



# **BLUE RIDGE AREA FOOD BANK, INC.**

## **FINANCIAL REPORT**

**June 30, 2011**

**BROWN,  
EDWARDS &  
COMPANY, L.L.P.**  
Certified Public Accountants

## CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT.....	3
FINANCIAL STATEMENTS	
Statements of Financial Position.....	5
Statements of Activities .....	6
Statements of Functional Expenses.....	7
Statements of Cash Flows .....	8
Notes to Financial Statements.....	9
SUPPLEMENTARY SCHEDULES	
SCHEDULES OF FOOD DONATED, PURCHASED, AND DISTRIBUTED .....	18
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	19
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	20
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	24
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	25



## INDEPENDENT AUDITOR'S REPORT

To the Management and Board of Directors of  
Blue Ridge Area Food Bank, Inc.  
Verona, Virginia

We have audited the accompanying statements of financial position of the Blue Ridge Area Food Bank, Inc. (a non-profit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. As discussed in Note 12 to the financial statements, the Food Bank has adjusted its 2010 financial statements to retrospectively apply the change in accounting for purchased inventory.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

**In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Blue Ridge Area Food Bank, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.**

We also audited the adjustments to the 2010 financial statements to retrospectively apply the change in accounting as described in Note 12. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2011 on our consideration of the Blue Ridge Area Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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* and should be considered in assessing the results of our audit.

---

*Your Success is Our Focus*

319 McClanahan Street, S.W. • P.O. Box 12388 • Roanoke, VA 24025-2388 • 540-345-0936 • Fax: 540-342-6181 • [www.BEcpas.com](http://www.BEcpas.com)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Blue Ridge Area Food Bank, Inc. taken as a whole. The accompanying Schedules of Food Donated, Purchased, and Distributed are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements taken as a whole.

*Brown, Edwards & Company, S. L. P.*  
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 4, 2011

**BLUE RIDGE AREA FOOD BANK, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2011 and 2010 (Restated)**

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 718,137	\$ 911,611
Accounts receivable (Note 3)	421,191	119,339
Inventory (Note 4)	1,363,634	1,598,989
Prepaid expenses	43,021	26,400
	<b>Total current assets</b>	<b>2,545,983</b>
	<b>1,568,493</b>	<b>1,386,063</b>
	<b>2,027,675</b>	<b>1,349,549</b>
	<b>117,278</b>	<b>-</b>
	<b>Total assets</b>	<b>\$ 5,391,951</b>
	<b>\$ 6,259,429</b>	<b>\$ 5,391,951</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 433,240	\$ 215,847
Accrued payroll and related liabilities	89,895	136,630
Compensated absences	81,171	61,681
	<b>Total current liabilities</b>	<b>414,158</b>
	<b>604,306</b>	<b>414,158</b>
<b>Net assets</b>		
<b>Unrestricted net assets</b>		
Undesignated	3,592,430	3,523,870
Designated – Funds held for long-term investment	1,925,119	1,249,033
	<b>Total unrestricted net assets</b>	<b>4,772,903</b>
	<b>5,517,549</b>	<b>4,772,903</b>
Temporarily restricted net assets (Note 7)	137,574	204,890
	<b>Total net assets</b>	<b>4,977,793</b>
	<b>5,655,123</b>	<b>4,977,793</b>
	<b>Total liabilities and net assets</b>	<b>\$ 5,391,951</b>
	<b>\$ 6,259,429</b>	<b>\$ 5,391,951</b>

BLUE RIDGE AREA FOOD BANK, INC.

STATEMENTS OF ACTIVITIES  
Years ended June 30, 2011 and 2010 (Restated)

	2011		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
Contributions (Note 8)	\$ 4,344,046	\$ 493,485	\$ 4,837,531
Handling fees (Note 9)	1,299,646	-	1,299,646
Program reimbursements	346,667	-	346,667
Member fees	34,740	-	34,740
Interest and dividends	31,208	-	31,208
Gain on disposal of fixed assets	1,400	-	1,400
Net realized and unrealized gains on investments	235,693	-	235,693
Other income	9,234	-	9,234
Net assets released from restrictions	560,801	(560,801)	-
<b>Total revenues</b>	<b>6,863,435</b>	<b>(67,316)</b>	<b>6,796,119</b>
<b>EXPENSES</b>			
Program services	4,030,524	-	4,030,524
Management and general	713,586	-	713,586
Fundraising	674,644	-	674,644
<b>Total expenses</b>	<b>5,418,754</b>	<b>-</b>	<b>5,418,754</b>
<b>Change in net assets before donated food activity</b>	<b>1,444,681</b>	<b>(67,316)</b>	<b>1,377,365</b>
<b>DONATED FOOD ACTIVITY</b>			
Donated food received	30,686,649	-	30,686,649
Donated food distributed and disposed	(31,386,684)	-	(31,386,684)
<b>Net donated food activity</b>	<b>(700,035)</b>	<b>-</b>	<b>(700,035)</b>
<b>Change in net assets</b>	<b>744,646</b>	<b>(67,316)</b>	<b>677,330</b>
<b>BEGINNING NET ASSETS (as originally stated)</b>	<b>4,772,903</b>	<b>204,890</b>	<b>4,977,793</b>
Restatement (Note 12)	-	-	-
<b>BEGINNING NET ASSETS (as restated)</b>	<b>4,772,903</b>	<b>204,890</b>	<b>4,977,793</b>
<b>ENDING NET ASSETS</b>	<b>\$ 5,517,549</b>	<b>\$ 137,574</b>	<b>\$ 5,655,123</b>

The Notes to Financial Statements are  
an integral part of these statements.

<b>2010</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 3,035,075	\$ 581,874	\$ 3,616,949
1,221,854	-	1,221,854
158,725	106,110	264,835
34,390	-	34,390
25,508	-	25,508
675	-	675
168,938	-	168,938
12,072	-	12,072
559,995	(559,995)	-
<u>5,217,232</u>	<u>127,989</u>	<u>5,345,221</u>
3,804,486	-	3,804,486
613,022	-	613,022
573,615	-	573,615
<u>4,991,123</u>	<u>-</u>	<u>4,991,123</u>
<u>226,109</u>	<u>127,989</u>	<u>354,098</u>
26,035,640	-	26,035,640
(26,068,157)	-	(26,068,157)
<u>(32,517)</u>	<u>-</u>	<u>(32,517)</u>
<u>193,592</u>	<u>127,989</u>	<u>321,581</u>
4,625,712	76,901	4,702,613
(46,401)	-	-
<u>4,579,311</u>	<u>76,901</u>	<u>4,656,212</u>
<u>\$ 4,772,903</u>	<u>\$ 204,890</u>	<u>\$ 4,977,793</u>

BLUE RIDGE AREA FOOD BANK, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
Years ended June 30, 2011 and 2010 (Restated)

	2011			
	Program Services	Management and General	Fundraising	Total
<b>PERSONNEL</b>				
Salaries	\$ 993,010	\$ 479,645	\$ 256,021	\$ 1,728,676
Contract services	34,313	1,306	1,306	36,925
Payroll taxes	88,595	33,516	18,672	140,783
Employee benefits	196,175	49,004	32,895	278,074
Retirement expense	15,501	12,309	4,695	32,505
Insurance	7,328	1,884	1,256	10,468
Personnel recruitment	13,153	1,391	1,325	15,869
Volunteer expense	22,541	226	29	22,796
<b>Total personnel</b>	<b>1,370,616</b>	<b>579,281</b>	<b>316,199</b>	<b>2,266,096</b>
<b>TRANSPORTATION</b>				
Depreciation	79,823	6,078	5,994	91,895
Fuel	78,318	2,924	3,030	84,272
Insurance	12,613	537	268	13,418
Licenses	8,417	158	41	8,616
Repairs	44,513	504	677	45,694
Freight	178,439	-	-	178,439
Travel and mileage	10,055	(2,631)	(2,037)	5,387
<b>Total transportation</b>	<b>412,178</b>	<b>7,570</b>	<b>7,973</b>	<b>427,721</b>
<b>OCCUPANCY</b>				
Rent	195,519	4,860	4,860	205,239
Depreciation	42,771	1,880	627	45,278
Warehouse supplies	39,318	322	257	39,897
Repairs and maintenance	13,220	937	664	14,821
Rubbish and pest control	11,293	1,380	1,037	13,710
Utilities and telephone	94,785	16,443	11,700	122,928
Insurance and miscellaneous	11,188	4,060	2,012	17,260
<b>Total occupancy</b>	<b>408,094</b>	<b>29,882</b>	<b>21,157</b>	<b>459,133</b>
<b>ADMINISTRATIVE AND OTHER</b>				
Food purchase and processing	1,534,341	-	-	1,534,341
Professional fees	-	162	5,250	5,412
Depreciation	58,746	2,469	1,995	63,210
Supplies and equipment rental	22,304	7,986	14,274	44,564
Agency assistance - pass through	24,906	-	-	24,906
Postage	4,014	1,480	62,038	67,532
Repairs and maintenance	48,351	587	1,037	49,975
Systems support and maintenance	73,081	17,836	18,264	109,181
Printing	109	43	115,603	115,755
Mailing list rental and services	-	-	34,978	34,978
Dues, subscriptions, fees, and licenses	22,570	28,547	5,296	56,413
Marketing and promotion	2,922	-	61,046	63,968
Travel, meeting, and training expense	19,338	7,101	8,326	34,765
Board governance	-	23,928	-	23,928
Miscellaneous	28,954	6,714	1,208	36,876
<b>Total administrative and other</b>	<b>1,839,636</b>	<b>96,853</b>	<b>329,315</b>	<b>2,265,804</b>
<b>Total expenses</b>	<b>\$ 4,030,524</b>	<b>\$ 713,586</b>	<b>\$ 674,644</b>	<b>\$ 5,418,754</b>

The Notes to Financial Statements are an integral part of these statements.

2010

Program Services	Management and General	Fundraising	Total
\$ 962,659	\$ 409,464	\$ 196,722	\$ 1,568,845
40,819	1,225	1,225	43,269
79,395	28,997	21,877	130,269
189,858	37,537	24,389	251,784
33,800	18,902	6,130	58,832
9,545	4,136	2,227	15,908
350	2,514	2,993	5,857
15,529	180	50	15,759
<u>1,331,955</u>	<u>502,955</u>	<u>255,613</u>	<u>2,090,523</u>
74,844	6,078	3,498	84,420
60,143	2,321	1,957	64,421
15,590	1,063	1,063	17,716
7,747	39	39	7,825
37,095	385	192	37,672
151,527	-	-	151,527
8,588	(2,609)	(645)	5,334
<u>355,534</u>	<u>7,277</u>	<u>6,104</u>	<u>368,915</u>
192,056	2,025	2,025	196,106
46,971	1,991	668	49,630
36,131	-	-	36,131
18,809	2,963	1,702	23,474
11,154	1,339	765	13,258
84,750	16,931	9,417	111,098
13,874	3,654	2,505	20,033
<u>403,745</u>	<u>28,903</u>	<u>17,082</u>	<u>449,730</u>
1,409,026	-	-	1,409,026
1,918	895	5,364	8,177
49,538	1,827	2,251	53,616
28,631	10,709	7,831	47,171
35,193	-	-	35,193
3,835	1,316	80,774	85,925
37,398	1,272	672	39,342
37,814	11,375	10,989	60,178
12,399	119	95,218	107,736
-	-	76,185	76,185
23,072	25,649	8,615	57,336
50	-	-	50
4,855	2,380	420	7,655
-	11,551	-	11,551
69,523	6,794	6,497	82,814
<u>1,713,252</u>	<u>73,887</u>	<u>294,816</u>	<u>2,081,955</u>
<u>\$ 3,804,486</u>	<u>\$ 613,022</u>	<u>\$ 573,615</u>	<u>\$ 4,991,123</u>

**BLUE RIDGE AREA FOOD BANK, INC.**

**STATEMENTS OF CASH FLOWS**  
**Years ended June 30, 2011 and 2010 (Restated)**

	<b>2011</b>	<b>2010</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 677,330	\$ 321,581
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	200,383	187,666
Gain on disposal of fixed assets	(1,400)	(675)
Non-cash donation of interest in land held for investment	(117,278)	-
Non-cash donation of fixed assets	(18,505)	-
Gain on investments	(235,693)	(168,938)
(Increase) decrease in:		
Accounts receivable	(301,852)	(36,158)
Inventory	235,355	(91,950)
Prepaid expenses	(16,621)	42,215
Increase (decrease) in:		
Accounts payable and accrued liabilities	281,843	(10,890)
Accrued payroll and related liabilities	(46,735)	19,734
Compensated absences	19,490	1,189
<b>Net cash provided by operating activities</b>	<b>676,317</b>	<b>263,774</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(876,872)	(258,570)
Proceeds on sale of investments	434,439	144,423
Proceeds on sale of fixed assets	1,400	25,793
Acquisition of fixed assets	(428,758)	(289,315)
<b>Net cash used in investing activities</b>	<b>(869,791)</b>	<b>(377,669)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(193,474)</b>	<b>(113,895)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	911,611	1,025,506
Ending	\$ 718,137	\$ 911,611
<b>SCHEDULE OF NON-CASH OPERATING ACTIVITIES</b>		
Donated food received	\$ 30,686,649	\$ 26,035,640
Donated food distributed and disposed	\$ 31,386,684	\$ 26,068,157
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES</b>		
Acquisition of fixed assets included in accounts payable	\$ -	\$ 64,450

The Notes to Financial Statements 8  
are an integral part of these statements.

**BLUE RIDGE AREA FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**Note 1. Nature of Operations and Summary of Significant Accounting Policies**

Nature of operations:

The Blue Ridge Area Food Bank, Inc. (Food Bank) is a nonprofit organization established to collect, warehouse, and distribute salvageable food. The Food Bank operates from locations in Verona, Winchester, Charlottesville, and Lynchburg, Virginia, and distributes food to qualified churches and 501(c)(3) nonprofit organizations. Its service area includes nine cities and twenty-five counties in western Virginia. The Food Bank is affiliated with Feeding America which is a national hunger relief organization.

Basis of financial statement presentations:

The financial statements of Blue Ridge Area Food Bank, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America. 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, the disclosure 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.

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 restricted and other operating needs. The Food Bank has no permanently restricted net assets.

**BLUE RIDGE AREA FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

Cash and cash equivalents:

The Food Bank considers all highly liquid investments that can be readily converted to cash, or with a maturity of three months or less when purchased, to be cash equivalents. Cash equivalents are stated at cost, which approximates market value. Cash held for long-term investment is classified as investments. Accounts in the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest bearing accounts. Effective December 31, 2010, all non-interest bearing accounts are insured by the FDIC without limit. At times, deposits exceed federally insured limits.

Investments in marketable securities:

Investments are stated at fair value as determined by quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the statements of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Land held for investment:

Land held for investment is recorded at its fair value on the date of donation.

Inventory:

Purchased inventory is recorded at the lower of cost or market on a first-in-first-out basis. Donated inventories are stated at the nationally calculated average price per pound of \$1.66 and \$1.60 as of June 30, 2011 and 2010, respectively. This average value per pound is based on an independent study commissioned by Feeding America. See Note 12 for a description of the Food Bank's policy change regarding purchased inventory.

Accounts receivable:

Accounts receivable, consisting of handling fees charged to member agencies to help offset food storage and distribution costs as well as governmental program reimbursements, are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a valuation allowance based on its assessment of the current status of individual receivables. Balances outstanding after management has applied reasonable collection efforts are written off.

**BLUE RIDGE AREA FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

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 for future operations are recognized as temporarily restricted revenues unless the donor explicitly stipulates its use to support current period activities. The Food Bank received no promises to give during 2011 or 2010.

Non-cash contributions consist primarily of food donated by producers, manufacturers, the United States Department of Agriculture (USDA), and the general public. Contributed food is recorded as income and placed in inventory at the time of the gift.

The Food Bank receives volunteer services through a program funded by the Senior Community Service Employment Program. The value of such services is recorded as a contribution with an offsetting expense based on the federal minimum wage rate in effect at the time of service. Other volunteer services are generally not recorded.

Handling fees:

Although food is distributed to agencies at no cost, the Food Bank charges its agencies a handling fee to help offset food storage and distribution costs. This revenue is recognized when food is distributed to the agency. The Food Bank does not charge agencies 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 Federal commodities are received.

The Food Bank typically receives additional funds from the USDA for handling costs subsequent to the end of the year. Amounts received are based on funds available at the Federal level and normally cannot be reasonably estimated. Consequently, the Food Bank records these amounts as revenue when received. In 2011, however, the Food Bank was able to determine the exact amount of a pending reimbursement from the USDA, in the amount of \$196,805 and therefore, appropriately recorded the revenue in the 2011 fiscal year.

Fixed assets:

Fixed assets are stated at cost or at fair market value if donated, less accumulated depreciation. The Food Bank capitalizes assets that benefit future periods with a cost of \$1,000 or greater. The straight-line method of depreciation is used over the following ranges of estimated useful lives:

Land improvements	20 years
Buildings and improvements	15-40 years
Leasehold improvements	5-10 years
Furniture and equipment	3-10 years
Warehouse equipment	5-15 years
Motor vehicles	5-10 years
Demonstration equipment	5 years

**BLUE RIDGE AREA FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

Compensated absences:

Vacation time accrues based on length of continuous service and number of hours worked per week and must be used during the calendar year or it is forfeited. Vacation is paid upon termination, thus a liability is accrued as of June 30, for calendar year vacation time not yet taken.

Paid time off (sick and personal time) does not vest, thus no liability has been recorded.

Income tax status:

The Food Bank is tax-exempt under Section 501(c)(3) of the *Internal Revenue Code (IRC)*. In addition, the Food Bank has been determined to not be a "private foundation" within the meaning of Section 509(a) of the *IRC* and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Food Bank did not conduct unrelated business activities and therefore, has made no provision for federal income taxes in the accompanying financial statements.

The federal information returns of the Food Bank for 2008, 2009, and 2010 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Advertisement costs:

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

Functional allocation of expenses:

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

Subsequent Events:

Subsequent events have been evaluated through October 4, 2011, the date that the financial statements were available to be issued.

**BLUE RIDGE AREA FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**Note 2. Cash and Cash Equivalents**

Cash and cash equivalents consist of the following:

	<b>2011</b>	<b>2010</b>
Cash and cash equivalents – general	\$ 180,459	\$ 207,333
Cash and cash equivalents – restricted	137,574	204,890
Certificates of deposit	400,104	499,388
	<b>\$ 718,137</b>	<b>\$ 911,611</b>

**Note 3. Accounts Receivable**

Accounts receivable consist of the following:

	<b>2011</b>	<b>2010</b>
Due from member agencies	\$ 95,979	\$ 61,064
USDA funding	196,805	-
Other	131,907	61,775
	424,691	122,839
Less allowance for doubtful accounts	3,500	3,500
	<b>\$ 421,191</b>	<b>\$ 119,339</b>

**Note 4. Inventory**

Inventory consists of the following:

	<b>2011</b>	<b>2010</b>
Purchased	\$ 420,433	\$ 190,234
Donated	943,201	1,408,755
	<b>\$ 1,363,634</b>	<b>\$ 1,598,989</b>

**BLUE RIDGE AREA FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**Note 5. Fixed Assets**

Fixed assets consist of the following:

	<b>2011</b>		
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Land	\$ 66,652	\$ -	\$ 66,652
Land improvements	98,584	56,274	42,310
Building and improvements	1,034,094	653,266	380,828
Leasehold improvements	148,444	65,356	83,088
Furniture and equipment	197,736	134,237	63,499
Warehouse equipment	888,593	458,954	429,639
Motor vehicles	964,312	461,835	502,477
Demonstration equipment	1,910	1,910	-
	<b>\$ 3,400,325</b>	<b>\$ 1,831,832</b>	<b>\$ 1,568,493</b>
	<b>2010</b>		
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Land	\$ 66,652	\$ -	\$ 66,652
Land improvements	98,584	51,474	47,110
Construction in progress	18,136	-	18,136
Building and improvements	995,008	626,726	368,282
Leasehold improvements	145,687	51,418	94,269
Furniture and equipment	141,926	121,438	20,488
Warehouse equipment	775,413	424,530	350,883
Motor vehicles	805,845	385,602	420,243
Demonstration equipment	1,910	1,910	-
	<b>\$ 3,049,161</b>	<b>\$ 1,663,098</b>	<b>\$ 1,386,063</b>

(Continued)

**BLUE RIDGE AREA FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**Note 6. Investments in marketable securities**

Investments are summarized as follows:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Equity securities	\$ 1,176,296	\$ 1,416,355	\$ 883,764	\$ 921,728
U.S. Treasury bonds	380,090	413,338	192,571	209,533
Corporate bonds	51,312	54,123	51,312	54,853
Certificates of deposit	100,000	102,556	100,000	100,516
Cash and cash equivalents	41,303	41,303	62,919	62,919
	\$ 1,749,001	\$ 2,027,675	\$ 1,290,566	\$ 1,349,549

The Food Bank incurred \$10,366 and \$9,461 of investment expenses in 2011 and 2010, respectively. These expenses are included in dues, subscriptions, licenses, and fees on the statements of functional expenses.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Food Bank uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. As all of the investments consist of holdings that are publicly traded, management has classified all investments using Level 1 inputs.

**BLUE RIDGE AREA FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**Note 7. Temporarily Restricted Net Assets**

Temporarily restricted net assets consists of donor restricted funds for the following programs:

	<u>2011</u>	<u>2010</u>
Back Pack Program	\$ 81,938	\$ 34,390
Kids Café	24,274	33,067
Equipment	31,262	100,000
Summer feeding program	-	33,497
Other	100	3,936
	<u>\$ 137,574</u>	<u>\$ 204,890</u>

**Note 8. Contributions**

Contributions are summarized as follows:

	<u>2011</u>	<u>2010</u>
General	\$ 4,733,848	\$ 3,574,001
Rent	20,192	19,796
Volunteer services	20,512	14,260
Other services	62,979	8,892
	<u>\$ 4,837,531</u>	<u>\$ 3,616,949</u>

**Note 9. Handling Fees**

Handling fees are summarized as follows:

	<u>2011</u>	<u>2010</u>
General	\$ 1,778,211	\$ 1,509,380
USDA	322,510	315,424
Discount	(801,075)	(602,950)
	<u>\$ 1,299,646</u>	<u>\$ 1,221,854</u>

**BLUE RIDGE AREA FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**Note 10. Retirement Plan**

The Food Bank has a 401(k) and Profit Sharing Plan under which all employees who have attained the age of 18 and have satisfied a 30-day service requirement are eligible to make elective deferrals, up to the maximum allowed by law. Employer discretionary match contributions of 100% up to 3% of compensation are available for all employees making elective deferrals. Also, an additional employer discretionary contribution may be made to all employees who have satisfied the plan's eligibility requirements and is based on a percentage of participant compensation.

Contributions expense for 2011 and 2010 amounted to \$32,505 and \$58,832, respectively.

**Note 11. Lease Commitments**

The Food Bank conducts operations from four locations, three of which are leased under operating leases expiring from June 30, 2012 to January 31, 2016. The lease terms generally provide for optional lease periods at negotiated rates.

As part of the Winchester lease, the lessor agrees to remit an annual amount of at least \$20,192, to the Food Bank as long as the lessor is entitled to an income tax credit allowed by the Commonwealth of Virginia under the Neighborhood Assistance Act.

Future minimum lease payments for the five succeeding fiscal years are as follows:

2012	\$	206,016
2013		147,028
2014		105,150
2015		75,020
2016		44,268
	\$	<u>577,482</u>

**Note 12. Restatement**

In 2011, the Food Bank changed its policy for accounting for purchased food. Previously, all purchased food was assumed to be distributed in the month purchased. Consequently, all food in ending inventory was assumed to be donated and valued at the nationally calculated average price per pound (\$1.66 in 2011 and 1.60 in 2010). In 2011, the Food Bank began tracking its actual purchased cost of food in ending inventory. Accordingly, the prior period financial statements have been reclassified for the effect of this change in policy. This adjustment reduced beginning net assets by \$46,401, inventory by \$202,627, food purchases by \$124,467 and increased cost of donated food distributed by \$280,693.

**SUPPLEMENTARY SCHEDULES**

**BLUE RIDGE AREA FOOD BANK, INC.**

**SCHEDULES OF FOOD DONATED, PURCHASED, AND DISTRIBUTED**  
**Years ended June 30, 2011 and 2010 (Restated)**

	<b>Pounds</b>	<b>Dollars</b>
<b>Year Ended June 30, 2011</b>		
Beginning inventory	1,126,010	\$ 1,598,989
Donated food received	18,485,933	30,686,649
Purchased food	2,582,375	1,772,283
<b>Total food available</b>	<b>22,194,318</b>	<b>34,057,921</b>
<b>Less:</b>		
Food distributed to member agencies	19,832,492	30,762,781
Food distributed to other food banks	1,072,247	1,779,930
Disposal and inventory adjustments	91,311	151,576
<b>Total food distributed or disposed</b>	<b>20,996,050</b>	<b>32,694,287</b>
<b>Ending inventory</b>	<b>1,198,268</b>	<b>\$ 1,363,634</b>
<b>Year ended June 30, 2010</b>		
Beginning inventory	983,190	\$ 1,507,039
Donated food received	16,272,275	26,035,640
Purchased food	2,112,610	1,411,553
<b>Total food available</b>	<b>19,368,075</b>	<b>28,954,232</b>
<b>Less:</b>		
Food distributed to member agencies	15,926,225	23,649,899
Food distributed to other food banks	2,201,923	3,523,077
Disposal and inventory adjustments	113,917	182,267
<b>Total food distributed or disposed</b>	<b>18,242,065</b>	<b>27,355,243</b>
<b>Ending inventory</b>	<b>1,126,010</b>	<b>\$ 1,598,989</b>

**BLUE RIDGE AREA FOOD BANK, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011**

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Department of Agriculture</b>		
Passed through Virginia Department of Agriculture and Consumer Services:		
The Emergency Food Assistance Program:		
Food Commodities	10.569	\$ 2,638,357
Administrative Costs	10.568	125,705
ARRA - Administrative Costs	10.568	133,873
Summer Food Service Program:		
Food Commodities	10.559	5,581
Direct from Food and Nutrition Service		
Mid-Atlantic Regional Office:		
Summer Food Service Program	10.559	179,041
Child and Adult Care Food Program	10.558	33,752
The Emergency Food Assistance Program:		
General Infrastructure Grant	10.568	180,500
<b>Department of Labor</b>		
Passed through Goodwill Industries of the Valleys:		
Senior Community Service		
Employment Program	17.235	<u>20,512</u>
		<u>\$ 3,317,321</u>

**Note to Schedule of Expenditures of Federal Awards**

**Note 1. Significant Accounting Policy**

The schedule is prepared on the accrual basis of accounting as contemplated by accounting principles generally accepted in the United States of America. Food commodities on hand at June 30, 2011 had a value of \$76,424. The value of food commodities received (support) and distributed (expense) is based on values as published by the granting agency. Such commodities are valued in the financial statements at a value provided by Feeding America. The value of services received from the Senior Community Service Employment Program is measured at the federal minimum wage.



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

To the Management and Board of Directors  
Blue Ridge Area Food Bank, Inc.  
Verona, Virginia

We have audited the financial statements of the Blue Ridge Area Food Bank, Inc. (Food Bank), a non-profit organization, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 4, 2011. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Food Bank's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control over financial reporting.

*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 financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. **We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.**

**Compliance and Other Matters**

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

**Compliance and Other Matters (Continued)**

This report is intended solely for the information and use of the audit committee, board of directors, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 4, 2011



**INDEPENDEND AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

To the Management and Board of Directors  
Blue Ridge Area Food Bank, Inc.  
Verona, Virginia

Compliance

We have audited the compliance of the Blue Ridge Area Food Bank, Inc. (Food Bank), a non-profit organization, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Food Bank's management. Our responsibility is to express an opinion on the Food Bank's compliance based on our audit.

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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Food Bank's compliance with those requirements.

**In our opinion, the Food Bank complied, in all material respects, with the 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, 2011.**

### Internal Control over Compliance

Management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Food Bank's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

This report is intended solely for the information and use of the audit committee, board of directors, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Brown, Edwards & Company, S. L. P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 4, 2011

**BLUE RIDGE AREA FOOD BANK, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements are reported in the 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal programs expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The programs tested as a major program are:

	<u>CFDA #</u>
The Emergency Food Assistance Program Cluster	10.569, 10.568

8. The threshold for distinguishing between type A and B programs was **\$300,000**.
9. Blue Ridge Area Food Bank, Inc. was determined to be a **low-risk auditee**.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**None.**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**None.**

**BLUE RIDGE AREA FOOD BANK, INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2011**

**Auditor Reference Number**

**10-1: Failure to file 2008 Reports with OMB**

*Condition:*

The June 30, 2008 Single Audit reporting package was not submitted to the Single Audit Clearinghouse **due to the oversight of the prior auditors.**

*Current Status:*

No similar findings were noted in the current year.