed monthly to detect misclassifications of revenue.

*View of Responsible Officials and Planned Corrective Action:* Procedures will be put in place to track revenue more carefully. The High Plains Food Bank will maintain a monthly schedule for grants and tie this schedule to the financials on a monthly basis.

## SIGNIFICANT DEFICIENCIES

### 2015-004. Inventory Tracking and Analysis for Non-USDA Food Inventory

*Criteria:* Inventory procedures should ensure that the correct monetary amounts will be assigned to inventory transactions and recorded in the records in a timely manner.

*Condition:* The monthly summary worksheets for donated food inventory did not always agree with the books during the year. This condition did not occur in the USDA food inventory.

*Cause:* Care is not being exercised in creating and maintaining the monthly inventory worksheets.

*Effect:* The monthly inventory worksheets did not properly support the monthly inventory activity recorded in the books.

*Recommendation:* Due care should be exercised to ensure that the monthly inventory worksheets support the postings to the books. Changes to the worksheets need to be reflected properly in the books. Effort should be made to ensure that the worksheets properly foot and cross-foot.

*View of Responsible Officials and Planned Corrective Action:* Final copies of the spreadsheets were not maintained, however all inventory was recorded properly in the books. A procedure will be put in place to ensure that the correct spreadsheets are maintained for each month.

## C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

U.S. DEPARTMENT OF AGRICULTURE – CHILD AND ADULT CARE FOOD PROGRAM,  
CFDA 10.558.

None noted.

U.S. DEPARTMENT OF AGRICULTURE – SUMMER FOOD SERVICE PROGRAM FOR CHILDREN, CFDA 10.559.

None noted.

U.S. DEPARTMENT OF AGRICULTURE – SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM, CFDA 10.580.

None noted.

HIGH PLAINS FOOD BANK  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2015

U.S. DEPARTMENT OF AGRICULTURE

Emergency Food Assistance Program Cluster, CFDA 10.568 and CFDA 10.569

Child and Adult Care Food Program, CFDA 10.558

No compliance findings were reported in 2014.