

Feeding America Southwest Virginia

Financial Statements

Years Ended June 30, 2015 and 2014

Table of Contents

Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7
Schedule of Expenditures of Federal Awards	13
Notes to Schedule of Expenditures of Federal Awards	14
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	17
Schedule of Findings and Questioned Costs	19
Schedules of Food Received and Distributed	20



Independent Auditors' Report

Board of Directors
Feeding America Southwest Virginia
Salem, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Feeding America Southwest Virginia, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feeding America Southwest Virginia as of June 30, 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules of Food Received and Distributed are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015 on our consideration of Feeding America Southwest Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Feeding America Southwest Virginia's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Roanoke, Virginia
October 7, 2015**

Feeding America Southwest Virginia
Statements of Financial Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 344,321	\$ 116,648
Receivables (Note 2)	184,360	84,975
Inventory (Note 3)	553,123	770,895
	<u>1,081,804</u>	<u>972,518</u>
Cash restricted for acquisition of property and equipment	-	327,000
Reserve funds (Note 4)	229,777	217,689
Contributions receivable (Note 2)	30,000	-
Property and equipment, net (Note 5)	5,210,859	5,213,485
Other assets	23,458	23,458
	<u>\$ 6,575,898</u>	<u>\$ 6,754,150</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 77,748	\$ 116,647
Accrued expenses	135,968	120,843
Line of credit (Note 6)	242,442	-
Current portion of long-term debt (Note 7)	101,947	101,385
	<u>558,105</u>	<u>338,875</u>
Long-term debt (Note 7)	3,821,455	3,913,138
	<u>4,379,560</u>	<u>4,252,013</u>
Net assets		
Unrestricted	1,878,018	2,021,104
Temporarily restricted (Note 8)	207,914	380,783
Permanently restricted (Note 8)	110,406	100,250
	<u>2,196,338</u>	<u>2,502,137</u>
Total liabilities and net assets	<u>\$ 6,575,898</u>	<u>\$ 6,754,150</u>

See accompanying notes.

**Feeding America Southwest Virginia
Statements of Activities
Years Ended June 30, 2015 and 2014**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and support				
Contributions - monetary	\$ 2,439,745	\$ 207,914	\$ -	\$ 2,647,659
Contributions - in-kind (Note 10)	170,036	-	-	170,036
Grants	288,777	-	-	288,777
USDA reimbursements	360,084	-	-	360,084
Other handling fees	689,561	-	-	689,561
Sale of purchased food	722,719	-	10,156	732,875
Other	42,919	-	-	42,919
Net assets released from restrictions	380,783	(380,783)	-	-
Total revenues and support	<u>5,094,624</u>	<u>(172,869)</u>	<u>10,156</u>	<u>4,931,911</u>
Expenses				
Program services	3,713,926	-	-	3,713,926
Management and general	501,653	-	-	501,653
Fund-raising	754,085	-	-	754,085
Total expenses	<u>4,969,664</u>	<u>-</u>	<u>-</u>	<u>4,969,664</u>
Change in net assets before food activity	<u>124,960</u>	<u>(172,869)</u>	<u>10,156</u>	<u>(37,753)</u>
Donated food activity				
Donated food received	33,687,324	-	-	33,687,324
Donated food distributed and disposed	(33,955,370)	-	-	(33,955,370)
Net food activity	<u>(268,046)</u>	<u>-</u>	<u>-</u>	<u>(268,046)</u>
Realized gain on interest rate swap	-	-	-	-
Change in net assets	<u>(143,086)</u>	<u>(172,869)</u>	<u>10,156</u>	<u>(305,799)</u>
Net assets				
Beginning	<u>2,021,104</u>	<u>380,783</u>	<u>100,250</u>	<u>2,502,137</u>
Ending	<u>\$ 1,878,018</u>	<u>\$ 207,914</u>	<u>\$ 110,406</u>	<u>\$ 2,196,338</u>

See accompanying notes.

(Continued)

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,878,241	\$ 380,783	\$ 300	\$ 2,259,324
677,743	-	-	677,743
316,007	-	-	316,007
351,070	-	-	351,070
726,854	-	-	726,854
613,058	-	6,948	620,006
39,830	-	-	39,830
550,659	(550,659)	-	-
<u>5,153,462</u>	<u>(169,876)</u>	<u>7,248</u>	<u>4,990,834</u>
3,443,211	-	-	3,443,211
496,461	-	-	496,461
646,708	-	-	646,708
<u>4,586,380</u>	<u>-</u>	<u>-</u>	<u>4,586,380</u>
<u>567,082</u>	<u>(169,876)</u>	<u>7,248</u>	<u>404,454</u>
31,750,131	-	-	31,750,131
(31,986,784)	-	-	(31,986,784)
<u>(236,653)</u>	<u>-</u>	<u>-</u>	<u>(236,653)</u>
<u>41,413</u>	<u>-</u>	<u>-</u>	<u>41,413</u>
371,842	(169,876)	7,248	209,214
<u>1,649,262</u>	<u>550,659</u>	<u>93,002</u>	<u>2,292,923</u>
<u>\$ 2,021,104</u>	<u>\$ 380,783</u>	<u>\$ 100,250</u>	<u>\$ 2,502,137</u>

**Feeding America Southwest Virginia
Statements of Cash Flows
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating activities		
Change in net assets	\$ (305,799)	\$ 209,214
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	379,163	437,068
Gain on disposal of leased copiers	-	(423)
Permanently restricted contributions	-	(300)
Contributions restricted for long-term purpose	-	(327,000)
In-kind contributions of property and equipment	-	(570,000)
Realized gain on interest rate swap agreement	-	(41,413)
Change in:		
Receivables	(129,385)	121,927
Inventory	217,772	257,396
Accounts payable and accrued expenses	(23,774)	(77,326)
Net cash provided by operating activities	<u>137,977</u>	<u>9,143</u>
Investing activities		
Purchase of property and equipment	(376,537)	(436,111)
Proceeds from liquidation of funds restricted for acquisition of property and equipment	<u>327,000</u>	<u>13,000</u>
Net cash used in investing activities	<u>(49,537)</u>	<u>(423,111)</u>
Financing activities		
Permanently restricted contributions	-	300
Cash released from sinking fund requirements	-	150,000
Contributions restricted for acquisition of property and equipment	-	327,000
Incurrence of loan costs per refinancing	-	(23,458)
Proceeds from long-term debt	-	2,130,000
Payments on interest rate swap	-	(24,082)
Payments on long-term debt	(91,121)	(1,779,937)
Deposits to reserve funds	(12,088)	(12,388)
Net borrowings (payments) on line of credit	<u>242,442</u>	<u>(420,298)</u>
Net cash provided by financing activities	<u>139,233</u>	<u>347,137</u>
Increase (decrease) in cash and cash equivalents	<u>227,673</u>	<u>(66,831)</u>
Cash and cash equivalents		
Beginning	<u>116,648</u>	<u>183,479</u>
Ending	<u>\$ 344,321</u>	<u>\$ 116,648</u>
Supplementary cash flow information		
Interest paid	<u>\$ 187,934</u>	<u>\$ 180,718</u>
Noncash investing and financial activities		
Property and equipment financed with debt/capital leases	<u>\$ -</u>	<u>\$ 58,400</u>

See accompanying notes.

**Feeding America Southwest Virginia
Statements of Functional Expenses
Years Ended June 30, 2015 and 2014**

	2015			
	Program Services	Management and General	Fund Raising	Total
Personnel				
Salaries	\$ 1,104,496	\$ 240,495	\$ 436,455	\$ 1,781,446
Payroll taxes	93,931	20,453	37,116	151,500
Fringe benefits	152,363	20,090	27,442	199,895
Total personnel	<u>1,350,790</u>	<u>281,038</u>	<u>501,013</u>	<u>2,132,841</u>
Other				
Cost of purchased food	750,109	-	-	750,109
Consultants and contract services	109,763	146,403	11,918	268,084
Travel	9,661	6,683	2,198	18,542
Occupancy	167,600	5,861	2,931	176,392
Materials and supplies	26,901	2,415	5,201	34,517
Postage and printing	13,552	7,189	203,060	223,801
Equipment expense	69,220	-	-	69,220
Depreciation	356,413	15,167	7,583	379,163
Telephone	46,454	1,977	988	49,419
General insurance	88,910	3,783	1,892	94,585
Dues and registrations	24,784	1,055	527	26,366
Trucking expenses	333,938	-	-	333,938
Promotion	160,540	6,832	3,416	170,788
Interest expense	176,658	7,517	3,759	187,934
Other costs	28,633	15,733	9,599	53,965
Total other	<u>2,363,136</u>	<u>220,615</u>	<u>253,072</u>	<u>2,836,823</u>
Total expenses	<u>\$ 3,713,926</u>	<u>\$ 501,653</u>	<u>\$ 754,085</u>	<u>\$ 4,969,664</u>

See accompanying notes.

(Continued)

2014			
<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
\$ 1,116,036	\$ 255,399	\$ 357,417	\$ 1,728,852
92,194	21,099	29,526	142,819
134,024	23,468	34,773	192,265
<u>1,342,254</u>	<u>299,966</u>	<u>421,716</u>	<u>2,063,936</u>
578,222	-	-	578,222
83,161	130,441	20,228	233,830
8,068	5,999	2,096	16,163
251,444	9,558	4,778	265,780
23,175	1,548	2,885	27,608
3,566	2,115	168,769	174,450
81,511	-	-	81,511
410,844	17,483	8,741	437,068
47,007	2,000	1,000	50,007
85,787	3,651	1,825	91,263
23,871	1,016	508	25,395
285,834	-	-	285,834
15,806	673	336	16,815
169,875	7,229	3,614	180,718
32,786	14,782	10,212	57,780
<u>2,100,957</u>	<u>196,495</u>	<u>224,992</u>	<u>2,522,444</u>
<u>\$ 3,443,211</u>	<u>\$ 496,461</u>	<u>\$ 646,708</u>	<u>\$ 4,586,380</u>

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies

Feeding America Southwest Virginia (Food Bank) is a nonprofit organization established to collect, warehouse, and distribute food. The Food Bank operates from locations in Salem and Abingdon Virginia, and distributes food to qualified agencies. The Food Bank is affiliated with Feeding America, a national hunger relief organization.

Basis of Financial Statement Presentation and Accounting

The financial statements of the Food Bank are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

The accompanying financial statements present information regarding the Food Bank's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions, as described below:

Unrestricted net assets are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. Expenses are reported as decreases in this classification.

Temporarily restricted net assets are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Food Bank pursuant to those stipulations.

Permanently restricted net assets are amounts required by donors to be held in perpetuity; however, generally, the income on these assets is available to meet various operating needs. These net assets include permanent endowment funds and a revolving food purchase fund.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. All cash accounts are held at one bank. The balance in these accounts may, at times, exceed federally insured limits; however, the Food Bank does not believe it is subject to any significant credit risk as a result of these deposits. As of June 30, 2015 and 2014, the Food Bank had on deposit \$365,077 and \$413,529, respectively, in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

Handling Fees

Although food is distributed to agencies at no cost, the Food Bank charges a handling fee to help offset storage and distribution costs. This revenue is recognized when food is distributed to the agency. The Food Bank does not charge a handling fee for federal commodities distributed. This cost is reimbursed by the federal government subject to funding availability and is recorded as revenue when the amount becomes known by the Food Bank.

Feeding America Southwest Virginia Notes to Financial Statements

Inventory

Donated food inventories are stated at the nationally calculated average price per pound of \$1.70 and \$1.72 as of June 30, 2015 and 2014, respectively. This average per pound is based on an independent study by Feeding America. Purchased food is valued at cost. USDA commodities are stated at the value assigned by USDA.

Property and Equipment

Property and equipment in excess of \$2,500 is capitalized. Acquisitions are recorded at cost if purchased and at fair value if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets generally as follows:

Buildings	39 years
Improvements	15 years
Refrigerated trucks	5 years
Cooler, freezers, forklifts	7 years
Other equipment, including computers	5 years
Software	3 years
Furniture	7 years

Contributions

Contributions, including unconditional promises to give or contributions receivable, are recognized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions, in the period the donor's commitment is received. Unrestricted, unconditional promises to give are recognized as temporarily restricted revenues unless the donor explicitly stipulates its use to support current period activities.

Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Food Bank. Volunteers provided various services to the Food Bank throughout the year that are not recognized as contributions in the financial statements since the recognition criteria are not met. The Food Bank received over 37,500 volunteer hours from approximately 6,300 volunteers during 2015.

Income Taxes

The Food Bank is exempt from federal income taxes under Section 501(c)(3) of the *Internal Revenue Code* and did not conduct unrelated business activities. In addition, the Food Bank has been determined by the IRS not to be a "private foundation" within the meaning of Section 509(a) of the *Internal Revenue Code*. The Food Bank has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2015 and 2014.

Advertising Costs

The Food Bank utilizes many forms of self-promotion and advertising as part of its fundraising activities. All costs are expensed as incurred.

**Feeding America Southwest Virginia
Notes to Financial Statements**

Functional Allocation of Expenses

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

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Reclassification

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. Such reclassifications had no effect on previously reported change in net assets.

Subsequent Events

Management has evaluated subsequent events through October 7, 2015, the date in which the financial statements were available for issue.

2. Receivables

Receivables consist of the following:

	<u>2015</u>	<u>2014</u>
Due from member organizations	\$ 8,446	\$ 32,705
Unconditional promises to give	207,914	53,783
Payroll advance	<u>1,000</u>	<u>200</u>
	217,360	86,688
Less allowance for doubtful accounts	<u>(3,000)</u>	<u>(1,713)</u>
	214,360	84,975
Less non-current contribution receivable	<u>(30,000)</u>	<u>-</u>
	<u>\$ 184,360</u>	<u>\$ 84,975</u>

3. Inventory

Inventory consists of the following:

	<u>2015</u>	<u>2014</u>
Purchased	\$ 113,060	\$ 65,586
Donated	380,637	584,905
USDA commodities	<u>59,426</u>	<u>120,404</u>
	<u>\$ 553,123</u>	<u>\$ 770,895</u>

**Feeding America Southwest Virginia
Notes to Financial Statements**

4. Reserve Funds

Reserve Funds

Both RHS notes require a sinking fund deposit equal to 10% of the monthly debt payment until an amount equal to 12 monthly payments is accumulated. The BNC Bank (formerly Valley Bank) note payable requires a reserve fund in the amount of \$150,000. In addition, funds have been reserved for the Pamela Irvine Endowment.

Reserve funds, which are held in cash and cash equivalents, consist of the following:

	<u>2015</u>	<u>2014</u>
RHS Sinking funds	\$ 52,077	\$ 39,989
BNC Bank reserve funds	150,000	150,000
Pamela Irvine Endowment (Note 8)	<u>27,700</u>	<u>27,700</u>
	<u>\$ 229,777</u>	<u>\$ 217,689</u>

5. Property and Equipment

Property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Buildings and other equipment	\$ 5,217,240	\$ 4,840,703
Vehicles	1,315,779	1,315,779
Equipment under capital lease	<u>58,400</u>	<u>58,400</u>
	6,591,419	6,214,882
Less accumulated depreciation	<u>(2,657,560)</u>	<u>(2,278,397)</u>
	3,933,859	3,936,485
Land	<u>1,277,000</u>	<u>1,277,000</u>
	<u>\$ 5,210,859</u>	<u>\$ 5,213,485</u>

6. Line of Credit

The Food Bank has a line of credit with BNC Bank (formerly Valley Bank). The line is due on demand and secured by a first credit line deed of trust and a blanket lien on all assets. The maximum credit amount available was \$500,000 for 2015 and 2014. Interest was at prime plus 1% (4.25%) for 2015 and 2014. At June 30, 2015, the outstanding principal balance was \$242,442. No balance was outstanding at June 30, 2014.

**Feeding America Southwest Virginia
Notes to Financial Statements**

7. Long-Term Debt

Long-term debt consists of the following:

	<u>2015</u>	<u>2014</u>
Rural Housing Service (RHS) Abingdon Facility:		
Note payable, \$8,627 payable monthly with interest at 4.5% through 2049. Secured by real property, equipment, and reserve funds.	\$ 1,792,750	\$ 1,815,045
Note payable, \$1,447 payable monthly with interest at 4.5% through 2017. Secured by equipment and reserve funds.	23,623	39,539
BNC Bank Salem Facility:		
Note payable, \$11,923 payable monthly with interest at 4.5% through 2020. Secured by real property and assignment of rents.	2,063,793	2,107,512
Capital lease obligation for equipment, through 2018.	<u>43,236</u>	<u>52,427</u>
	3,923,402	4,014,523
Less current portion	<u>(101,947)</u>	<u>(101,385)</u>
	<u>\$ 3,821,455</u>	<u>\$ 3,913,138</u>

Long-term debt maturities and sinking fund requirements are as follows:

<u>Fiscal Year Ended</u>	<u>Long-Term Debt</u>	<u>Sinking Fund</u>
2016	\$ 101,947	\$ 12,088
2017	97,602	12,088
2018	95,572	12,088
2019	93,688	12,088
2020	89,628	12,088
2021 and thereafter	<u>3,444,965</u>	<u>8,371</u>
	<u>\$ 3,923,402</u>	<u>\$ 68,811</u>

8. Net Assets

Temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Property and equipment	\$ -	\$ 327,000
Unconditional promises to give	<u>207,914</u>	<u>53,783</u>
	<u>\$ 207,914</u>	<u>\$ 380,783</u>

**Feeding America Southwest Virginia
Notes to Financial Statements**

Permanently restricted net assets consist of the following:

	<u>Pamela Irvine Endowment</u>	<u>Revolving Food Fund</u>	<u>Total Permanently Restricted Net Assets</u>
Permanently restricted net assets:			
June 30, 2013	\$ 27,400	\$ 65,602	\$ 93,002
Contributions/grants	300	-	300
Reinvested sales proceeds	<u>-</u>	<u>6,948</u>	<u>6,948</u>
June 30, 2014	\$ 27,700	72,550	100,250
Reinvested sales proceeds	<u>-</u>	<u>10,156</u>	<u>10,156</u>
June 30, 2015	<u>\$ 27,700</u>	<u>\$ 82,706</u>	<u>\$ 110,406</u>

The revolving food fund represents amounts contributed to be used to purchase food for resale to member agencies. Sales proceeds equal to the cost of food purchased replenish the fund, plus an additional twenty-five percent of the markup is required to be permanently added to the fund.

9. Pension Plan

The Food Bank has a 401(k) plan (the "Plan") for the benefit of its employees. Employees become eligible to make elective deferrals after 30 days of employment, and are eligible to have employer contributions credited to their account after two years of service. The Food Bank may make matching, non-elective, and discretionary contributions to the Plan. During 2015 and 2014, the Food Bank contributed \$26,023 and \$13,687, respectively, to the Plan.

10. Leases

Until 2014, the Food Bank leased from a related party a 20% undivided interest in its Salem facility of approximately 98,090 square feet for an annual rental of \$172,966. The lessor considered the rent a donation to the Food Bank which is recognized as an in-kind contribution. In 2014, the Food Bank received this 20% interest in the property as an in-kind contribution. The contribution was valued at \$570,000. Occupancy expense for 2015 and 2014 was \$176,392 and \$265,780, respectively, of which \$- and \$86,484, respectively, was in-kind contributed rent.

The Food Bank leases unused warehouse and parking space to third-parties on a short-term basis. Rental income for 2015 and 2014 was \$18,013 and \$19,384, respectively.

Compliance Section

**Feeding America Southwest Virginia
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2015**

Schedule of Expenditures of Federal Awards

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Pass-through Virginia Department of Agriculture and Consumer Services (VDACS Agency Number 67-500):		
USDA – Food Distribution Cluster:		
Food Commodities	10.569	\$ 1,851,313
Administrative Costs	10.568	<u>360,084</u>
Cluster Total		2,211,397
Virginia Child and Adult Care Food Program (operating costs)	10.558	230,889
Summer Food Service Program for Children	10.559	21,603
USDA – Community Facilities Loans and Grants	10.766	<u>38,211</u>
		<u>\$ 2,502,100</u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting and in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. Food Distribution

Non-monetary assistance is reported at the fair value of the commodities received and distributed. At June 30, 2015 and 2014, the Food Bank had food commodities totaling \$59,426 and \$120,404, respectively, in inventory.

Independent Auditors' 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*

Board of Directors
Feeding America Southwest Virginia
Salem, 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 Feeding America Southwest Virginia (the "Food Bank"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Food Bank'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 Food Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**Roanoke, Virginia
October 7, 2015**

Independent Auditors' Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By OMB Circular A-133

Board of Directors
Feeding America Southwest Virginia
Salem, Virginia

Report on Compliance for Each Major Federal Program

We have audited Feeding America Southwest Virginia's (the "Food Bank") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The Food Bank's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Food Bank's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the 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 its major federal program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Roanoke, Virginia
October 7, 2015

**Feeding America Southwest Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

1. Summary Of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:	<u>Yes</u>	<u>No</u>
• Material weakness(es) identified?	<u> </u>	<u>X</u>
• Significant deficiency(ies) that are not considered to be material weaknesses?	<u> </u>	<u>X</u> None Reported
Noncompliance material to financial statements noted?	<u> </u>	<u>X</u>

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	<u> </u>	<u>X</u>
• Significant deficiency(ies) that are not considered to be material weaknesses?	<u> </u>	<u>X</u> None Reported
Type of auditors' report issued:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u> </u>	<u>X</u>

Identification of major programs:

<u>CFDA/Contract Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount Expended</u>
	Food Distributor Cluster:	
10.569	USDA – Emergency Food Assistance Program (food commodities)	\$ 1,851,313
10.568	USDA – Emergency Food Assistance Program (administrative costs)	\$ 360,084

Dollar threshold used to distinguish

between type A and type B programs:	\$ 300,000	
Auditee qualified as low-risk auditee	<u>X</u>	<u> </u>

2. Financial Statement Findings

None

3. Federal Award Findings and Questioned Costs

None

4. Summary of Prior Audit Findings

There were no Federal award findings for the year ended June 30, 2014, and no known significant uncorrected or unresolved findings exist from prior audits.

**Feeding America Southwest Virginia
Schedules of Food Received and Distributed
Years Ended June 30, 2015 and 2014**

Year Ended June 30, 2015	<u>Pounds</u>	<u>Dollars</u>
Beginning inventory	609,950	\$ 770,895
Donated food received	18,727,065	31,836,011
USDA commodities received	3,187,832	1,851,313
Purchased food	<u>1,231,810</u>	<u>732,876</u>
Total food available	<u>23,756,657</u>	<u>35,191,095</u>
Less food distributed and adjustments	<u>23,219,077</u>	<u>34,637,972</u>
Ending Inventory	<u><u>537,580</u></u>	<u><u>\$ 553,123</u></u>
Year Ended June 30, 2014		
Beginning inventory	933,712	\$ 1,028,291
Donated food received	17,510,438	30,117,953
USDA commodities received	2,671,270	1,632,178
Purchased food	<u>842,321</u>	<u>570,851</u>
Total food available	<u>21,957,741</u>	<u>33,349,273</u>
Less food distributed and adjustments	<u>21,347,791</u>	<u>32,578,378</u>
Ending Inventory	<u><u>609,950</u></u>	<u><u>\$ 770,895</u></u>