



Blue Ridge Area  
**FOOD BANK**

A member of  
**FEEDING  
AMERICA**

BLUE RIDGE AREA FOOD BANK, INC.

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019



**Blue Ridge Area**  
**FOOD BANK**

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AMERICA**

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

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**

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**INDEPENDENT AUDITORS' REPORT**

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**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, 2019, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Change in Accounting Principle**

As described in Note 1 to the financial statements, in fiscal year 2019, Blue Ridge Area Food Bank, Inc., adopted new accounting guidance, FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019, 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 18, 2019

## **FINANCIAL STATEMENTS**

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

**Statement of Financial Position  
June 30, 2019  
With Comparative Totals as of 2018**

<b><u>ASSETS</u></b>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 644,901	\$ 730,748
Accounts receivable, less allowance for doubtful accounts	242,899	244,630
Inventory	3,198,105	3,096,665
Investments - short term	2,516,270	2,246,750
Other	86,551	81,158
Total current assets	<u>\$ 6,688,726</u>	<u>\$ 6,399,951</u>
Noncurrent assets:		
Investments in marketable securities	\$ 5,542,845	\$ 4,373,066
Depreciable fixed assets, net of accumulated depreciation	3,979,770	3,927,133
Non-depreciable fixed assets	95,294	69,484
Operating lease right-of-use asset	1,539,101	1,472,636
Total noncurrent assets	<u>\$ 11,157,010</u>	<u>\$ 9,842,319</u>
Total assets	<u>\$ 17,845,736</u>	<u>\$ 16,242,270</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 164,363	\$ 181,720
Accrued payroll and related liabilities	73,892	69,420
Compensated absences	121,570	96,346
Operating lease liability, current portion	233,069	227,387
Total current liabilities	<u>\$ 592,894</u>	<u>\$ 574,873</u>
Noncurrent liabilities:		
Operating lease liability, net of current portion	<u>\$ 1,320,064</u>	<u>\$ 1,245,249</u>
Total liabilities	<u>\$ 1,912,958</u>	<u>\$ 1,820,122</u>
Net assets:		
Without Donor Restrictions:		
Undesignated	\$ 7,899,941	\$ 7,752,067
Designated - funds held for long-term investment	4,539,808	3,424,379
Designated - capital reserve	959,000	959,000
Designated - operating reserve	<u>1,878,600</u>	<u>1,767,800</u>
Total without donor restrictions	\$ 15,277,349	\$ 13,903,246
With Donor Restrictions	<u>655,429</u>	<u>518,902</u>
Total net assets	<u>\$ 15,932,778</u>	<u>\$ 14,422,148</u>
Total liabilities and net assets	<u>\$ 17,845,736</u>	<u>\$ 16,242,270</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, 2019  
With Comparative Totals for 2018

	Without Donor Restrictions			With Donor Restrictions	2019	2018
	Non-In-Kind	In-Kind	Total		Total	
Revenues, gains, and other support:						
In-kind food contributions	\$ -	\$ 41,405,721	\$ 41,405,721	\$ -	\$ 41,405,721	\$ 40,980,568
Contributions and non-federal grants	5,888,113	127,497	6,015,610	1,239,795	7,255,405	6,152,518
Program service revenue	917,070	-	917,070	-	917,070	821,895
Federal grants	999,226	-	999,226	-	999,226	730,574
Interest and dividends	166,598	-	166,598	-	166,598	125,436
Net realized and unrealized gains (loss) on investments	180,877	-	180,877	-	180,877	25,974
Gain (loss) on disposal of fixed assets	12,640	-	12,640	-	12,640	3,000
Other income	5,711	-	5,711	-	5,711	5,825
Net assets released from restrictions	1,103,268	-	1,103,268	(1,103,268)	-	-
Total revenues, gains, and other support	\$ 9,273,503	\$ 41,533,218	\$ 50,806,721	\$ 136,527	\$ 50,943,248	\$ 48,845,790
Expenses:						
Program services	\$ 6,048,081	\$ 41,298,661	\$ 47,346,742	\$ -	\$ 47,346,742	\$ 46,731,026
Supporting services:						
Management and general	816,847	-	816,847	-	816,847	784,451
Fundraising	1,269,029	-	1,269,029	-	1,269,029	1,236,928
Total expenses	\$ 8,133,957	\$ 41,298,661	\$ 49,432,618	\$ -	\$ 49,432,618	\$ 48,752,405
Change in net assets	\$ 1,139,546	\$ 234,557	\$ 1,374,103	\$ 136,527	\$ 1,510,630	\$ 93,385
Net assets at beginning of year	11,038,595	2,864,651	13,903,246	518,902	14,422,148	14,328,763
Net assets at end of year	\$ 12,178,141	\$ 3,099,208	\$ 15,277,349	\$ 655,429	\$ 15,932,778	\$ 14,422,148

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, 2019  
With Comparative Totals for 2018**

			Supporting Services					
	2019	2018	2019	2018	2019	2018	2019	2018
	Program Services		Management and General		Fundraising		Total	
<b>PERSONNEL</b>								
Salaries and wages	\$ 1,742,565	\$ 1,606,744	\$ 517,906	\$ 485,908	\$ 455,033	\$ 477,956	\$ 2,715,504	\$ 2,570,608
Payroll taxes	129,728	115,468	36,064	36,823	32,663	34,663	198,455	186,954
Employee benefits	464,738	359,520	82,509	77,171	89,832	76,543	637,079	513,234
Child Hunger Corps	12,000	89,400	-	-	-	-	12,000	89,400
Contract services and other	12,778	13,210	-	-	-	2,240	12,778	15,450
<b>Total personnel</b>	<b>\$ 2,361,809</b>	<b>\$ 2,184,342</b>	<b>\$ 636,479</b>	<b>\$ 599,902</b>	<b>\$ 577,528</b>	<b>\$ 591,402</b>	<b>\$ 3,575,816</b>	<b>\$ 3,375,646</b>
<b>TRANSPORTATION</b>								
Freight-in	\$ 185,440	\$ 178,365	\$ -	\$ -	\$ -	\$ -	\$ 185,440	\$ 178,365
Depreciation	83,752	88,664	2,973	3,427	2,976	2,976	89,701	95,067
Fuel	78,980	70,508	1,587	1,911	1,614	1,730	82,181	74,149
Repairs and maintenance	99,191	108,820	(1,381)	(2,708)	(744)	(1,883)	97,066	104,229
Insurance, licenses, and other	24,900	21,047	431	1,049	461	1,289	25,792	23,385
<b>Total transportation</b>	<b>\$ 472,263</b>	<b>\$ 467,404</b>	<b>\$ 3,610</b>	<b>\$ 3,679</b>	<b>\$ 4,307</b>	<b>\$ 4,112</b>	<b>\$ 480,180</b>	<b>\$ 475,195</b>
<b>OCCUPANCY</b>								
Rent	\$ 240,663	\$ 224,441	\$ 3,600	\$ 3,600	\$ 4,800	\$ 4,800	\$ 249,063	\$ 232,841
Depreciation	101,763	104,689	14,718	14,702	17,258	16,512	133,739	135,903
Repairs and maintenance	29,390	26,315	2,702	3,937	4,182	3,686	36,274	33,938
Rubbish and pest control	7,063	6,769	926	807	1,187	1,002	9,176	8,578
Utilities and telephone	102,982	105,913	14,248	13,560	19,948	18,722	137,178	138,195
Insurance and other	41,170	38,224	19,592	8,416	7,253	7,896	68,015	54,536
<b>Total occupancy</b>	<b>\$ 523,031</b>	<b>\$ 506,351</b>	<b>\$ 55,786</b>	<b>\$ 45,022</b>	<b>\$ 54,628</b>	<b>\$ 52,618</b>	<b>\$ 633,445</b>	<b>\$ 603,991</b>
<b>OTHER OPERATING AND ADMINISTRATIVE</b>								
Food purchase and packaging	\$ 1,849,398	\$ 1,648,831	\$ -	\$ -	\$ -	\$ -	\$ 1,849,398	\$ 1,648,831
Depreciation	88,974	107,917	7,670	8,467	12,885	12,203	109,529	128,587
Supplies and equipment rental	153,099	181,509	6,383	7,444	15,546	27,840	175,028	216,793
Agency assistance - pass-through	247,452	211,603	-	-	-	-	247,452	211,603
Postage	2,734	2,756	1,893	2,457	93,447	88,497	98,074	93,710
Repairs and maintenance	67,044	51,065	944	967	51	156	68,039	52,188
Systems support and maintenance	114,071	89,268	13,804	13,011	14,702	15,916	142,577	118,195
Printing and production	2,743	405	-	-	199,474	162,213	202,217	162,618
Dues, subscriptions, fees, and licenses	25,511	29,151	46,137	48,388	59,860	63,053	131,508	140,592
Advertising and promotion	83,937	18,386	368	669	74,452	71,422	158,757	90,477
Professional fees	-	64,786	4,345	16,778	142,869	129,459	147,214	211,023
Staff training and development	31,776	34,382	18,659	16,667	12,586	9,990	63,021	61,039
Board governance	-	-	14,320	13,700	-	-	14,320	13,700
Miscellaneous	24,239	22,828	6,449	7,300	6,694	8,047	37,382	38,175
<b>Total other operating and administrative</b>	<b>\$ 2,690,978</b>	<b>\$ 2,462,887</b>	<b>\$ 120,972</b>	<b>\$ 135,848</b>	<b>\$ 632,566</b>	<b>\$ 588,796</b>	<b>\$ 3,444,516</b>	<b>\$ 3,187,531</b>
<b>Total expenses before donated foods distributed</b>	<b>\$ 6,048,081</b>	<b>\$ 5,620,984</b>	<b>\$ 816,847</b>	<b>\$ 784,451</b>	<b>\$ 1,269,029</b>	<b>\$ 1,236,928</b>	<b>\$ 8,133,957</b>	<b>\$ 7,642,363</b>
Donated foods distributed	41,298,661	41,110,042	-	-	-	-	41,298,661	41,110,042
<b>Total expenses</b>	<b>\$ 47,346,742</b>	<b>\$ 46,731,026</b>	<b>\$ 816,847</b>	<b>\$ 784,451</b>	<b>\$ 1,269,029</b>	<b>\$ 1,236,928</b>	<b>\$ 49,432,618</b>	<b>\$ 48,752,405</b>

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, 2019  
With Comparative Totals for 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,510,630	\$ 93,385
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	332,969	359,557
Net change in donated food	(107,061)	129,474
Imputed interest on operating leases	14,032	-
(Gain) loss on disposal of fixed assets	(12,640)	(3,000)
Unrealized and realized (gain) loss on investments	(180,877)	(26,010)
(Increase) decrease in operating assets:		
Accounts receivable	1,730	157,339
Pledges receivable	-	5,098
Inventory - purchased food	5,621	32,957
Other current assets	(5,392)	30,751
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	<u>12,339</u>	<u>5,605</u>
Net cash provided by (used for) operating activities	\$ <u>1,571,351</u>	\$ <u>785,156</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	\$ (2,470,910)	\$ (1,015,540)
Proceeds on sale of investments	1,212,488	272,181
Proceeds from sale of capital assets	13,641	3,000
Purchase of fixed assets	<u>(412,417)</u>	<u>(129,361)</u>
Net cash provided by (used for) investing activities	\$ <u>(1,657,198)</u>	\$ <u>(869,720)</u>
Net increase (decrease) in cash and cash equivalents	\$ (85,847)	\$ (84,564)
Beginning cash and cash equivalents	<u>730,748</u>	<u>815,312</u>
Ending cash and cash equivalents	\$ <u><u>644,901</u></u>	\$ <u><u>730,748</u></u>
<b>SCHEDULE OF NON-CASH OPERATING ACTIVITIES:</b>		
Donated food received	\$ <u>41,347,897</u>	\$ <u>40,980,568</u>
Donated food distributed and disposed	\$ <u>41,240,837</u>	\$ <u>41,110,042</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, 2019

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### **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 27 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, Neighborhood Produce Markets, 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 2019, 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 Organization reports information regarding its financial position and activities according to the following two classes of net assets based on the existence or absence of donor-imposed restrictions:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations, or the net assets that were donated with donor-imposed stipulations and released from restriction within the same fiscal year. Net assets without donor restrictions for the year ended June 30, 2019 amounted to \$15,277,349.

Net assets with donor restrictions - Net assets with donor restrictions are resources whose use by the Organization is limited by donor-imposed restrictions. This category includes both donor restrictions that are temporary in nature, and those that neither expire by being used in accordance with a donor's restriction nor by the passage of time. Net assets with donor restrictions for the year ended June 30, 2019 amounted to \$655,429.

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

**Notes to Financial Statements  
June 30, 2019 (continued)**

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

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 and U.S. Treasury Bills 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. Net assets without donor restrictions 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 designated by the Board for future needs of the Food Bank. Net assets with donor restrictions 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 bequests without donor restriction in excess of \$25,000, to designate 90% of the gift for the quasi-endowment. At this time, all quasi-endowment funds are without donor restriction 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, 2019 (continued)**

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

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, 2019 and 2018 the value of donated goods and inventory balance reported in the statement of financial position was calculated and using the calendar years 2018 and 2017 estimates of \$1.62 and \$1.68, 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 support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions in the period the donor's commitment is received. Unrestricted, unconditional promises to give for future operations are recognized as revenues without donor restrictions, 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, 2019 (continued)**

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**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 2.5 cents and 2 cents in 2019 and 2018, 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 member agencies. That cost reimbursement fee averaged 43 cents per pound distributed in 2019 and 44 cents per pound in 2018. 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 \$20-\$75.

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 estimates revenue 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, 2019 totaled \$121,570.

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

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, 2019 (continued)

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

##### Promotion and Communication

The Food Bank utilizes many avenues for increasing community awareness of its programs and services including advertising, food drives, fund drives and third-party 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.

##### New Accounting Pronouncements

Adopted:

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has changed the presentation of its financial statements accordingly, applying the changes retrospectively to the beginning net assets. The new ASU changes the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been reduced to a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been changed to *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources.
- The financial statements include increased disclosures on functional expenses.

Adoption of the ASU did not result in any reclassifications or restatements to net assets.

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 – 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>2019</u>	<u>2018</u>
Investments - certificates of deposit	\$ 750,153	\$ 2,246,750
U.S Treasury Bills	1,765,034	-
Equity Funds	1,083	-
Total	<u>\$ 2,516,270</u>	<u>\$ 2,246,750</u>

**BLUE RIDGE AREA FOOD BANK, INC.****Notes to Financial Statements  
June 30, 2019 (continued)**

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**NOTE 4 – ACCOUNTS RECEIVABLE:**

Accounts receivable consist of the following:

	<u>2019</u>	<u>2018</u>
Due from member agencies	\$ 62,669	\$ 58,620
Federal Grantor/Pass-Through Grantor Programs	164,276	162,056
Accrued interest receivable	3,913	12,732
Other	22,041	21,222
Subtotal	\$ 252,899	\$ 254,630
Less allowance for doubtful accounts	(10,000)	(10,000)
Total	<u>\$ 242,899</u>	<u>\$ 244,630</u>

**NOTE 5 – PLEDGES RECEIVABLE:**

There are no outstanding pledges as of June 30, 2019.

**NOTE 6 – INVENTORY:**

Inventory consists of the following:

	<u>2019</u>	<u>2018</u>
Purchased	\$ 256,603	\$ 262,364
Donated	2,941,502	2,834,301
Total	<u>\$ 3,198,105</u>	<u>\$ 3,096,665</u>

**NOTE 7 – PROPERTY AND EQUIPMENT:**

Property and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Non-depreciable assets:		
Land	\$ 66,652	\$ 66,652
Assets not yet placed in service	28,642	2,832
Total non-depreciable assets	<u>\$ 95,294</u>	<u>\$ 69,484</u>
Depreciable assets:		
Land improvements	\$ 523,106	\$ 523,106
Building and improvements	3,339,995	3,332,295
Leasehold improvements	334,877	285,645
Furniture and equipment	365,588	353,467
Warehouse equipment	1,184,924	1,173,551
Motor vehicles	1,517,239	1,279,142
Total depreciable assets	<u>\$ 7,265,729</u>	<u>\$ 6,947,206</u>
Total assets	<u>\$ 7,361,023</u>	<u>\$ 7,016,690</u>
Accumulated depreciation	<u>(3,285,959)</u>	<u>(3,020,073)</u>
Net property and equipment	<u>\$ 4,075,064</u>	<u>\$ 3,996,617</u>

Depreciation expense for the years ended June 30, 2019 and 2018 totaled \$332,969 and \$359,557 respectively.

## BLUE RIDGE AREA FOOD BANK, INC.

### Notes to Financial Statements June 30, 2019 (continued)

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#### **NOTE 8 – 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>2019</u>	<u>2018</u>
Exchange Traded Funds in:		
Equity securities	\$ 2,621,403	\$ 2,182,495
US Govt.-backed Bonds	318,536	1,321,024
Corporate Bonds	1,700,576	325,040
Real Estate Investment Trust	254,400	378,082
U.S. Treasury Bills	522,411	-
Cash and Equivalents	125,518	166,425
	<u>\$ 5,542,844</u>	<u>\$ 4,373,066</u>

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 166,598	\$ 125,436
Net realized and unrealized gains and losses	180,877	25,974
Investment fees	(21,976)	(17,996)
	<u>\$ 325,499</u>	<u>\$ 133,414</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.

**BLUE RIDGE AREA FOOD BANK, INC.****Notes to Financial Statements  
June 30, 2019 (continued)**

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**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restrictions represent funding for future operating expense of the following programs:

	<u>2019</u>		<u>2018</u>
Family Backpack program	\$ 200,392	\$	165,705
Fresh produce and other food	123,400		41,942
Senior programs	31,652		15,052
Mobile food pantry programs	79,239		97,427
Agency capacity assistance	154,592		162,711
Client insight initiative	65,300		33,379
Other	854		2,686
Total	<u>\$ 655,429</u>	\$	<u>518,902</u>

Net assets with donor restrictions were expended during the current year for the following purposes:

Family Backpack program	\$ 198,522
Mobile food pantries	136,703
Client insight initiative	58,080
Produce value-added packaging fees	238,589
Summer kids program	68,176
Other food purchases	85,421
Senior programs	19,634
Agency capacity assistance	169,311
Good food truck	59,000
Warehouse cooler expansion	50,000
Nourish software development	13,000
Operations equipment	4,565
Other	2,267
Total	<u>\$ 1,103,268</u>

**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. The Food Bank amended the Plan as of January 1, 2019, to include a safe harbor provision. Consequently, the employer discretionary match was increased from 100% for up to 3% of employee compensation to the same provision plus an additional 50% match of employee contributions from 3% to 5%, for a total match of 4% on a 5% employee contribution. 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 2019 and 2018 totaled \$87,575 and \$66,744, respectively.

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

**Notes to Financial Statements  
June 30, 2019 (continued)**

**NOTE 11 – 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, 2024 to November 30, 2026 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, 2019.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Thereafter</u>	<u>Total</u>
Winchester Branch	\$ 77,447	\$ 79,770	\$ 82,164	\$ 84,628	\$ 87,167	\$ 237,133	\$ 648,309
Lynchburg Branch	75,840	75,840	78,500	80,400	80,400	33,500	424,480
Charlottesville Branch	90,000	90,000	90,000	90,000	90,000	280,800	730,800
	<u>\$ 243,287</u>	<u>\$ 245,610</u>	<u>\$ 250,664</u>	<u>\$ 255,028</u>	<u>\$ 257,567</u>	<u>\$ 551,433</u>	<u>\$ 1,803,589</u>

The Food Bank has recorded an asset and related liability on its Statement of Financial Position in the amount of \$1,539,101 and \$1,553,133 at June 30, 2019. A discount rate of 4.2%, 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</u>	<u>Right-of-Use Lease Liability</u>
Winchester Branch	\$ 648,309	4.20%	\$ 549,302	\$ 554,346
Lynchburg Branch	424,480	4.20%	375,747	379,049
Charlottesville Branch	730,800	4.20%	614,052	619,738
	<u>\$ 1,803,589</u>		<u>\$ 1,539,101</u>	<u>\$ 1,553,133</u>

The current portion of the lease liability is \$233,069 at June 30, 2019.

For the year ended June 30, 2019, the Food Bank discloses a weighted average remaining lease term of 7.15 years for its operating leases. The weighted-average remaining lease terms as follows:

<u>Operating Leases</u>	<u>(a) Discounted Remaining Payments 6/30/2019</u>	<u>(b) Remaining Lease Term at 6/30/2019</u>	<u>(c) (a) X (b)</u>	<u>(c)/(a) Weighted Average Lease Term at 6/30/2019</u>
Winchester Branch	\$ 554,346	7	\$ 3,880,422	
Lynchburg Branch	379,049	6	2,274,294	
Charlottesville Branch	619,738	8	4,957,904	
	<u>\$ 1,553,133</u>		<u>\$ 11,112,620</u>	<u>7.15</u>

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

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

**Notes to Financial Statements  
June 30, 2019 (continued)**

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**NOTE 12 – 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 net assets without donor restrictions 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

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

	<u>2019</u>	<u>2018</u>
Balance beginning of the year	\$ 3,424,379	\$ 3,351,387
Additions - Estate Gifts	1,018,980	91,838
Capital Gains (Losses)	135,814	46,212
Investment Income	98,170	82,938
Portfolio Fees	(17,535)	(17,996)
Additions/ (Withdrawals)	<u>(120,000)</u>	<u>(130,000)</u>
Balance end of the year	<u>\$ 4,539,808</u>	<u>\$ 3,424,379</u>

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

**Notes to Financial Statements  
June 30, 2019 (continued)**

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**NOTE 13 – LIQUIDITY AND AVAILABILITY:**

The following reflects the Organization’s financial assets as of June 30, 2019, reduced by donor restrictions and amounts not available for general use because of board designations.

Financial assets at year-end:	
Cash and cash equivalents	\$ 770,419
Investments	7,933,597
Accounts receivable	242,899
Gift cards	<u>22,900</u>
Total financial assets available for use at year-end	\$ 8,969,815
Less those unavailable for general expenditures within one year, due to:	
Board designations:	
Funds designated by board for long term investment	(4,539,808)
Funds designated by board for capital reserve	(959,000)
Funds designated by board for operating reserves	<u>(1,878,600)</u>
Financial assets available to meet cash needs for general expenses within one year	\$ <u><u>1,592,407</u></u>

None of the financial assets available for use are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the financial position date. The Organization’s liquidity reserves may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the Organization’s normal course of business.

**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 18, 2019, 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, 2019  
With Comparative Totals for 2018**

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>Pounds</u>	<u>Pounds</u>	<u>Dollars</u>	<u>Dollars</u>
Beginning inventory	2,189,435	2,164,107	\$ 3,096,665	\$ 3,259,096
Donated food received	25,559,087	24,393,195	41,405,721	40,980,568
Purchased food	<u>2,194,385</u>	<u>2,011,069</u>	<u>1,334,519</u>	<u>1,164,844</u>
<b>Total food available</b>	<u>29,942,907</u>	<u>28,568,371</u>	<u>\$ 45,836,905</u>	<u>\$ 45,404,508</u>
Less:				
Food distributed to member agencies	26,365,292	25,292,031	\$ 40,440,031	\$ 40,480,690
Food distributed to other food banks	1,250,798	995,315	2,026,293	1,672,129
Disposals and inventory adjustments	<u>97,430</u>	<u>91,590</u>	<u>172,476</u>	<u>155,024</u>
<b>Total food distributed and disposed</b>	<u>27,713,520</u>	<u>26,378,936</u>	<u>\$ 42,638,800</u>	<u>\$ 42,307,843</u>
<b>Ending inventory</b>	<u><u>2,229,387</u></u>	<u><u>2,189,435</u></u>	<u><u>\$ 3,198,105</u></u>	<u><u>\$ 3,096,665</u></u>

Blue Ridge Area Food Bank. Inc.

Schedule of Operating Expenses  
Year Ended June 30, 2019

With Comparative Totals for 2018, 2017, 2016, and 2015

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Expenses</b>					
Program services	\$ 47,346,742	\$ 46,731,026	\$ 45,649,188	\$ 42,768,245	\$ 46,222,700
Supporting services:					
Management and general	816,847	784,451	771,162	704,401	666,477
Fundraising	1,269,029	1,236,928	1,285,136	1,275,763	1,189,891
<b>Total expenses</b>	<u>\$ 49,432,618</u>	<u>\$ 48,752,405</u>	<u>\$ 47,705,486</u>	<u>\$ 44,748,409</u>	<u>\$ 48,079,068</u>

# **COMPLIANCE**



**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**

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**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, 2019, 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 18, 2019.

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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, Finner, Cox Associates*

Staunton, Virginia  
October 18, 2019



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

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**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, 2019. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2019.

## 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 18, 2019

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

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019**

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	67-100	\$ 3,959,388	\$ 3,959,388
Emergency Food Assistance Program - Administrative Costs	10.568	67-100	662,810	-
Commodity Supplemental Food Program	10.565	67-100	648,493	648,493
Commodity Supplemental Food Program-Administrative Costs	10.565	67-100	183,958	-
Subtotal Commodity Supplemental Food Program			\$ 832,451	\$ 648,493
Total Food Distribution Cluster			\$ 5,454,649	\$ 4,607,881
Summer Food Service Program for Children	10.559	67-100	\$ 2,215	\$ 2,215
Passed-through Virginia Department of Health:				
Summer Food Service Program for Children	10.559	67-100	98,426	98,426
Subtotal Summer Food Service Program for Children			\$ 100,641	\$ 100,641
Child and Adult Care Food Program	10.558	Not Available	\$ 53,999	\$ 53,999
Total Department of Agriculture			\$ 5,609,289	\$ 4,762,521
<u>Department of Labor</u>				
Passed-through Goodwill Industries of the Valleys:				
Senior Community Service Employment Program	17.235	Not Available	\$ 16,573	-
Total Expenditures of Federal Awards			\$ 5,625,862	\$ 4,762,521

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 award activity of Blue Ridge Area Food Bank, Inc. under programs of the federal government for the year ended June 30, 2019. 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, 2019, the Food Bank had food commodities totaling \$1,231,890 in inventory.

BLUE RIDGE AREA FOOD BANK, INC.

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2019

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