



Blue Ridge Area
FOOD BANK

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**FEEDING
AMERICA**

BLUE RIDGE AREA FOOD BANK, INC.

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018



Blue Ridge Area
FOOD BANK



BLUE RIDGE AREA FOOD BANK, INC.

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS
BLUE RIDGE AREA FOOD BANK, INC.
VERONA, VIRGINIA**

Report on the Financial Statements

We have audited the accompanying financial statements of Blue Ridge Area Food Bank, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows 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 Blue Ridge Area Food Bank, Inc. as of June 30, 2018, 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.

Emphasis of Matter-Change in Accounting Principle

As discussed in Notes 2 and 12 to the financial statements, in 2018, the Food Bank adopted new accounting guidance with the implementation of FASB ASU 2016-02, Leases (Topic 842). Our opinion is not modified with respect to this matter.

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*, the Schedule of Food Donated, Purchased, and Distributed and the Schedule of Operating Expenses 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 Summarized Comparative Information

We have previously audited Blue Ridge Area Food Bank, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of 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 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 Blue Ridge Area Food Bank'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 Blue Ridge Area Food Bank, Inc.'s internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
October 31, 2018

FINANCIAL STATEMENTS

BLUE RIDGE AREA FOOD BANK, INC.

**Statement of Financial Position
June 30, 2018
With Comparative Totals as of 2017**

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 730,748	\$ 815,312
Accounts receivable, less allowance for doubtful accounts	244,630	401,969
Pledges receivable	-	5,098
Inventory	3,096,665	3,259,096
Investments - short term	2,246,750	2,499,060
Other	81,158	111,910
Total current assets	<u>\$ 6,399,951</u>	<u>\$ 7,092,445</u>
Noncurrent assets:		
Investments in marketable securities	\$ 4,373,066	\$ 3,351,387
Depreciable fixed assets, net of accumulated depreciation	3,927,133	4,101,098
Non-depreciable fixed assets	69,484	125,715
Operating lease right-of-use asset	1,472,636	-
Total noncurrent assets	<u>\$ 9,842,319</u>	<u>\$ 7,578,200</u>
 Total assets	 <u>\$ 16,242,270</u>	 <u>\$ 14,670,645</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 181,720	\$ 197,769
Accrued payroll and related liabilities	69,420	52,483
Compensated absences	96,346	91,630
Operating lease liability, current portion	227,387	-
Total current liabilities	<u>\$ 574,873</u>	<u>\$ 341,882</u>
Noncurrent liabilities:		
Operating lease liability, net of current portion	<u>\$ 1,245,249</u>	<u>\$ -</u>
 Total liabilities	 <u>\$ 1,820,122</u>	 <u>\$ 341,882</u>
Net assets:		
Unrestricted:		
Undesignated	\$ 7,752,067	\$ 8,879,434
Designated - funds held for long-term investment	3,424,379	3,351,387
Designated - capital reserve	959,000	-
Designated - operating reserve	1,767,800	1,698,000
Total unrestricted	<u>\$ 13,903,246</u>	<u>\$ 13,928,821</u>
Temporarily restricted	<u>518,902</u>	<u>399,942</u>
Total net assets	<u>\$ 14,422,148</u>	<u>\$ 14,328,763</u>
Total liabilities and net assets	<u>\$ 16,242,270</u>	<u>\$ 14,670,645</u>

The accompanying notes to financial statements are an integral part of this statement.

BLUE RIDGE AREA FOOD BANK, INC.

**Statement of Activities
Year Ended June 30, 2018
With Comparative Totals for 2017**

	Unrestricted		Unrestricted Total	Temporarily Restricted	2018 Total	2017 Total
	Non-In-Kind	In-Kind				
Revenues, gains, and other support:						
In-kind food contributions	\$ -	\$ 40,980,568	\$ 40,980,568	\$ -	\$ 40,980,568	\$ 41,204,404
Contributions and non-federal grants	5,086,565	214,842	5,301,407	851,111	6,152,518	6,590,228
Program service revenue	821,895	-	821,895	-	821,895	960,541
Federal grants	730,574	-	730,574	-	730,574	947,961
Interest and dividends	125,436	-	125,436	-	125,436	90,478
Net realized and unrealized gains (loss) on investments	25,974	-	25,974	-	25,974	65,305
Gain (loss) on disposal of fixed assets	3,000	-	3,000	-	3,000	(9,571)
Other income	5,825	-	5,825	-	5,825	8,024
Net assets released from restrictions	732,151	-	732,151	(732,151)	-	-
Total revenues, gains, and other support	\$ 7,531,420	\$ 41,195,410	\$ 48,726,830	\$ 118,960	\$ 48,845,790	\$ 49,857,370
Expenses:						
Program services	\$ 5,414,257	\$ 41,316,769	\$ 46,731,026	\$ -	\$ 46,731,026	\$ 45,649,188
Supporting services:						
Management and general	784,451	-	784,451	-	784,451	771,162
Fundraising	1,230,757	6,171	1,236,928	-	1,236,928	1,285,136
Total expenses	\$ 7,429,465	\$ 41,322,940	\$ 48,752,405	\$ -	\$ 48,752,405	\$ 47,705,486
Change in net assets	\$ 101,955	\$ (127,530)	\$ (25,575)	\$ 118,960	\$ 93,385	\$ 2,151,884
Net assets at beginning of year	10,936,640	2,992,181	13,928,821	399,942	14,328,763	12,176,879
Net assets at end of year	\$ 11,038,595	\$ 2,864,651	\$ 13,903,246	\$ 518,902	\$ 14,422,148	\$ 14,328,763

The accompanying notes to financial statements are an integral part of this statement.

BLUE RIDGE AREA FOOD BANK, INC.

**Statement of Functional Expenses
Year Ended June 30, 2018
With Comparative Totals for 2017**

	Supporting Services							
	2018		2017		2018		2017	
	Program Services	Program Services	Management and General	Management and General	Fundraising	Fundraising	Total	Total
PERSONNEL								
Salaries and wages	\$ 1,606,744	\$ 1,535,598	\$ 485,908	\$ 499,095	\$ 477,956	\$ 423,326	\$ 2,570,608	\$ 2,458,019
Payroll taxes	115,468	112,487	36,823	35,719	34,663	31,515	186,954	179,721
Employee benefits	359,520	337,755	77,171	46,810	76,543	73,158	513,234	457,723
Child Hunger Corps	89,400	71,000	-	-	-	-	89,400	71,000
Contract services and other	13,210	35,399	-	2,273	2,240	472	15,450	38,144
Total personnel	\$ 2,184,342	\$ 2,092,239	\$ 599,902	\$ 583,897	\$ 591,402	\$ 528,471	\$ 3,375,646	\$ 3,204,607
TRANSPORTATION								
Freight-in	\$ 178,365	\$ 168,712	\$ -	\$ -	\$ -	\$ -	\$ 178,365	\$ 168,712
Depreciation	88,664	120,341	3,427	5,180	2,976	4,806	95,067	130,327
Fuel	70,508	56,602	1,911	2,216	1,730	1,912	74,149	60,730
Repairs and maintenance	108,820	100,824	(2,708)	(2,387)	(1,883)	4,351	104,229	102,788
Insurance, licenses, and other	21,047	19,869	1,049	883	1,289	1,325	23,385	22,077
Total transportation	\$ 467,404	\$ 466,348	\$ 3,679	\$ 5,892	\$ 4,112	\$ 12,394	\$ 475,195	\$ 484,634
OCCUPANCY								
Rent	\$ 224,441	\$ 222,315	\$ 3,600	\$ 3,600	\$ 4,800	\$ 4,800	\$ 232,841	\$ 230,715
Depreciation	104,689	77,985	14,702	26,861	16,512	28,269	135,903	133,115
Repairs and maintenance	26,315	33,559	3,937	3,439	3,686	4,084	33,938	41,082
Rubbish and pest control	6,769	7,107	807	908	1,002	1,186	8,578	9,201
Utilities and telephone	105,913	99,560	13,560	13,693	18,722	19,548	138,195	132,801
Insurance and other	38,224	27,249	8,416	9,158	7,896	6,812	54,536	43,219
Total occupancy	\$ 506,351	\$ 467,775	\$ 45,022	\$ 57,659	\$ 52,618	\$ 64,699	\$ 603,991	\$ 590,133
OTHER OPERATING AND ADMINISTRATIVE								
Food purchase and packaging	\$ 1,648,831	\$ 1,634,939	\$ -	\$ -	\$ -	\$ -	\$ 1,648,831	\$ 1,634,939
Depreciation	107,917	101,817	8,467	11,506	12,203	16,952	128,587	130,275
Supplies and equipment rental	181,509	122,496	7,444	12,577	27,840	17,718	216,793	152,791
Agency assistance - pass-through	211,603	236,137	-	-	-	-	211,603	236,137
Postage	2,756	2,459	2,457	1,718	88,497	95,408	93,710	99,585
Repairs and maintenance	51,065	65,905	967	1,183	156	313	52,188	67,401
Systems support and maintenance	89,268	67,974	13,011	22,980	15,916	18,455	118,195	109,409
Printing and production	405	2,399	-	-	162,213	185,686	162,618	188,085
Dues, subscriptions, fees, and licenses	29,151	26,757	48,388	48,426	63,053	47,376	140,592	122,559
Advertising and promotion	18,386	4,647	669	-	71,422	141,082	90,477	145,729
Professional fees	64,786	17,431	16,778	90	129,459	145,049	211,023	162,570
Meetings and training expense	34,382	9,140	16,667	2,087	9,990	2,516	61,039	13,743
Board governance	-	-	13,700	14,074	-	-	13,700	14,074
Miscellaneous	22,828	47,022	7,300	9,073	8,047	9,017	38,175	65,112
Total other operating and administrative	\$ 2,462,887	\$ 2,339,123	\$ 135,848	\$ 123,714	\$ 588,796	\$ 679,572	\$ 3,187,531	\$ 3,142,409
Total expenses before donated foods distributed	\$ 5,620,984	\$ 5,365,485	\$ 784,451	\$ 771,162	\$ 1,236,928	\$ 1,285,136	\$ 7,642,363	\$ 7,421,783
Donated foods distributed	41,110,042	40,283,703	-	-	-	-	41,110,042	40,283,703
Total expenses	\$ 46,731,026	\$ 45,649,188	\$ 784,451	\$ 771,162	\$ 1,236,928	\$ 1,285,136	\$ 48,752,405	\$ 47,705,486

The accompanying notes to financial statements are an integral part of this statement.

BLUE RIDGE AREA FOOD BANK, INC.

**Statement of Cash Flows
Year Ended June 30, 2018
With Comparative Totals for 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 93,385	\$ 2,151,884
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	359,557	393,717
Net change in donated food	129,474	(920,701)
(Gain) loss on disposal of fixed assets	(3,000)	9,571
Unrealized and realized (gain) loss on investments	(26,010)	(65,305)
(Increase) decrease in operating assets:		
Accounts receivable	157,339	(146,760)
Pledges receivable	5,098	25,256
Inventory - purchased food	32,957	64,871
Other current assets	30,751	(48,424)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	5,605	9,829
Net cash provided by (used for) operating activities	<u>\$ 785,156</u>	<u>\$ 1,473,938</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	\$ (1,015,540)	\$ (2,162,732)
Proceeds on sale of investments	272,181	1,079,876
Proceeds from sale of capital assets	3,000	-
Purchase of fixed assets	<u>(129,361)</u>	<u>(184,372)</u>
Net cash provided by (used for) investing activities	<u>\$ (869,720)</u>	<u>\$ (1,267,228)</u>
Net increase (decrease) in cash and cash equivalents	\$ (84,564)	\$ 206,710
Beginning cash and cash equivalents	<u>815,312</u>	<u>608,602</u>
Ending cash and cash equivalents	<u>\$ 730,748</u>	<u>\$ 815,312</u>
SCHEDULE OF NON-CASH OPERATING ACTIVITIES:		
Donated food received	<u>\$ 40,980,568</u>	<u>\$ 41,204,404</u>
Donated food distributed and disposed	<u>\$ 41,110,042</u>	<u>\$ 40,283,703</u>

The accompanying notes to financial statements are an integral part of this statement.

BLUE RIDGE AREA FOOD BANK, INC.

Notes To Financial Statements JUNE 30, 2018

NOTE 1 – NATURE OF ORGANIZATION:

Founded in 1981, Blue Ridge Area Food Bank (Food Bank) has grown from an organization which distributed 223,000 pounds of food in its first year to one which currently distributes approximately 26 million pounds of food each year across 25 counties and eight cities in western and central Virginia. This is accomplished by working with over 200 hundred partner agencies—local food pantries, soup kitchens, and shelters—throughout the service area, and by operating several nutrition programs to serve the most vulnerable populations -- primarily children and seniors, and rural communities. The Food Bank is a member of Feeding America, the nation's largest domestic hunger-relief organization consisting of a network of 200 food banks across the country.

Nutrition programs include the Family Backpack Program, Summer Kid Packs, Kids Café, Summer Feeding, the Reach Program, and the Mobile Food Pantry. The Food Bank also partners with Virginia Cooperative Extension to offer Super Pantry, a nutrition education program.

The majority of funding comes from financial contributions and grants and in-kind food donations. Food distributed is obtained through national, regional and local sources. Food includes fresh produce, meat, dairy and other perishable goods secured through retailers, farmers, manufacturers, and other local and national growers. In fiscal year 2018, more than 6.8 million pounds of produce were acquired and distributed.

The Food Bank operates from locations in Verona (where the headquarters and administrative offices are housed), Winchester, Charlottesville and Lynchburg, Virginia, and distributes food to qualified churches and 501(c)(3) nonprofit organizations. Blue Ridge Area Food Bank, Inc. is non-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

Basis of Accounting

The statements are prepared on the accrual basis of accounting.

Financial Statement Presentation

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. The Food Bank had \$13,903,246 in unrestricted net assets at June 30, 2018.
- **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. The Food Bank had \$518,902 in temporarily restricted net assets at June 30, 2018.

BLUE RIDGE AREA FOOD BANK, INC.

Notes To Financial Statements JUNE 30, 2018 (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Financial Statement Presentation (continued)

- **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 had no permanently restricted net assets at June 30, 2018.

Use of 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, 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.

Cash and Cash Equivalents

The Food Bank considers all highly liquid investments that can be readily converted to cash or with a maturity of ninety days 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. At times, deposits exceed federally insured limits.

Investments – Short-term

Investments are stated at fair value and consist of certificates of deposit with original maturities of more than ninety days, but not more than twelve months. Certificates of deposit are held at various banks and are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Net Assets

The accompanying financial statements present information regarding the Food Bank's financial position and activities based on the existence or absence of donor-imposed restrictions as described below. Unrestricted net assets are free of donor-imposed restrictions and represent the portion of resources that are available for support of operations. Board designated net assets represent resources that have been restricted by the Board for future needs of the Food Bank. Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

In accordance with the Feeding America Member Contract, the Board of Directors has designated certain assets be held in short-term investments in an amount no less than three months' average operating expense less donated food, pass-through expenditures, and depreciation. Additionally, the Board of Directors has designated certain assets be invested long-term as quasi-endowment to support the mission of the Food Bank by generating income for current and future needs of Food Bank programs. The Board policy is to accept donor gifts restricted for endowment, and for unrestricted bequests in excess of \$25,000, to designate 90% of the gift for the quasi-endowment. At this time, all quasi-endowment funds are unrestricted and as such, invasion of the principal by the Board is permitted under special circumstances and subject to the Food Bank's investment policy.

In August 2017, the Board designated certain assets be reserved and invested long-term for supporting funding for long-term capital investment projects and acquisitions and for organizational capacity building or significant non-recurring expenditures that are above and beyond annual operating expense.

BLUE RIDGE AREA FOOD BANK, INC.

**Notes To Financial Statements
JUNE 30, 2018 (continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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 9 for discussion of fair value measurements.

Investment income or loss, including interest, dividends, fees, and realized and unrealized gains and losses on investments, is recorded on the accrual basis and is included in the accompanying Statements of Activities. The Food Bank's investments consist of a managed portfolio of various exchange traded funds holding assets in fixed income and equity instruments with a targeted balance as directed by Board policy.

Inventory

Inventory consists of purchased, donated and government foods. Purchased goods are valued at cost on a first in, first out basis. Donated and government goods are valued using Feeding America's Independent Accountants' Report of the estimated weighted average wholesale value of such goods. Management believes this benchmark reflects the most accurate basis for estimating the value of the Food Bank's donated food goods, and it is a widely accepted standard used by other food banks throughout the United States. For the years ended June 30, 2018 and 2017 the value of donated goods and inventory balance reported in the statement of financial position was calculated and using the calendar years 2017 and 2016 estimates of \$1.68 and \$1.73, respectively, which were the most recent numbers available when the Food Bank's fiscal year ended.

Accounts Receivable

Accounts receivable, consisting of handling fees charged to member agencies to help offset food storage and distribution costs and partial cost reimbursement of purchased food, 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.

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.

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 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.

BLUE RIDGE AREA FOOD BANK, INC.

**Notes To Financial Statements
JUNE 30, 2018 (continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Handling and Delivery Fees

As specified in its membership agreement with agencies, the Food Bank charges a modest handling fee for some donated food items, to help offset the cost of receiving, storing and distributing donated food. The average fee per pound distributed was 2 and 4.5 cents in 2018 and 2017, respectively. In addition, the Food Bank also charges a cost reimbursement fee to help offset a portion of the purchase cost to acquire more nutritious food, as well as better varieties of food, which is highly desirable by our member agencies. That cost reimbursement fee averaged 44 cents per pound distributed in 2018 and 46 cents per pound in 2017. Also, when member agencies request product deliveries, the Food Bank charges a flat delivery fee based on the distance from its warehouses. Fees charged ranged from \$25-\$50.

The Food Bank does not charge a handling fee for the USDA commodities that it distributes. This particular distribution cost is partially reimbursed by the Federal Government, subject to funding availability. The Food Bank sometimes receives these administrative funds from the USDA through VDACS at various times throughout and subsequent to the end of the fiscal 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 based on historical per pound funding rates realized.

Compensated Absences

The Food Bank policy for compensated absences combines vacation and sick leave as PTO (Paid Time Off). Under the policy, employees accrue leave each pay period. PTO is paid upon termination, thus a liability is accrued as of June 30, for the fiscal year PTO time not taken, up to a maximum of three weeks. The balance of compensated absences at June 30, 2018 totaled \$96,346.

Property and Equipment

Property and equipment are stated at cost when purchased 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

Income Tax

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 had unrelated business income for employee parking benefits of less than \$1,000 and therefore, has made no provision for federal income taxes in the accompanying financial statements.

BLUE RIDGE AREA FOOD BANK, INC.

**Notes To Financial Statements
JUNE 30, 2018 (continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Promotion and Communication

The Food Bank utilizes many avenues for increasing awareness in the community of its programs and services as well as fundraising events. All costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and supporting 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.

Recent Pronouncements

Adopted:

In February 2016, the FASB established Topic 42, Leases, by issuing Accounting Standards Update (ASU) no. 2016-02, which requires lessees to recognize leases on their balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for leases with a term longer than 12 months. The new standard is effective for the period beginning January 1, 2019, with early implementation permitted. The Food Bank has elected to early implement this new standard with an effective date of June 30, 2018.

NOTE 3 – CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consist of the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents - general	\$ 211,846	\$ 420,467
Cash and cash equivalents - restricted	518,902	394,845
Total	<u>\$ 730,748</u>	<u>\$ 815,312</u>

NOTE 4 – INVESTMENTS – SHORT-TERM:

Certificates of deposit with original maturity dates greater than 90 days, but less than 365 days from their original issue date, are recorded as investments, as follows:

	<u>2018</u>	<u>2017</u>
Investments - certificates of deposit		
Total	<u>\$ 2,246,750</u>	<u>\$ 2,499,060</u>

BLUE RIDGE AREA FOOD BANK, INC.

**Notes To Financial Statements
JUNE 30, 2018 (continued)**

NOTE 5 – ACCOUNTS RECEIVABLE:

Accounts receivable consist of the following:

	<u>2018</u>	<u>2017</u>
Operating Receivables		
1210 Due from member agencies	\$ 58,620	\$ 62,971
1310 A/R - VDACS - USDA support	72,821	246,905
1320 A/R - VDACS CSFP Reimbursements	37,266	27,949
1330 A/R - VDOE CACFP Funding	17,154	9,041
1340 A/R - VDOE SFSP Funding	34,815	41,609
1387 Accrued interest receivable	12,732	6,099
Other		
1350 A/R Giant Food Stores	\$ 21,823	\$ 10,501
1385 A/R Miscellaneous	(601)	6,894
Total - Other	<u>\$ 21,222</u>	<u>\$ 17,395</u>
Subtotal	\$ 254,630	\$ 411,969
Less allowance for doubtful accounts	(10,000)	(10,000)
Total	<u><u>\$ 244,630</u></u>	<u><u>\$ 401,969</u></u>

NOTE 6 – PLEDGES RECEIVABLE:

There are no outstanding pledges as of June 30, 2018.

NOTE 7 – INVENTORY:

Inventory consists of the following:

	<u>2018</u>	<u>2017</u>
Purchased	\$ 262,364	\$ 295,321
Donated	<u>2,834,301</u>	<u>2,963,775</u>
Total	<u><u>\$ 3,096,665</u></u>	<u><u>\$ 3,259,096</u></u>

BLUE RIDGE AREA FOOD BANK, INC.**Notes To Financial Statements
JUNE 30, 2018 (continued)**

NOTE 8 – PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 66,652	\$ 66,652
Land improvements	523,106	523,106
Building and improvements	3,332,295	3,326,663
Leasehold improvements	285,645	278,941
Furniture and equipment	356,299	348,576
Warehouse equipment	1,173,551	1,131,619
Motor vehicles	<u>1,279,142</u>	<u>1,220,072</u>
Subtotal	\$ 7,016,690	\$ 6,895,629
Accumulated Depreciation	<u>(3,020,073)</u>	<u>(2,668,816)</u>
Net Property and Equipment	<u>\$ 3,996,617</u>	<u>\$ 4,226,813</u>

Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$359,557 and \$393,717 respectively.

NOTE 9 – INVESTMENTS IN MARKETABLE SECURITIES:

The Food Bank has adopted an investment policy with the investment objective of preserving, protecting and growing its assets within reasonable parameters of risk tolerance. The designated quasi-endowment and capital reserve assets are managed under these guidelines.

Investments at June 30 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Exchange Traded Funds in:		
Equity securities	\$ 2,182,495	\$ 1,156,993
US Govt.-backed Bonds	1,321,024	745,264
Corporate Bonds	325,040	720,719
Preferred Stock	-	62,515
International Bonds	-	160,145
Real Estate Investment Trust	378,082	259,697
Cash and Equivalent	166,425	246,054
	<u>\$ 4,373,066</u>	<u>\$ 3,351,387</u>

BLUE RIDGE AREA FOOD BANK, INC.

**Notes To Financial Statements
JUNE 30, 2018 (continued)**

NOTE 9 – INVESTMENTS IN MARKETABLE SECURITIES: (CONTINUED)

Investment income from short and long term is summarized as follows for the year ended June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 125,436	\$ 90,478
Net realized and unrealized gains and losses	25,974	65,194
Investment fees	<u>(17,996)</u>	<u>(16,818)</u>
	<u>\$ 133,414</u>	<u>\$ 138,854</u>

Investment advisory fees 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities 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.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS:

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

	<u>2018</u>	<u>2017</u>
Backpack program	\$ 165,705	\$ 130,679
Fresh produce and other food	82,456	170,359
Refrigerator truck	-	41,000
Summer kids program	3,047	32,030
Verona renovation project	-	5,098
Agency capacity assistance	162,711	-
Link to feed	33,379	-
Other	<u>71,604</u>	<u>20,776</u>
Total	<u>\$ 518,902</u>	<u>\$ 399,942</u>

Temporarily restricted net assets were expended during the current year for the following purposes:

Backpack program	\$ 152,523
Mobile food pantry	145,848
Produce value-added packaging fees	175,881
Summer kids program	86,764
Other food purchases	25,962
Refrigerator truck	41,000
Agency capacity assistance	21,777
Other	<u>82,396</u>
Total	<u>\$ 732,151</u>

BLUE RIDGE AREA FOOD BANK, INC.

**Notes To Financial Statements
JUNE 30, 2018 (continued)**

NOTE 11 – 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. Retirement expense for 2018 and 2017 totaled \$66,744 and \$66,473, respectively.

NOTE 12 – OPERATING LEASE RIGHT-OF-USE ASSET/OPERATING LEASE LIABILITY:

The Food Bank conducts business from several locations, including branch facilities in Charlottesville, Winchester and Lynchburg, which are leased under operating leases. Lease terms expire from June 30, 2019 to November 30, 2021 and generally provide for optional lease periods at negotiated rates. As a result, the Food Bank has determined there is a high probability that all leases will be renewed for an additional term increasing the expiration terms of the leases to June 30, 2024 to November 30, 2026. There are no options that are recognized as part of the right-to-use assets and lease liabilities at June 30, 2018.

Future minimum lease payments (undiscounted) for the succeeding five years are as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Thereafter</u>	<u>Total</u>
Winchester Branch	\$ 75,191	\$ 77,447	\$ 79,770	\$ 82,164	\$ 84,628	\$ 324,303	\$ 723,503
Lynchburg Branch	75,840	75,840	75,840	78,500	80,400	113,900	500,320
Charlottesville Branch	84,000	87,360	87,360	87,360	87,360	87,360	520,800
	<u>\$ 235,031</u>	<u>\$ 240,647</u>	<u>\$ 242,970</u>	<u>\$ 248,024</u>	<u>\$ 252,388</u>	<u>\$ 525,563</u>	<u>\$ 1,744,623</u>

The Food Bank has recorded an asset and related liability on its Statement of Financial Position in the amount of \$1,472,636 at June 30, 2018. A discount rate of 4.82%, which is the current borrowing rate provided by the Food Bank's financial institution, over the current lease terms, was used to determine the net present value of the right-to-use asset and related lease liability. The asset and related liability were calculated as follows:

<u>Operating Leases</u>	<u>Future Minimum Lease Payments Undiscounted</u>	<u>Discount Rate</u>	<u>Right-of-Use Asset/Lease Liability</u>
Winchester Branch	\$ 723,503	4.82%	\$ 591,551
Lynchburg Branch	500,320	4.82%	429,610
Charlottesville Branch	520,800	4.82%	451,475
	<u>\$ 1,744,623</u>		<u>\$ 1,472,636</u>

The current portion of the lease liability is \$227,387 at June 30, 2018.

BLUE RIDGE AREA FOOD BANK, INC.

**Notes To Financial Statements
JUNE 30, 2018 (continued)**

NOTE 12 – OPERATING LEASE RIGHT-OF-USE ASSET/OPERATING LEASE LIABILITY: (CONTINUED)

For the year ended June 30, 2018, the Food Bank discloses a weighted average remaining lease term of 7.41 years for its operating leases. The weighted-average remaining lease terms as follows:

	(a) Discounted Remaining Payments 6/30/2018	(b) Remaining Lease Term at 6/30/2018	(c) (a) X (b)	(c)/(a) Weighted Average Lease Term at 6/30/2018
<u>Operating Leases</u>				
Winchester Branch	\$ 591,551	7.7	\$ 4,554,943	
Lynchburg Branch	429,610	8.5	3,651,685	
Charlottesville Branch	451,475	6.0	2,708,850	
	<u>\$ 1,472,636</u>		<u>\$ 10,915,478</u>	<u>7.41</u>

There are no residual value guarantees provided by the Food Bank.

NOTE 13 – BOARD DESIGNATED NET ASSETS:

In August 2016, the Board designated certain assets be set aside as operating reserve and as quasi-endowment, and in August 2017, the Board established a capital reserve. Board policy requires a minimum of three months' cash operating expense be held in short-term investments in accordance with Feeding America policy.

The Quasi-Endowment was established for long-term investments to attract and manage future gifts, to generate current income and to steward donors though the assurance that financial reserves are used to support both current and future needs. Board policy dictates that 90% of proceeds from unrestricted bequests totaling more than \$25,000 be added to the Quasi-Endowment as well as unrestricted gifts so advised. Annual distributions from the quasi-endowment will be based on a three-year average return of the quasi-endowment and the three-year average balance of the fund.

The Capital Reserve represents unrestricted net assets from operating surplus designated by the Board to support funding for long-term capital investment projects and acquisitions or other extraordinary expenses. Funds may be used to procure traditional fixed assets including buildings, land, leasehold improvements, vehicles, furniture, fixtures, and equipment necessary for the effective operation of the organization and programs. Capital Reserve funds may also serve as a source of funding for organizational capacity building or significant non-recurring expenditures that are above and beyond annual operating expense. Funding goals are such that a minimum amount equal to the next three years' projected capital expenditures will be maintained with replenishment made from cash operating surplus.

Quasi-Endowment and Capital Reserve assets are invested in accordance with Board investment policy based on consultation with an independent advisor.

BLUE RIDGE AREA FOOD BANK, INC.

**Notes To Financial Statements
JUNE 30, 2018 (continued)**

NOTE 13 – BOARD DESIGNATED NET ASSETS: (CONTINUED)

The following schedule summarizes the activity related to the Quasi-Endowment investments:

	<u>2018</u>	<u>2017</u>
Balance beginning of the year	\$ 3,351,387	\$ 2,650,342
Additions - Estate Gifts	91,838	578,500
Capital Gains (Losses)	46,212	65,195
Investment Income	82,938	74,168
Portfolio Fees	(17,996)	(16,818)
Additions/ (Withdrawals)	(130,000)	-
Balance end of the year	<u>\$ 3,424,379</u>	<u>\$ 3,351,387</u>
Additional information:		
Two Year average value	\$ 3,387,883	\$ 2,520,391
Two Year earnings	\$ 233,698	\$ 270,814
Two Year inflation @ 4.26% cumulative rate	144,297	107,349
Earnings in excess of inflation	<u>\$ 89,401</u>	<u>\$ 163,465</u>

NOTE 14 – DATE OF MANAGEMENT’S REVIEW:

In preparing these financial statements, management of the organization has evaluated events and transactions for potential disclosure through October 31, 2018, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BLUE RIDGE AREA FOOD BANK, INC.

**Schedule of Food Donated, Purchased, and Distributed
Year Ended June 30, 2018
With Comparative Totals for 2017**

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>Pounds</u>	<u>Pounds</u>	<u>Dollars</u>	<u>Dollars</u>
Beginning inventory	2,164,107	1,896,413	\$ 3,259,096	\$ 2,403,266
Donated food received	24,393,195	23,817,575	40,980,568	41,204,404
Purchased food	<u>2,011,069</u>	<u>1,946,487</u>	<u>1,164,844</u>	<u>1,202,606</u>
Total food available	<u>28,568,371</u>	<u>27,660,475</u>	<u>\$ 45,404,508</u>	<u>\$ 44,810,276</u>
Less:				
Food distributed to member agencies	25,292,031	24,390,211	\$ 40,480,690	\$ 39,659,985
Food distributed to other food banks	995,315	969,624	1,672,129	1,677,450
Disposals and inventory adjustments	<u>91,590</u>	<u>136,533</u>	<u>155,024</u>	<u>213,745</u>
Total food distributed and disposed	<u>26,378,936</u>	<u>25,496,368</u>	<u>\$ 42,307,843</u>	<u>\$ 41,551,180</u>
Ending inventory	<u><u>2,189,435</u></u>	<u><u>2,164,107</u></u>	<u><u>\$ 3,096,665</u></u>	<u><u>\$ 3,259,096</u></u>

Blue Ridge Area Food Bank. Inc.

Schedule of Operating Expense

Year Ended June 30, 2018

With Comparative Totals for 2017, 2016, 2015, and 2014

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenses					
Program services	\$ 46,731,026	\$ 45,649,188	\$ 42,768,245	\$ 46,222,700	\$ 43,627,466
Management and general	784,451	771,162	704,401	666,477	662,044
Fundraising	<u>1,236,928</u>	<u>1,285,136</u>	<u>1,275,763</u>	<u>1,189,891</u>	<u>1,026,750</u>
Total expenses	<u>\$ 48,752,405</u>	<u>\$ 47,705,486</u>	<u>\$ 44,748,409</u>	<u>\$ 48,079,068</u>	<u>\$ 45,316,260</u>

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 BLUE RIDGE AREA FOOD BANK, INC. VERONA, 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 Blue Ridge Area Food Bank, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control over Financial Reporting

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

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
October 31, 2018

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

Report on Compliance for Each Major Federal Program

We have audited Blue Ridge Area Food Bank, Inc.'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 Blue Ridge Area Food Bank, Inc.'s major federal programs for the year ended June 30, 2018. Blue Ridge Area Food Bank, Inc.'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 Blue Ridge Area Food Bank, Inc.'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 *Governmental 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 Blue Ridge Area Food Bank, Inc.'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 Blue Ridge Area Food Bank, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Blue Ridge Area Food Bank, Inc. 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, 2018.

Report on Internal Control over Compliance

Management of Blue Ridge Area Food Bank, Inc. 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 Blue Ridge Area Food Bank, Inc.'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 Blue Ridge Area Food Bank, Inc.'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
October 31, 2018

BLUE RIDGE AREA FOOD BANK, INC.

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures	Pass- through to Subrecipients
<u>Department of Agriculture</u>				
Passed-through Virginia Department of Agriculture and Consumer Services:				
Food Distribution Cluster:				
Emergency Food Assistance Program - Food Commodities	10.569	Not Available	\$ 2,465,399	\$ 2,465,399
Emergency Food Assistance Program - Administrative Costs	10.568	Not Available	564,384	-
Commodity Supplemental Food Program	10.565	Not Available	607,234	607,234
Total Food Distribution Cluster			<u>\$ 3,637,017</u>	<u>\$ 3,072,633</u>
Summer Food Service Program for Children	10.559	Not Available	\$ 1,436	\$ 1,436
Passed-through Virginia Department of Health:				
Summer Food Service Program for Children	10.559	N/A	88,795	88,795
Subtotal Summer Food Service Program for Children			<u>\$ 90,231</u>	<u>\$ 90,231</u>
Child and Adult Care Food Program	10.558	N/A	\$ 87,068	\$ 87,068
Total Department of Agriculture			<u>\$ 3,814,316</u>	<u>\$ 3,249,932</u>
<u>Department of Labor</u>				
Passed-through Goodwill Industries of the Valleys:				
Senior Community Service Employment Program	17.235	N/A	\$ 8,200	-
Total Expenditures of Federal Awards			<u>\$ 3,822,516</u>	<u>\$ 3,249,932</u>

Notes to Schedule of Expenditures of Federal Awards:

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Blue Ridge Area Food Bank, Inc. under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Blue Ridge Area Food Bank, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Blue Ridge Area Food Bank, Inc.

Note B - Summary of Significant Accounting Policies

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

Note C - De Minimis Cost Rate

The Food Bank did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note D - Loan Balances

The Food Bank has no loans or loan guarantees which are subject to reporting requirements in the current year.

Note E - Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the Food Bank had food commodities totaling \$572,090 in inventory.

BLUE RIDGE AREA FOOD BANK, INC.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes x none reported

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)? yes x no

Identification of major programs:

CFDA # **NAME OF FEDERAL PROGRAM OR CLUSTER**

Food Distribution Cluster

10.568 Emergency Food Assistance Program-Administrative Cost

10.569 Emergency Food Assistance Program-Food Commodities

10.565 Commodity Supplemental Food Program

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? x yes no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Summary Schedule of Prior Audit Findings

None