

Feeding Southwest Virginia

Financial Statements

Years Ended June 30, 2020 and 2019

Feeding Southwest Virginia

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INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS
FEEDING SOUTHWEST VIRGINIA
SALEM, VIRGINIA**

Report on the Financial Statements

We have audited the accompanying financial statements of Feeding Southwest Virginia. (a non profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2020, 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

Supplementary and Other Information

Our 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Food Received and Distributed are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Prior Period Financial Statements

Feeding Southwest Virginia's 2019 financial statements were audited by other auditors whose report dated September 23, 2019, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2020, on our consideration of Feeding Southwest Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Feeding Southwest Virginia's 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 Southwest Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
September 22, 2020

Financial Statements

**Feeding Southwest Virginia
Statements of Financial Position
June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,912,984	\$ 478,135
Receivables (Note 2)	501,264	398,779
Prepaid expenses	7,760	5,000
Inventory (Note 3)	<u>1,715,231</u>	<u>1,067,979</u>
Total current assets	5,137,239	1,949,893
Cash restricted for acquisition of property and equipment	90,532	92,782
Reserve funds (Note 4)	150,992	138,896
Contributions receivable (Note 2)	-	62,230
Property and equipment, net (Note 5)	<u>5,629,057</u>	<u>5,649,145</u>
Total assets	<u>\$ 11,007,820</u>	<u>\$ 7,892,946</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 301,018	\$ 118,751
Accrued expenses	102,773	221,664
Deferred revenue	112,517	64,151
Grants due agencies	16,000	-
Current portion of long-term debt (Note 7)	<u>88,773</u>	<u>117,366</u>
Total current liabilities	621,081	521,932
Long-term line of credit (Note 6)	-	358,297
Long-term deferred revenue	239,166	266,396
Long-term debt (Note 7)	<u>4,172,226</u>	<u>3,878,020</u>
Total liabilities	5,032,473	5,024,645
Net assets:		
Without donor restrictions	5,287,278	2,305,484
With donor restrictions (Note 8)	<u>688,069</u>	<u>562,817</u>
Total net assets	<u>5,975,347</u>	<u>2,868,301</u>
Total liabilities and net assets	<u>\$ 11,007,820</u>	<u>\$ 7,892,946</u>

See accompanying notes.

Feeding Southwest Virginia
Statements of Activities
Years Ended June 30, 2020 and 2019

	2020		
	Without donor restrictions	With donor restrictions	Total
Revenues and support:			
Contributions - monetary	\$ 3,858,961	\$ 1,247,085	\$ 5,106,046
Contributions - in-kind	2,052	-	2,052
Grants	672,384	-	672,384
USDA reimbursements	998,855	-	998,855
Other handling fees	407,108	-	407,108
Sale of purchased food	1,380,156	-	1,380,156
Other	30,267	-	30,267
Net assets released from restrictions	1,121,833	(1,121,833)	-
Total revenues and support	8,471,616	125,252	8,596,868
Expenses:			
Program services:			
Food distribution	4,763,627	-	4,763,627
Supporting Services:			
Management and general	738,185	-	738,185
Fund-raising	610,392	-	610,392
Total expenses	6,112,204	-	6,112,204
Change in net assets before donated food activity	2,359,412	125,252	2,484,664
Donated food activity:			
Donated food received	26,595,621	-	26,595,621
Donated food distributed and disposed	(25,973,239)	-	(25,973,239)
Net donated food activity	622,382	-	622,382
Change in net assets	2,981,794	125,252	3,107,046
Net assets:			
Beginning	2,305,484	562,817	2,868,301
Ending	<u>\$ 5,287,278</u>	<u>\$ 688,069</u>	<u>\$ 5,975,347</u>

See accompanying notes.

2019

<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
\$ 2,588,915	\$ 479,004	\$ 3,067,919
687	-	687
72,632	-	72,632
779,201	-	779,201
492,735	-	492,735
1,078,639	-	1,078,639
11,119	-	11,119
<u>778,483</u>	<u>(778,483)</u>	<u>-</u>
<u>5,802,411</u>	<u>(299,479)</u>	<u>5,502,932</u>
4,084,959	-	4,084,959
814,056	-	814,056
<u>737,924</u>	<u>-</u>	<u>737,924</u>
<u>5,636,939</u>	<u>-</u>	<u>5,636,939</u>
<u>165,472</u>	<u>(299,479)</u>	<u>(134,007)</u>
26,158,093	-	26,158,093
<u>(25,955,011)</u>	<u>-</u>	<u>(25,955,011)</u>
<u>203,082</u>	<u>-</u>	<u>203,082</u>
368,554	(299,479)	69,075
<u>1,936,930</u>	<u>862,296</u>	<u>2,799,226</u>
<u>\$ 2,305,484</u>	<u>\$ 562,817</u>	<u>\$ 2,868,301</u>

**Feeding Southwest Virginia
Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Operating activities:		
Change in net assets	\$ 3,107,046	\$ 69,075
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Donated food received, distributed and disposed, net	(623,478)	(204,987)
Depreciation	377,978	355,507
Amortization of debt issuance costs	1,802	1,802
Contributions restricted for acquisition of property and equipment	(61,250)	(197,400)
Change in:		
Receivables	(43,015)	182,865
Purchased inventory	(23,774)	29,340
Accounts payable and accrued expenses	63,376	21,339
Deferred revenue	21,136	(22,844)
Grants due agencies	16,000	-
Net cash provided by operating activities	<u>2,835,821</u>	<u>234,697</u>
Investing activities:		
Purchase of property and equipment	(357,890)	(277,137)
Cash restricted for purchase of property and equipment	<u>2,250</u>	<u>26,650</u>
Net cash used for investing activities	<u>(355,640)</u>	<u>(250,487)</u>
Financing activities:		
Proceeds from long-term debt	505,400	112,450
Payments on long-term debt	(241,589)	(341,004)
Contributions restricted for purchase of property and equipment	61,250	197,400
Deposit to reserve funds, net	(12,096)	(22,149)
Net (payments) borrowings on line of credit	<u>(358,297)</u>	<u>60,496</u>
Net cash provided by (used for) financing activities	<u>(45,332)</u>	<u>7,193</u>
Increase (decrease) in cash and cash equivalents	<u>2,434,849</u>	<u>(8,597)</u>
Cash and cash equivalents:		
Beginning	<u>478,135</u>	<u>486,732</u>
Ending	<u>\$ 2,912,984</u>	<u>\$ 478,135</u>
Supplementary cash flow information:		
Interest paid	<u>\$ 174,983</u>	<u>\$ 195,504</u>
Noncash investing and financial activities:		
Investment in leased equipment	<u>\$ -</u>	<u>\$ 104,938</u>

See accompanying notes.

**Feeding Southwest Virginia
Statements of Functional Expenses
Years Ended June 30, 2020 and 2019**

	2020			Total
	Program Services	Supporting Services		
	Food Distribution	Management and General	Fund Raising	
Personnel:				
Salaries	\$ 1,423,848	\$ 474,936	\$ 288,736	\$ 2,187,520
Payroll taxes	108,006	36,026	21,902	165,934
Fringe benefits	263,976	45,398	35,528	344,902
Total personnel	<u>1,795,830</u>	<u>556,360</u>	<u>346,166</u>	<u>2,698,356</u>
Other:				
Cost of purchased food	1,524,370	-	-	1,524,370
Consultants and contract services	171,379	58,660	10,305	240,344
Travel	23,648	4,249	1,193	29,090
Occupancy	195,567	7,075	3,461	206,103
Materials and supplies	77,386	327	18,706	96,419
Postage and printing	2,761	2,761	191,687	197,209
Equipment expense	137,203	-	-	137,203
Depreciation	350,289	20,533	7,156	377,978
Telephone	27,115	13,557	5,285	45,957
General insurance	50,190	8,842	774	59,806
Dues and registrations	15,035	3,519	925	19,479
Trucking expenses	227,505	754	-	228,259
Promotion	-	19,618	17,679	37,297
Interest expense	157,622	14,007	3,354	174,983
In-kind expense	2,052	-	-	2,052
Other costs	5,675	27,923	3,701	37,299
Total other	<u>2,967,797</u>	<u>181,825</u>	<u>264,226</u>	<u>3,413,848</u>
Total expenses	<u>\$ 4,763,627</u>	<u>\$ 738,185</u>	<u>\$ 610,392</u>	<u>\$ 6,112,204</u>

See accompanying notes.

2019			
Program Services	Supporting Services		
Food Distribution	Management and General	Fund Raising	Total
\$ 1,290,653	\$ 518,505	\$ 339,339	\$ 2,148,497
96,825	38,898	25,457	161,180
212,000	61,837	28,086	301,923
<u>1,599,478</u>	<u>619,240</u>	<u>392,882</u>	<u>2,611,600</u>
1,010,450	-	-	1,010,450
178,820	50,796	24,214	253,830
1,476	5,359	1,415	8,250
195,645	6,968	3,410	206,023
43,299	751	34,764	78,814
2,279	4,439	246,076	252,794
106,627	-	-	106,627
329,465	19,312	6,730	355,507
27,333	13,666	5,327	46,326
64,000	16,021	764	80,785
28,170	5,501	5,849	39,520
304,269	1,452	264	305,985
-	9,451	8,516	17,967
177,336	14,432	3,736	195,504
687	-	-	687
15,625	46,668	3,977	66,270
<u>2,485,481</u>	<u>194,816</u>	<u>345,042</u>	<u>3,025,339</u>
<u>\$ 4,084,959</u>	<u>\$ 814,056</u>	<u>\$ 737,924</u>	<u>\$ 5,636,939</u>

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies

Feeding Southwest Virginia (the "Food Bank"), previously known as Feeding America Southwest Virginia, is a nonprofit organization established to collect, warehouse, and distribute food. The Food Bank operates from locations in Salem, Roanoke, and Abingdon, Virginia, and distributes food to qualified agencies. The Food Bank is affiliated with Feeding America, a national hunger relief organization. In January 2020, Feeding America Southwest Virginia filed a certificate with the State Corporation Commission to do business as Feeding Southwest Virginia.

Basis of accounting

The financial statements of the Food Bank are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial Statement Presentation

The accompanying financial statements present information regarding the Food Bank's financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The financial statements report amounts separately by class of net assets as follows:

Net assets with donor restrictions are subject to donor-imposed restrictions. Most are temporary in nature that will be met either by actions of the Food Bank and/or the passage of time. Others are perpetual in nature, where the donor requires the resources be maintained in perpetuity.

Net assets without donor restrictions are those currently available at the discretion of the Food Bank's Board of Directors for use in the Food Bank's operations.

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, 2020 and 2019, the Food Bank had on deposit \$331,861 and \$0, 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 \$1.74 and \$1.62 as of June 30, 2020 and 2019, 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. Thus, inventories are stated at the lower of cost or net realizable value.

1. Nature of Operations and Significant Accounting Policies (Continued)

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 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. Additionally, on March 9, 2017, the Food Bank entered into a restrictive gift agreement with Food Lion in the amount of \$350,000 payable in installments over five years. The final payment was made in January 2020. It has been determined the restricted gift agreement is an exchange transaction. For the fiscal year ended June 30, 2020 and 2019, \$35,000 is shown as short-term deferred revenue for the twelve months that the asset related to the Food Lion gift will be in service in the next fiscal year. For the fiscal year ended June 30, 2020 and 2019, \$239,166 and \$266,396, respectively, are shown as long-term deferred revenue.

Contributions

Contributions, including unconditional promises to give or contributions receivable, are recognized as support without restrictions or with restrictions 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 revenues with restrictions 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 have been discounted at 4% commensurate with the estimated 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 without donor restrictions.

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 28,000 volunteer hours from approximately 3,400 volunteers during 2020, and over 14,000 volunteer hours from approximately 2,400 volunteers during 2019 (unaudited).

1. Nature of Operations and Significant Accounting Policies (Continued)

Grants

The Food Banks' grants received, which are considered exchange transactions, are reported as support and revenues in the period in which related expenditures are incurred. Grants received for which expenditures have not been incurred are reported as deferred revenues in the accompanying statements of financial position. The majority of the Organization's grants are from the U.S. Department of Agriculture, the Virginia Department of Agriculture, the Virginia Department of Education, U. S. Department of Housing and Urban Development, and the City of Roanoke, VA. Entitlement to those resources is generally conditioned upon compliance with the terms, commitments and conditions of the grants and applicable federal regulations, including the expenditure of the resources for allowable purposes. Federal and state awards are subject to financial and compliance audits either under the federal Single Audit Act or by contracting agencies of the federal or state government or their designees. Laws and regulations governing the federal and state awards are complex and subject to interpretation. As a result, the ultimate obligations that may arise from cost disallowance or sanctions as a result of those audits, and the related impact on the financial statements, if any, cannot be estimated. The ultimate resolution of the regulatory review process could impact future operations or cash flows in a particular period.

Debt issuance cost

The Food Bank capitalized certain costs associated with the issuance of its loans which are presented in the statements of financial position as a direct reduction from the related long-term debt. These costs are being amortized to interest expense using the effective interest method over the life of the debt issue.

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, 2020 and 2019, approximately 25% and 16%, respectively, of the donated food received was from VDACS for both years, and approximately 11% and 14%, 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, 2020 and 2019.

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 based on quantitative amounts such as square footage or number of assets in service.

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.

1. Nature of Operations and Significant Accounting Policies (continued)

Cares Act

In response to the economic instability caused by COVID-19, the “CARES Act” was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program was a component of the CARES Act and provided for a loan (“PPP loan”) to provide a direct incentive for employers to keep their employees on the payroll. A PPP loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities, as further defined in the CARES Act. On April 17, 2020, the Food Bank received a PPP loan in the amount of \$498,100 with a maturity date of April 17, 2022 and an interest rate of 1%. Management believes the funds have been used for qualifying costs and intends to apply for forgiveness of this loan. At June 30, 2020, the Food Bank had accrued \$2,048 in interest expense associated with the loan.

Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires significantly expanded disclosures about revenue recognition. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for the Food Bank as of June 15, 2021. The Food Bank is currently evaluating the impact on the financial statements and the options of adopting using either a full retrospective or a modified approach.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The amendments in this ASU revise the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The amendments in this ASU are effective for the Food Bank beginning on June 15, 2021, with early adoption permitted, and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Food Bank has not yet determined what the effects of adopting this ASU will have on its financial statements.

Subsequent events

Management has evaluated subsequent events through September 22, 2020, the date on which the financial statements were available for issue.

2. Receivables

Receivables consist of the following:

	<u>2020</u>	<u>2019</u>
Due from member organizations	\$ 43,139	\$ 30,902
Contributions receivable	60,056	274,890
Other accounts receivable	400,654	153,632
Payroll advance	-	4,170
	<u>503,849</u>	463,594
Less allowance for doubtful accounts	<u>(2,585)</u>	<u>(2,585)</u>
	501,264	461,009
Less non-current contribution receivable	-	(62,230)
	<u>\$ 501,264</u>	<u>\$ 398,779</u>

Feeding Southwest Virginia
Notes to Financial Statements
As of June 30, 2020 and 2019

2. Receivables (continued)

Included in contributions receivable is a long-term receivable with a face value of \$70,000 due as of June 30, 2019. This amount was been discounted at 4% to \$62,230, and was paid in January 2020.

3. Inventory

Inventory consists of the following:

	<u>2020</u>	<u>2019</u>
Purchased	\$ 142,784	\$ 119,010
Donated	800,084	589,847
USDA commodities	<u>772,363</u>	<u>359,122</u>
	<u>\$ 1,715,231</u>	<u>\$ 1,067,979</u>

4. Reserve Funds

The Rural Housing Service (RHS) note require a sinking fund deposit equal to 10% of the monthly debt payment until an amount equal to 12 monthly payments is accumulated. 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>2020</u>	<u>2019</u>
RHS sinking funds	\$ 112,549	\$ 100,453
Pamela Irvine Endowment, including interest (Note 8)	<u>38,443</u>	<u>38,443</u>
	<u>\$ 150,992</u>	<u>\$ 138,896</u>

5. Property and Equipment

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Buildings and other equipment	\$ 6,600,307	\$ 6,376,028
Vehicles	1,716,011	1,549,996
Equipment under capital lease	<u>97,700</u>	<u>202,639</u>
	<u>8,414,018</u>	<u>8,128,663</u>
Less accumulated depreciation and amortization	<u>(4,112,561)</u>	<u>(3,807,118)</u>
	<u>4,301,457</u>	<u>4,321,545</u>
Land	<u>1,327,600</u>	<u>1,327,600</u>
	<u>\$ 5,629,057</u>	<u>\$ 5,649,145</u>

5. Property and Equipment (continued)

On May 11, 2017, the Food Bank purchased the property located at 2328 Melrose Ave. NW Roanoke, Virginia. The property has been converted into a Community Solutions Center (CSC) that promotes childhood health and wellness by increasing the nutritional quality of food distributed; stimulates economic development by providing job training skills to unemployed and underemployed adults to grow job-readiness and self-sufficiency; and rehabilitated a previously high-crime property with collaborative community support. The Food Bank is required to meet certain performance obligations and use the CSC for the purposes outlined in the grant agreements. As of and for the years ended June 30, 2020 and 2019, management believes the terms of the grant agreements were met.

6. Line of Credit

The Food Bank has a line of credit with American National Bank. The line is due on March 1, 2021 and secured by a first credit line deed of trust and a blanket lien on all assets. The maximum credit amount available was \$750,000 for 2020 and 2019. Interest during the year ended June 30, 2020 and 2019 was at the bank prime rate less 0.5%. At June 30, 2020 and 2019, the bank prime rate was 3.25% and 5.50%, respectively. At June 30, 2020 and 2019, the outstanding principal balance was \$0 and \$358,297, respectively. There are additional terms under the line of credit agreement. As of and for the year ended June 30, 2020, management believes the additional terms of the agreement were met.

7. Long-Term Debt

Long-term debt consists of the following:

	<u>2020</u>	<u>2019</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. \$	1,664,902	\$ 1,692,822
American National Bank Salem Facility:		
Note payable, \$10,601 payable monthly with interest at 4.0% through 2027. Secured by real property and assignment of rents. On April 15, 2020, the Food Bank entered into a loan modification agreement to provide temporary deferral of the payment of principal from May 1, 2020 through October 1, 2020. On November 1, 2020 payments of principal and interest will resume for the payment installment specified on the note.	1,849,096	1,891,636
American National Bank CSC Loan:		
Note payable, \$56,000 payable each June 16 with interest at 4.0% through June 16, 2022. The Food Bank has a note payable with American National Bank to fund amounts to be received from the restrictive gift agreement with Food Lion at the CSC. The note payable is cross-collateralized with the line of credit listed in Note 6 above. The maximum credit amount available was \$280,000 for 2020. The principal balance on this loan was paid in January 2020. Secured by existing inventory, accounts, equipment, and general intangibles.	-	70,000

Feeding Southwest Virginia
Notes to Financial Statements
As of June 30, 2020 and 2019

7. Long-Term Debt (Continued)

	<u>2020</u>	<u>2019</u>
American National Bank Paycheck Protection Program Loan:		
Note payable, \$498,100 payable April 17, 2022 with interest at 1.0% on any balance not forgiven. The Food Bank believes it has met the requirements for forgiveness under the Paycheck Protection Loan program and intends to apply for full loan forgiveness.	\$ 498,100	\$ -
City of Roanoke, Roanoke Facility:		
Note payable, this non-interest bearing Community Development Block Grant is secured by a deed of trust on real property of the facility. Total amount of principal is \$250,000 with a balloon payment of such amount due on May 11, 2027. The note has been recorded at net present value over 10 years at 4.0%, resulting in unamortized discount of \$60,025 at June 30, 2020. However, if the Food Bank remains in good standing for the 120 month compliance period the note is to be forgiven in its entirety.	189,975	182,675
Capital Lease Obligations:		
Capital lease for equipment obtained June 2018, \$1,880 payable monthly with interest at 7.61% through September 2023, followed by a final payment of \$849 in October 2023. Secured by equipment.	65,833	82,811
Capital lease for equipment obtained March 2019, \$458 payable monthly with interest at 5.5% through February 2023. Secured by equipment.	-	17,887
Capital lease for equipment obtained August 2018, \$2,595 payable monthly with interest at 5.5% through January 2022. Secured by equipment.	-	<u>66,263</u>
	4,267,906	4,004,094
Less current portion	<u>(88,773)</u>	<u>(117,366)</u>
	4,179,133	3,886,728
Less debt issuance costs	<u>(6,907)</u>	<u>(8,708)</u>
Total long term debt	<u>\$ 4,172,226</u>	<u>\$ 3,878,020</u>

Amortization of loan issuance costs included in interest expense were \$1,802 and \$1,802 for the years ending June 30, 2020 and 2019, respectively. The remaining loan issuance costs will be amortized over three years at approximately \$1,800 per year.

7. Long-Term Debt (Continued)

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>
2021	\$ 88,773	\$ 8,371
2022	595,711	-
2023	102,528	-
2024	90,982	-
2025	89,378	-
2026 and thereafter	<u>3,300,534</u>	<u>-</u>
	<u>\$ 4,267,906</u>	<u>\$ 8,371</u>

8. Net Assets

Net assets with donor restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
Other food programs	\$ 559,837	\$ 432,335
Property and equipment	90,532	92,782
Endowments	<u>37,700</u>	<u>37,700</u>
	<u>\$ 688,069</u>	<u>\$ 562,817</u>

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 2020 and 2019, the Food Bank contributed \$28,737 and \$34,697, respectively, to the Plan.

10. Leases

During the years ended June 30, 2020 and 2019, the Food Bank leased unused warehouse space to a third party on a short-term basis with options for renewal. Rental income for 2020 and 2019 was \$14,043 and \$6,777, respectively. During the year ended June 30, 2020, the Food Bank paid off long-term lease agreements on a forklift and truck.

11. Related Parties

The Food Bank is a member of the Feeding America national network of food banks. During the normal course of business, the Food Bank purchased food, paid hosting fees, and membership dues to Feeding America. At year-end June 30, 2020 and 2019, the accounts payable balance with Feeding America was \$39,172 and \$0, respectively. The food purchased, hosting fees, and membership dues paid to Feeding America total \$112,697 and \$64,131, respectively, during the years ended June 30, 2020 and 2019.

**Feeding Southwest Virginia
Notes to Financial Statements
As of June 30, 2020 and 2019**

12. Liquidity & Availability

As part of the Food Bank's liquidity management, it has a policy to structure its financial assets to be readily available as its general expenditures, liabilities, and other obligations come due. All funds not restricted or needed for reserve requirements are deposited in cash accounts. Additionally the Food Bank relies on a \$750,000 line of credit available to cover operating needs periodically throughout the year.

Financial assets available for general expenditure within one year of the statements of financial position, consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,912,984	\$ 478,135
Receivables	<u>501,264</u>	<u>398,779</u>
	<u>\$ 3,414,248</u>	<u>\$ 876,914</u>

The Food Bank has sinking funds and endowment reserves that are not intended to be available for general expenditure within the next year and are not reflected in the amounts above.

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Compliance Section

**Feeding Southwest Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020**

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:			
Emergency Food Assistance Program (Food Commodities)	10.569	\$ 6,052,548	\$ 5,511,447
Emergency Food Assistance Program (Administrative Costs)	10.568	919,343	-
Commodity Supplemental Food Program (Food Commodities and Administrative Costs)	10.565	412,995	388,001
Cluster Total		<u>7,384,886</u>	<u>5,899,448</u>
USDA - Child and Adult Care Food Program	10.558	333,028	-
USDA - Child Nutrition Cluster - Summer Food Service Program for Children	10.559	360,823	-
Temporary Assistance for Needy Families (TANF)	93.558	<u>605,112</u>	<u>-</u>
Total Federal Expenditures		<u><u>\$ 8,683,849</u></u>	<u><u>\$ 5,899,448</u></u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures award (SEFA) includes the federal grants activity of Feeding Southwest Virginia under the programs of the federal government for the year ended June 30, 2020. 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 Southwest Virginia, it is not intended to and does not present the financial position, changes in net assets or cash flows of Feeding 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 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**

**TO THE BOARD OF DIRECTORS
FEEDING 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 Southwest Virginia (a non profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Feeding Southwest Virginia's internal control over financial reporting (internal control) as a basis for designing 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 Feeding Southwest Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Feeding Southwest Virginia'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 Feeding Southwest Virginia'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 financial statements. 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 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.

Robinson, Farmer, Cox Associates

Staunton, Virginia
September 22, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**TO THE BOARD OF DIRECTORS
FEEDING SOUTHWEST VIRGINIA
SALEM, VIRGINIA**

Report on Compliance for Each Major Federal Program

We have audited Feeding Southwest Virginia's (a nonprofit organization) compliance with the types of compliance requirements described in OMB *Compliance Supplement* that could have a direct and material effect on each of Feeding Southwest Virginia's major federal programs for the year ended June 30, 2020. Feeding Southwest Virginia's major federal programs are 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, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Feeding Southwest Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Feeding Southwest Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Feeding Southwest Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, Feeding Southwest Virginia 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 June 30, 2020.

Report on Internal Control over Compliance

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
September 22, 2020

**Feeding Southwest Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Schedule of Findings, Questioned Costs and Response

1. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued

	Unmodified	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
• Material Weakness(es) indentified?	<u> </u>	<u> X</u>
• Significant deficiency(ies) identified	<u> </u>	<u> X</u>
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) identified	<u> </u>	<u> X</u>

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

	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	<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)	\$ 6,052,548
10.568	USDA- Emergency Food Assistance Program (Administrative Costs)	919,343
10.565	USDA- Commodity Supplemental Food Program	<u>412,995</u>
		<u>\$ 7,384,886</u>

Dollar threshold used to distinguish

between type A and type B programs:

\$ 750,000

Auditee qualified as low-risked auditee?

Yes

2. Financial Statement Findings

None

3. Federal Award Findings, Questioned Costs and Response

None

4. Summary Schedule of Prior Audit Findings

None

Supplementary Information

**Feeding Southwest Virginia
Schedules of Food Received and Distributed
Years Ended June 30, 2020 and 2019**

	<u>Pounds</u>	<u>Dollars</u>
Year Ended June 30, 2020:		
Beginning inventory	958,441	\$ 1,067,979
Donated food received	11,614,706	20,209,588
USDA commodities received	6,781,957	6,386,032
Purchased food	1,824,584	1,717,489
	<u>21,179,688</u>	<u>29,381,088</u>
Total food available		
	<u>21,179,688</u>	<u>29,381,088</u>
Less food distributed and adjustments	<u>20,076,368</u>	<u>27,665,857</u>
	<u>1,103,320</u>	<u>\$ 1,715,231</u>
Ending Inventory		
Year Ended June 30, 2019:		
Beginning inventory	909,946	\$ 892,332
Donated food received	13,223,330	21,421,794
USDA commodities received	4,812,628	3,969,877
Purchased food	1,230,616	980,941
	<u>20,176,520</u>	<u>27,264,944</u>
Total food available		
	<u>20,176,520</u>	<u>27,264,944</u>
Less food distributed and adjustments	<u>19,218,079</u>	<u>26,196,965</u>
	<u>958,441</u>	<u>\$ 1,067,979</u>
Ending Inventory		