

Feeding America Southwest Virginia

Financial Statements

Years Ended June 30, 2016 and 2015

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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, 2016 and 2015, 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, 2016, 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

Supplementary and 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 (the Schedules) 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 (SEFA), 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. The Schedules and the SEFA 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 5, 2016 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 5, 2016**

**Feeding America Southwest Virginia
Statements of Financial Position
June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 317,270	\$ 344,321
Receivables (Note 2)	174,154	229,198
Inventory (Note 3)	<u>1,060,009</u>	<u>553,123</u>
Total current assets	1,551,433	1,126,642
Cash restricted for acquisition of property and equipment	43,000	-
Reserve funds (Note 4)	92,196	229,777
Contributions receivable (Note 2)	15,000	30,000
Property and equipment, net (Note 5)	4,982,971	5,210,859
Other assets, net	<u>15,080</u>	<u>23,458</u>
Total assets	<u>\$ 6,699,680</u>	<u>\$ 6,620,736</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 112,167	\$ 77,748
Accrued expenses	165,061	135,968
Deferred revenue	29,828	44,838
Line of credit (Note 6)	-	242,442
Current portion of long-term debt (Note 7)	<u>98,692</u>	<u>101,947</u>
Total current liabilities	405,748	602,943
Long-term debt (Note 7)	<u>3,744,878</u>	<u>3,821,455</u>
Total liabilities	<u>4,150,626</u>	<u>4,424,398</u>
Net assets		
Unrestricted	2,163,630	1,878,018
Temporarily restricted (Note 8)	357,724	207,914
Permanently restricted (Note 8)	<u>27,700</u>	<u>110,406</u>
Total net assets	<u>2,549,054</u>	<u>2,196,338</u>
Total liabilities and net assets	<u>\$ 6,699,680</u>	<u>\$ 6,620,736</u>

See accompanying notes.

**Feeding America Southwest Virginia
Statements of Activities
Years Ended June 30, 2016 and 2015**

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and support				
Contributions - monetary	\$ 2,141,629	\$ 357,724	\$ -	\$ 2,499,353
Contributions - in-kind	162,738	-	-	162,738
Grants	312,068	-	-	312,068
USDA reimbursements	533,332	-	-	533,332
Other handling fees	578,786	-	-	578,786
Sale of purchased food	731,099	-	-	731,099
Other	22,061	-	-	22,061
Net assets released from restrictions and gift redesignations	290,620	(207,914)	(82,706)	-
Total revenues and support	<u>4,772,333</u>	<u>149,810</u>	<u>(82,706)</u>	<u>4,839,437</u>
Expenses				
Program services	3,574,445	-	-	3,574,445
Management and general	684,800	-	-	684,800
Fund-raising	750,066	-	-	750,066
Total expenses	<u>5,009,311</u>	<u>-</u>	<u>-</u>	<u>5,009,311</u>
Change in net assets before donated food activity	<u>(236,978)</u>	<u>149,810</u>	<u>(82,706)</u>	<u>(169,874)</u>
Donated food activity				
Donated food received	28,126,486	-	-	28,126,486
Donated food distributed and disposed	(27,603,896)	-	-	(27,603,896)
Net donated food activity	<u>522,590</u>	<u>-</u>	<u>-</u>	<u>522,590</u>
Change in net assets	285,612	149,810	(82,706)	352,716
Net assets				
Beginning	<u>1,878,018</u>	<u>207,914</u>	<u>110,406</u>	<u>2,196,338</u>
Ending	<u>\$ 2,163,630</u>	<u>\$ 357,724</u>	<u>\$ 27,700</u>	<u>\$ 2,549,054</u>

See accompanying notes.

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,439,745	\$ 207,914	\$ -	\$ 2,647,659
170,036	-	-	170,036
288,777	-	-	288,777
360,084	-	-	360,084
689,561	-	-	689,561
722,719	-	10,156	732,875
42,919	-	-	42,919
380,783	(380,783)	-	-
5,094,624	(172,869)	10,156	4,931,911
3,713,926	-	-	3,713,926
501,653	-	-	501,653
754,085	-	-	754,085
4,969,664	-	-	4,969,664
124,960	(172,869)	10,156	(37,753)
33,687,324	-	-	33,687,324
(33,955,370)	-	-	(33,955,370)
(268,046)	-	-	(268,046)
(143,086)	(172,869)	10,156	(305,799)
2,021,104	380,783	100,250	2,502,137
\$ 1,878,018	\$ 207,914	\$ 110,406	\$ 2,196,338

**Feeding America Southwest Virginia
Statements of Cash Flows
Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Operating activities		
Change in net assets	\$ 352,716	\$ (305,799)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated food received, distributed and disposed, net	(522,608)	265,246
Depreciation and amortization	373,483	379,163
Contributions restricted for acquisition of property and equipment	(43,000)	-
Change in:		
Receivables	68,029	(172,208)
Purchased inventory	15,722	(47,474)
Accounts payable and accrued expenses	63,512	(23,774)
Deferred revenue	(12,995)	42,823
Net cash provided by operating activities	<u>294,859</u>	<u>137,977</u>
Investing activities		
Purchase of property and equipment	(137,217)	(376,537)
Assets restricted for purchase of property and equipment	(43,000)	-
Proceeds from liquidation of funds restricted for acquisition of property and equipment	-	327,000
Net cash used in investing activities	<u>(180,217)</u>	<u>(49,537)</u>
Financing activities		
Proceeds from long-term debt	20,307	-
Payments on long-term debt	(100,139)	(91,121)
Contributions restricted for purchase of property and equipment	43,000	-
Release of (deposit to) reserve funds, net	137,581	(12,088)
Net (payments) borrowings on line of credit	(242,442)	242,442
Net cash provided (used) by financing activities	<u>(141,693)</u>	<u>139,233</u>
Increase (decrease) in cash and cash equivalents	<u>(27,051)</u>	<u>227,673</u>
Cash and cash equivalents		
Beginning	<u>344,321</u>	<u>116,648</u>
Ending	<u>\$ 317,270</u>	<u>\$ 344,321</u>
Supplementary cash flow information		
Interest paid	<u>\$ 170,897</u>	<u>\$ 187,934</u>
Noncash investing and financial activities		
Property and equipment financed with debt/capital leases	<u>\$ 20,307</u>	<u>\$ -</u>

See accompanying notes.

**Feeding America Southwest Virginia
Statements of Functional Expenses
Years Ended June 30, 2016 and 2015**

	2016			
	Program Services	Management and General	Fund Raising	Total
Personnel				
Salaries	\$ 1,169,705	\$ 423,378	\$ 376,117	\$ 1,969,200
Payroll taxes	97,354	35,238	31,304	163,896
Fringe benefits	133,203	52,682	28,268	214,153
Total personnel	<u>1,400,262</u>	<u>511,298</u>	<u>435,689</u>	<u>2,347,249</u>
Other				
Cost of purchased food	673,120	-	-	673,120
Consultants and contract services	159,658	46,057	15,374	221,089
Travel	5,758	9,200	1,839	16,797
Occupancy	169,329	5,796	2,898	178,023
Materials and supplies	18,807	4,756	5,601	29,164
Postage and printing	10,753	9,544	191,868	212,165
Equipment expense	70,243	-	-	70,243
Depreciation and amortization	339,869	20,542	13,072	373,483
Telephone	29,260	14,077	9,385	52,722
General insurance	71,221	12,624	1,450	85,295
Dues and registrations	7,663	12,046	1,742	21,451
Trucking expenses	273,600	491	491	274,582
Promotion	1,267	-	3,307	4,574
Interest expense	164,828	7,014	3,507	175,349
Special event expense	3,147	-	55,128	58,275
In-kind expense	161,111	-	1,627	162,738
Other costs	14,549	31,355	7,088	52,992
Total other	<u>2,174,183</u>	<u>173,502</u>	<u>314,377</u>	<u>2,662,062</u>
Total expenses	<u>\$ 3,574,445</u>	<u>\$ 684,800</u>	<u>\$ 750,066</u>	<u>\$ 5,009,311</u>

See accompanying notes.

2015

<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
\$ 1,104,496	\$ 240,495	\$ 436,455	\$ 1,781,446
93,931	20,453	37,116	151,500
152,363	20,090	27,442	199,895
<u>1,350,790</u>	<u>281,038</u>	<u>501,013</u>	<u>2,132,841</u>
750,109	-	-	750,109
109,763	146,403	11,918	268,084
9,661	6,683	2,198	18,542
167,600	5,861	2,931	176,392
26,901	2,415	5,201	34,517
13,552	7,189	203,060	223,801
69,220	-	-	69,220
356,413	15,167	7,583	379,163
46,454	1,977	988	49,419
88,910	3,783	1,892	94,585
24,784	1,055	527	26,366
333,938	-	-	333,938
1,500	2,963	-	4,463
176,658	7,517	3,759	187,934
-	-	-	-
159,834	6,802	3,400	170,036
27,839	12,800	9,615	50,254
<u>2,363,136</u>	<u>220,615</u>	<u>253,072</u>	<u>2,836,823</u>
<u>\$ 3,713,926</u>	<u>\$ 501,653</u>	<u>\$ 754,085</u>	<u>\$ 4,969,664</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 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.

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, 2016 and 2015, the Food Bank had on deposit \$202,758 and \$365,077, 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.

Inventory

Donated food inventories are stated at the nationally calculated average price per pound of \$1.67 and \$1.70 as of June 30, 2016 and 2015, respectively. This average per pound is based on an independent study by Feeding America. Purchased food is valued at cost. U.S. Department of Agriculture (USDA) commodities are stated at the value assigned by USDA.

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

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

Deferred Financing Costs

Deferred financing costs are included in other assets and are amortized over the life of the loan. Amortization expense was \$3,351 for the years ended June 30, 2016 and 2015.

Deferred Revenue

Deferred revenue represents amounts paid by agencies to the Food Bank in advance of the Food Bank distributing food to the agency. The amounts paid do not meet the criteria for revenue recognition, and are therefore deferred until the criteria is met.

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. In-kind contributions represent amounts for marketing services of approximately \$150,000 in both 2016 and 2015 as well as other miscellaneous amounts. 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 40,000 volunteer hours from approximately 9,363 volunteers during 2016, and over 37,500 volunteer hours from approximately 6,300 volunteers during 2015.

Feeding America Southwest Virginia Notes to Financial Statements

Concentrations

A significant portion of the Food Bank's support is from the Virginia Department of Agriculture and Consumer Services (VDACS), which is passed through from USDA. During the years ended June 30, 2016 and 2015, approximately 9% and 5%, respectively, of the donated food received was from VDACS, and approximately 16% and 12%, respectively, of the total revenue and support was from VDACS.

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 Internal Revenue Service (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, 2016 and 2015.

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 and are included in promotion expense on the statements of functional expenses.

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. During the year ended June 30, 2016, management of the Food Bank revised the methodology for the allocation of functional expenses with the primary impact on personnel expenses. If this same methodology was used in 2015, total personnel would be allocated as follows: program services \$1,249,309; management and general \$458,959; and fund raising \$424,573.

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 5, 2016, the date on which the financial statements were available for issue.

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

2. Receivables

Receivables consist of the following:

	<u>2016</u>	<u>2015</u>
Due from member organizations	\$ 22,499	\$ 53,284
Unconditional promises to give	136,187	207,914
Other accounts receivable	33,118	-
Payroll advance	<u>350</u>	<u>1,000</u>
	192,154	262,198
Less allowance for doubtful accounts	<u>(3,000)</u>	<u>(3,000)</u>
	189,154	259,198
Less non-current contribution receivable	<u>(15,000)</u>	<u>(30,000)</u>
	<u>\$ 174,154</u>	<u>\$ 229,198</u>

3. Inventory

Inventory consists of the following:

	<u>2016</u>	<u>2015</u>
Purchased	\$ 97,338	\$ 113,060
Donated	750,595	380,637
USDA commodities	<u>212,076</u>	<u>59,426</u>
	<u>\$ 1,060,009</u>	<u>\$ 553,123</u>

4. Reserve Funds

Both Rural Housing Service (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. For the year ended June 30, 2015, the BNC Bank note payable required a reserve fund in the amount of \$150,000. During the year ended June 30, 2016, BNC Bank removed this reserve requirement. The reserve funds also consist of principal and interest on the Pamela Irvine Endowment.

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

	<u>2016</u>	<u>2015</u>
RHS sinking funds	\$ 64,165	\$ 52,077
BNC Bank reserve funds	-	150,000
Pamela Irvine Endowment, including interest (Note 8)	<u>28,031</u>	<u>27,700</u>
	<u>\$ 92,196</u>	<u>\$ 229,777</u>

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

5. Property and Equipment

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Buildings and other equipment	\$ 5,303,750	\$ 5,217,240
Vehicles	1,366,486	1,315,779
Equipment under capital lease	<u>58,400</u>	<u>58,400</u>
	6,728,636	6,591,419
Less accumulated depreciation and amortization	<u>(3,022,665)</u>	<u>(2,657,560)</u>
	3,705,971	3,933,859
Land	<u>1,277,000</u>	<u>1,277,000</u>
	<u>\$ 4,982,971</u>	<u>\$ 5,210,859</u>

6. Line of Credit

The Food Bank has a line of credit with BNC Bank. The line is due on March 31, 2017 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 2016 and 2015. Interest during the year ended June 30, 2016 was 4.25% until March 23, 2016, at which time the floor was removed and the variable rate was changed to 3.50% based on the bank prime rate. Interest for the year ended June 30, 2015 was at prime plus 1% (4.25%). No balance was outstanding at June 30, 2016. At June 30, 2015, the outstanding principal balance was \$242,442.

There are additional terms under the line of credit agreement. As of and for the year ended June 30, 2016, management believes the additional terms of the agreement were met.

7. Long-Term Debt

Long-term debt consists of the following:

	<u>2016</u>	<u>2015</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.	\$ 1,769,327	\$ 1,792,750
Note payable, \$1,447 payable monthly with interest at 4.5% through 2017. Secured by equipment and reserve funds.	6,999	23,623
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.	2,014,105	2,063,793
BNC Bank Vehicle Loan:		
Note payable, \$3,250 payable annually beginning March 2017 with interest at 3.5% through 2021. All remaining principal due on the loan is payable at maturity. Secured by vehicle.	20,307	-
Capital Lease Obligation:		
Capital lease for equipment, \$1,268 payable monthly with interest at 12.46% through December 2018, followed by a final payment of \$418 in January 2019. Secured by equipment.	<u>32,832</u>	<u>43,236</u>
	3,843,570	3,923,402
Less current portion	<u>(98,692)</u>	<u>(101,947)</u>
	<u>\$ 3,744,878</u>	<u>\$ 3,821,455</u>

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

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>
2017	\$ 98,692	\$ 12,088
2018	96,804	12,088
2019	94,919	12,088
2020	90,859	12,088
2021	1,826,707	8,371
2022 and thereafter	<u>1,635,589</u>	<u>-</u>
	<u>\$ 3,843,570</u>	<u>\$ 56,723</u>

8. Net Assets

Temporarily restricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Revolving food fund	\$ 132,706	\$ -
Other food programs	182,018	207,914
Property and equipment	<u>43,000</u>	<u>-</u>
	<u>\$ 357,724</u>	<u>\$ 207,914</u>

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, 2014	\$ 27,700	\$ 72,550	\$ 100,250
Reinvested sales proceeds	<u>-</u>	<u>10,156</u>	<u>10,156</u>
June 30, 2015	\$ 27,700	82,706	110,406
Re-designation of funds	<u>-</u>	<u>(82,706)</u>	<u>(82,706)</u>
June 30, 2016	<u>\$ 27,700</u>	<u>\$ -</u>	<u>\$ 27,700</u>

The revolving food fund represents amounts contributed to be used to purchase food for resale to member agencies. During the year ended June 30, 2016, management determined the requirements of the revolving food fund were satisfied, and the balance was re-designated as a temporarily restricted net asset.

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 2016 and 2015, the Food Bank contributed \$25,978 and \$26,023, respectively, to the Plan.

10. Leases

During the year ended June 30, 2015, and a portion of the year ended June 30, 2016, the Food Bank leased unused warehouse and parking space to third-parties on a short-term basis. Rental income for 2016 and 2015 was \$3,622 and \$18,013, respectively.

During the year ended June 30, 2016, the Food Bank entered into a lease agreement for a truck rental. The fixed lease charge is \$1,084 per month for 18 months beginning in fiscal year 2017.

Compliance Section

**Feeding America Southwest Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016**

Schedule of Expenditures of Federal Awards

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>Pass Through to Subrecipients</u>
Pass-through Virginia Department of Agriculture and Consumer Services (VDACS Agency Number 67-500):			
USDA – Food Distribution Cluster:			
Food Commodities	10.569	\$ 2,663,877	\$ 2,510,894
Administrative Costs	10.568	<u>533,332</u>	<u>-</u>
Cluster Total		3,197,209	2,510,894
USDA Child and Adult Care Food Program	10.558	197,864	-
USDA – Child Nutrition Cluster – Summer Food Service Program for Children	10.559	<u>33,093</u>	<u>-</u>
Total Federal Expenditures		<u>\$ 3,428,166</u>	<u>\$ 2,510,894</u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Feeding America Southwest Virginia under the programs of the federal government for the year ended June 30, 2016. The information in this SEFA is presented in accordance with the requirements of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Feeding America Southwest Virginia, it is not intended to and does not present the financial position, changes in net assets or cash flows of Feeding America Southwest Virginia.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Food commodities expenditures are recognized when distributed or consumed.

Feeding America Southwest Virginia has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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, 2016, 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 5, 2016.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 5, 2016

Independent Auditors' Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance

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 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2016. 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 federal statutes, regulations, contracts, and the terms and conditions 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2016.

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 its major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Roanoke, Virginia
October 5, 2016

**Feeding America Southwest Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

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?	<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>
10.569	Food Distribution Cluster: USDA – Emergency Food Assistance Program (food commodities)	\$ 2,663,877
10.568	USDA – Emergency Food Assistance Program (administrative costs)	<u>533,332</u>
		<u>\$ 3,197,209</u>

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee	<u>X</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, 2015, 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, 2016 and 2015**

Year Ended June 30, 2016	<u>Pounds</u>	<u>Dollars</u>
Beginning inventory	537,580	\$ 553,123
Donated food received	15,247,071	25,462,609
USDA commodities received	3,923,705	2,663,877
Purchased food	<u>1,065,258</u>	<u>657,298</u>
Total food available	<u>20,773,614</u>	<u>29,336,907</u>
Less food distributed and adjustments	<u>19,946,261</u>	<u>28,276,898</u>
Ending Inventory	<u><u>827,353</u></u>	<u><u>\$ 1,060,009</u></u>
 Year Ended June 30, 2015		
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>