

*Financial Statements  
and Supplementary Information  
Year Ended  
June 30, 2013 with  
Comparative Totals for 2012*



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Leading the effort to eliminate hunger  
in our community



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

# *Foodbank of Southeastern Virginia*

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**DIXON HUGHES GOODMAN** LLP  
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## ***Independent Auditors' Report***

Board of Directors  
***Foodbank of Southeastern Virginia***

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of ***Foodbank of Southeastern Virginia*** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities 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 auditor's 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 ***Foodbank of Southeastern Virginia*** as of June 30, 2013, 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***

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of ***Foodbank of Southeastern Virginia***'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 ***Foodbank of Southeastern Virginia***'s internal control over financial reporting and compliance.

### ***Report on Summarized Comparative Information***

We have previously audited ***Foodbank of Southeastern Virginia***'s 2012 financial statements, and our report dated October 3, 2012, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Dixon Hughes Goodman LLP*

Norfolk, Virginia  
December 30, 2013

*Foodbank of Southeastern Virginia*

*Statement of Financial Position*

<b>June 30, 2013 with Comparative Totals for 2012</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>2013 Total</b>	<b>2012 Total</b>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 4,055,424	\$ 165,816	\$ -	\$ 4,221,240	\$ 3,994,856
Accounts receivable - net of allowance for uncollectible accounts	25,068	-	-	25,068	30,115
United Way and pledge receivables	145,952	553,907	-	699,859	856,631
Marketable securities	1,235,457	6,058	249,742	1,491,257	1,338,181
Beneficial interest in assets held by others	53,050	-	-	53,050	49,868
Inventory					
USDA food	448,891	-	-	448,891	77,194
Donated food	352,810	-	-	352,810	369,735
Purchased food	365,952	-	-	365,952	353,631
Thrift store merchandise	76,061	-	-	76,061	68,321
Prepaid expenses	86,789	-	-	86,789	135,431
<b>Total current assets</b>	<b>6,845,454</b>	<b>725,781</b>	<b>249,742</b>	<b>7,820,977</b>	<b>7,273,963</b>
<b>Property and equipment - net</b>	<b>4,866,374</b>	<b>-</b>	<b>-</b>	<b>4,866,374</b>	<b>4,075,384</b>
<b>Other assets</b>					
Long-term pledge receivables - net of discount	-	9,088	-	9,088	18,474
<b>Total assets</b>	<b>\$ 11,711,828</b>	<b>\$ 734,869</b>	<b>\$ 249,742</b>	<b>\$ 12,696,439</b>	<b>\$ 11,367,821</b>
<b>Liabilities and Net Assets</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 262,159	\$ -	\$ -	\$ 262,159	\$ 68,861
Current portion - capital lease obligation	16,630	-	-	16,630	15,847
Security deposit	3,991	-	-	3,991	3,991
Accrued payroll and payroll taxes	255,345	-	-	255,345	174,372
Other current liabilities	-	-	-	-	33,719
<b>Total current liabilities</b>	<b>538,125</b>	<b>-</b>	<b>-</b>	<b>538,125</b>	<b>296,790</b>
<b>Long-term debt - capital lease obligation</b>	<b>41,209</b>	<b>-</b>	<b>-</b>	<b>41,209</b>	<b>57,839</b>
<b>Total liabilities</b>	<b>579,334</b>	<b>-</b>	<b>-</b>	<b>579,334</b>	<b>354,629</b>
<b>Net assets</b>	<b>11,132,494</b>	<b>734,869</b>	<b>249,742</b>	<b>12,117,105</b>	<b>11,013,192</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,711,828</b>	<b>\$ 734,869</b>	<b>\$ 249,742</b>	<b>\$ 12,696,439</b>	<b>\$ 11,367,821</b>

*The accompanying notes are an integral part of these financial statements.*

*Foodbank of Southeastern Virginia*

*Statement of Activities*

**Year Ended June 30, 2013 with Comparative Totals for 2012**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total 2013</b>	<b>Total 2012</b>
<b>Revenue, support and other changes</b>					
Sales to Agencies	\$ 382,390	\$ -	\$ -	\$ 382,390	\$ 340,281
Less - food purchases	(504,921)	-	-	(504,921)	(721,670)
Gross loss	(122,531)	-	-	(122,531)	(381,389)
Contributions					
General - net of expense	1,548,254	1,141,822	-	2,690,076	2,587,166
Grants	773,515	980,404	-	1,753,919	1,571,903
Special events revenue - net of expenses	744,029	20,758	-	764,787	911,992
Program fees	258,117	-	-	258,117	322,552
USDA handling fees	115,737	-	-	115,737	188,456
United Way support	41,352	372,232	-	413,584	485,724
Donated goods and services	65,733	-	-	65,733	68,769
Thrift store sales - net of purchases	136,985	-	-	136,985	141,251
Realized and unrealized gains (losses) - net	129,146	2,449	-	131,595	(37,856)
Rental income	90,535	-	-	90,535	91,322
Dividends and interest	25,563	3,608	-	29,171	33,805
Other revenue	22,239	-	-	22,239	21,287
Gain on disposal of property and equipment	2,000	-	-	2,000	-
	3,830,674	2,521,273	-	6,351,947	6,004,982
Net assets released from restrictions	2,385,336	(2,385,336)	-	-	-
<b>Total revenues, gains, and other support</b>	<b>6,216,010</b>	<b>135,937</b>	<b>-</b>	<b>6,351,947</b>	<b>6,004,982</b>
<b>Expenses</b>					
Program services	3,694,903	-	-	3,694,903	3,059,988
Fundraising	808,193	-	-	808,193	744,098
Depreciation expense	436,167	-	-	436,167	396,677
Management and general	274,410	-	-	274,410	261,743
	5,213,673	-	-	5,213,673	4,462,506
<b>Increase in net assets before donated food transactions</b>	<b>1,002,337</b>	<b>135,937</b>	<b>-</b>	<b>1,138,274</b>	<b>1,542,476</b>
Donated food received	21,525,046	-	-	21,525,046	21,546,728
Donated food distributed	(21,197,610)	-	-	(21,197,610)	(21,811,318)
Inventory adjustments	(361,797)	-	-	(361,797)	(140,764)
<b>Net donated food transactions</b>	<b>(34,361)</b>	<b>-</b>	<b>-</b>	<b>(34,361)</b>	<b>(405,354)</b>
<b>Increase in net assets</b>	<b>967,976</b>	<b>135,937</b>	<b>-</b>	<b>1,103,913</b>	<b>1,137,122</b>
<b>Net assets - beginning of year</b>	<b>10,164,518</b>	<b>598,932</b>	<b>249,742</b>	<b>11,013,192</b>	<b>9,876,070</b>
<b>Net assets - end of year</b>	<b>\$ 11,132,494</b>	<b>\$ 734,869</b>	<b>\$ 249,742</b>	<b>\$ 12,117,105</b>	<b>\$ 11,013,192</b>

*The accompanying notes are an integral part of these financial statements.*

# Foodbank of Southeastern Virginia

## Statement of Cash Flows

<b>Year Ended June 30, 2013 with Comparative Totals for 2012</b>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 1,103,913	\$ 1,137,122
Adjustments to reconcile to net cash from operating activities:		
Donated food received, distributed and undistributable - net	(354,772)	178,073
Depreciation	436,167	396,677
Reinvestment of earnings on investments	(24,130)	(24,670)
Net realized and unrealized (gains) losses on investments	(131,595)	37,856
Receipt of donated property, equipment and services	(63,633)	(64,231)
Gain on disposal of property and equipment	(2,000)	-
Change in:		
Accounts and grants receivable	171,205	(158,826)
Purchased food inventory	(12,321)	(106,755)
Thrift store inventory - net	(7,740)	6,152
Prepaid expenses	48,642	(82,962)
Accounts payable	193,298	(176,715)
Accrued payroll and payroll taxes	80,973	(84,584)
Other current liabilities	(33,719)	33,719
<b>Net cash from operating activities</b>	<b>1,404,288</b>	<b>1,090,856</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,163,524)	(230,278)
Proceeds from sale of property and equipment	2,000	-
Proceeds from sale of investments and transfers to operating cash	179,861	80,778
Purchase of investments	(180,394)	(189,677)
<b>Net cash used in investing activities</b>	<b>(1,162,057)</b>	<b>(339,177)</b>
<b>Cash flows from financing activities</b>		
Capital lease payments	(15,847)	(13,319)
<b>Net change in cash and cash equivalents</b>	<b>226,384</b>	<b>738,360</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>3,994,856</b>	<b>3,256,496</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 4,221,240</b>	<b>\$ 3,994,856</b>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	\$ 4,223	\$ 3,615
<b>Supplemental disclosure of noncash investing and financing activities</b>		
Equipment financed through a lease	\$ -	\$ 57,191
Equipment financed through a lease disposed	\$ -	\$ 17,350
Noncash food donations	\$ 21,525,046	\$ 21,546,728

The accompanying notes are an integral part of these financial statements.

# *Foodbank of Southeastern Virginia*

## *Notes to Financial Statements*

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**June 30, 2013 with Comparative Totals for 2012**

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### **1. Organization and Nature of Activities**

*Foodbank of Southeastern Virginia* (Foodbank) was organized and incorporated in March 1981 for the purpose of collecting and distributing food to nonprofit organizations, which provide for the ill, the needy, and infants at no cost, in the South Hampton Roads area of Virginia. Its activities also include the Foodbank and Thrift Store on Virginia's Eastern Shore, Justine's Clothes Bank, the Mobile Pantry program, the BackPack Program, and Kids Cafe®, a program of Feeding America. The Foodbank promotes food recovery; acquires and distributes food, clothing and related products; and provides community leadership and education on issues of hunger and poverty. The Foodbank's mission is "Leading the effort to eliminate hunger in our community."

The Foodbank was granted tax-exempt status on March 17, 1981 under Internal Revenue Code Section 501(c)(3) and, accordingly, does not pay federal or state income taxes on its increase in net assets. For income tax purposes, in-kind as well as monetary donations to the Foodbank are eligible for the charitable contribution deduction by the donor, subject to relevant provisions of the Code.

The Foodbank's operations include the following programs:

*Food Distribution Programs - South Hampton Roads and Eastern Shore* - The Food Distribution Programs solicit donated food from food producers, retailers, and individuals. The food is sorted and stored until distributed to member agencies of the Foodbank, who then distribute the food, at no charge, to needy individuals and families. A shared maintenance fee may be charged to the member agencies to help offset expenses incurred in the collection, storage, and distribution of the food. The Food Rescue Program is an effort to collect prepared and perishable food from area grocery stores, restaurants, hotels, caterers, country clubs, and hospitals to distribute immediately to the hungry at on-site feeding agencies.

*The Emergency Food Assistance Program (TEFAP)* - The Foodbank has contracted with the Virginia Department of Agriculture and Consumer Services (VDACS) to participate in The Emergency Food Assistance Program administered by the U.S. Department of Agriculture (USDA). The objective of the TEFAP program is to provide USDA commodities to low-income households for consumption and to provide hot meals prepared from USDA commodities to needy persons in congregated settings. The Foodbank receives USDA commodities from VDACS and has subcontracted with numerous emergency feeding organizations, usually religious organizations and other not-for-profit organizations, to distribute the food. In addition, Foodbank staff conducts mass distributions in some locales based upon need. All recipients of these federal commodities are required to sign self-declaration of income forms to verify eligibility. This program is included in donated food transactions in the accompanying statements of activities.

*Mobile Pantry Program* - This new system of distribution serves food to our neediest communities, while coordinating with our partner agencies and other social service organizations to determine delivery locations. This program provides food to individuals who either could not travel to an agency, or their local agency was at-capacity.

*BackPack Program* - BackPack Program is a nationally-recognized program that distributes nutritious food to children at the end of the school day, before weekends and/or school breaks. Students are identified by school personnel as being food insecure by a variety of criteria.

*Kids Cafe* - Kids Cafe is a national program founded by Feeding America, a national domestic hunger relief organization and food bank network, to solve a nationwide problem of child hunger. The Foodbank and various agencies of South Hampton Roads have joined together to provide children with a free nutritious evening meal in a safe and supportive environment.

*Justine's Clothes Bank* - The Clothes Bank provides vouchers to needy individuals to be used for the purchase of new clothing and shoes. It is partially supported by the earnings from a permanently restricted endowment fund established for this purpose.

*Eastern Shore Thrift Store* - The Foodbank on Virginia's Eastern Shore operates a thrift store in which donated merchandise is sold. This program also provides free goods for families in emergencies. The Thrift Store helps to support the Eastern Shore Food Distribution Program.

## 2. **Summary of Significant Accounting Policies**

### **Comparative Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foodbank's financial statements for 2012, from which the summarized information was derived.

### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

The Foodbank is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The classes of net assets are described as follows:

**Unrestricted amounts** are those currently available at the discretion of the Foodbank's Board of Directors for use in the Foodbank's operations.

**Temporarily restricted amounts** are limited by donor imposed time restrictions or purpose restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions are reported as unrestricted support if the restrictions are met in the same reporting period.

**Permanently restricted amounts** are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

## **Public Support and Revenue**

Contributions are generally available for unrestricted use unless specifically restricted by the donor. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Foodbank recognizes revenue from various governmental localities when the award notice has been received.

## **Cash Equivalents**

The Foodbank considers all highly liquid debt securities purchased with an original maturity of fourteen months or less to be cash equivalents.

## **Accounts Receivable**

Accounts and grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. Accounts receivable represent amounts due from various agencies under the Foodbank's shared maintenance fee program. Based on management's assessment of the credit history with clients having outstanding balances and current relationships with them, management provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivables previously written off are recorded when received. For the years ended June 30, 2013 and 2012, management has established an allowance for uncollectible accounts of \$2,785 and \$3,500, respectively.

## **United Way and Pledge Receivables**

United Way and pledge receivables are stated at the amount management expects to collect from balances outstanding at year-end. These receivables represent amounts due from United Way and other agencies, corporations and foundations. Management believes that all of these receivables are fully collectible; therefore, no provision for doubtful accounts has been made. Receivables due in the next year are reflected as current receivables and are recorded at their net realizable value. Receivables due in subsequent years are reflected as long-term receivables and are recorded at the present value of their net realizable value, using risk adjusted interest rates applicable to the years in which the amounts are expected to be received to discount the amounts.

## **Property and Equipment**

Acquisitions of property and equipment are recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. The Foodbank's policy is to capitalize property and equipment purchased with a cost of \$1,000 or greater. Depreciation is provided by the straight-line method over estimated useful lives of each class of depreciable assets as follows:

Buildings and improvements	5 - 40 years
Office equipment and computer software	3 - 5 years
Warehouse equipment	5 - 10 years
Vehicles	5 years

## **Investment Securities**

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

## **Beneficial Interest in Assets Held By Others**

Beneficial interest in assets held by other are investments that are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

## **Inventory**

USDA food inventory and food received, distributed and undistributable are stated at the value determined by the USDA for each commodity item on an annual basis. The commodity values are obtained from the USDA website which is considered to be a reasonable basis upon which to estimate these amounts. Inventory purchased by the Foodbank is recorded at cost and is charged to operations using the first-in, first-out method.

Non-USDA donated food inventory and donated food received, distributed and undistributable are stated at estimated fair value determined by reference to a study commissioned by Feeding America. That study presents the average wholesale value of products donated to the network and is considered to be a reasonable basis upon which to estimate these amounts. For the years ended June 30, 2013 and 2012, the average wholesale value of products per this study was \$1.69 per pound. Undistributable food for the years ended June 30, 2013 and 2012 was \$812,255 and \$726,698, respectively.

Merchandise inventory at the Eastern Shore Thrift Store is recorded at its estimated fair value. The increase or decrease in this inventory is presented as contributions in the accompanying statements of activities.

## **Functional Expenses**

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

## **Advertising Costs**

The Foodbank expenses advertising costs as they are incurred. Advertising expense was \$14,211 and \$12,789 for 2013 and 2012, respectively.

## **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

## **Donated Services**

The Foodbank utilizes a substantial amount of volunteer and subsidized labor in its daily operations. The availability of such cost-free and reduced-cost labor has allowed the Foodbank to expand its programs and services beyond what might otherwise have been possible. The Foodbank does not recognize contributed labor as revenue because these services do not meet the accounting standards for recognition.

## **Concentrations and Credit Risk**

Financial instruments which potentially subject the Foodbank to concentration of credit risk consist principally of cash and cash equivalents, investments, and accounts receivable. The Foodbank places its cash and cash equivalents and investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution. The balances are insured by the Federal Deposit Insurance Corporation. There were no uninsured balances on deposit at June 30, 2013 and 2012. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of grantors comprising the Foodbank's grant base.

The Foodbank received approximately 62% and 61% of its donated food products directly or indirectly from Feeding America for the years ended June 30, 2013 and 2012, respectively.

## **Income Taxes**

The Foodbank is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foodbank has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2013. Fiscal years ending on or after June 30, 2010 remain subject to examination by federal and state tax authorities.

## **Subsequent Events**

In preparing these financial statements, the Foodbank has evaluated events and transactions for potential recognition or disclosure through December 30, 2013, the date the financial statements were available to be issued.

### 3. Investments and Beneficial Interest in Assets Held by Others

The Organization has an agency fund held by the United Way of South Hampton Roads Foundation (UWSHRF). The Organization retains variance power for these funds and can withdraw them at any time.

Investments, including beneficial interest in assets held by others, are summarized as follows:

	<b>2013</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain</b>
Mutual funds	\$ 521,456	\$ 569,556	\$ 48,100
Common stock	770,878	921,701	150,823
Beneficial interest in assets held by others	35,078	53,050	17,972
Total investments	<u>\$ 1,327,412</u>	<u>\$ 1,544,307</u>	<u>\$ 216,895</u>

The following schedule summarizes the investment return in the statement of activities for 2013:

Interest and dividends	\$ 29,171
Unrealized/realized gains	<u>131,595</u>
Total investment return	<u>\$ 160,766</u>

	<b>2012</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain</b>
Mutual funds	\$ 478,576	\$ 494,524	\$ 15,948
Common stock	732,000	843,657	111,657
Beneficial interest in assets held by others	35,078	49,868	14,790
Total investments	<u>\$ 1,245,654</u>	<u>\$ 1,388,049</u>	<u>\$ 142,395</u>

The following schedule summarized the investment return in the statement of activities for 2012.

Interest and dividends	\$ 33,805
Unrealized/realized losses	<u>(37,856)</u>
Total investment return	<u>\$ (4,051)</u>

#### 4. United Way and Pledge Receivables

United Way and pledge receivables are as follows:

	<u>2013</u>	<u>2012</u>
Due in less than one year	\$ 699,859	\$ 856,631
Due in one to five years	10,000	20,000
Total United Way and other receivables	<u>709,859</u>	<u>876,631</u>
Less - discounts to net present value	<u>(912)</u>	<u>(1,526)</u>
Net United Way and pledge receivable	<u>\$ 708,947</u>	<u>\$ 875,105</u>

For 2013 and 2012, discount rates used on long-term pledges were 3.24% and 3.17%, respectively.

#### 5. Property and Equipment

Major classes of property and equipment consisted of the following:

	<u>2013</u>	<u>2012</u>
Land and construction in progress	\$ 1,148,688	\$ 408,618
Buildings and improvements	4,862,970	4,798,035
Office equipment and computer software	501,151	501,151
Warehouse equipment	561,557	474,329
Vehicles	<u>1,223,079</u>	<u>906,154</u>
	8,297,445	7,088,287
Less - accumulated depreciation	<u>(3,431,071)</u>	<u>(3,012,903)</u>
	<u>\$ 4,866,374</u>	<u>\$ 4,075,384</u>

Included in land and construction in progress at June 30, 2013 is \$908,048 in construction in progress, which consists of \$86,777 of capitalized architecture and \$8,900 of electrical services donated to the Foodbank for a construction project, and \$812,371 of facility and building costs not fully completed at June 30, 2013.

## 6. Capital Leases

Long-term liabilities are summarized as follows:

	<u>2013</u>	<u>2012</u>
Monthly payments of \$1,073 including interest at 4.75% through fiscal year 2017, secured by copy machine	\$ 43,240	\$ 53,785
Monthly payments of \$200 including interest at 5% through fiscal year 2016, secured by copy machine	4,928	7,030
Monthly payments of \$314 including interest at 5% through fiscal year 2016, secured by copy machine	<u>9,671</u>	<u>12,871</u>
	<u>\$ 57,839</u>	<u>\$ 73,686</u>

Interest expense charged to operations related to these capital leases for 2013 and 2012 was \$3,202 and \$2,702, respectively.

Future minimum lease payments are as follows:

2014	\$ 19,049
2015	19,049
2016	16,102
2017	<u>8,581</u>
	62,781
Less - imputed interest	<u>(4,942)</u>
Present value of net minimum lease payments	57,839
Less - current portion	<u>(16,630)</u>
	<u>\$ 41,209</u>

## 7. Lease Obligations

The Foodbank's rental income is received under three operating leases of a portion of its facility expiring in fiscal year 2014. Total future rentals on these operating leases are \$55,330.

Various items of equipment are leased on an as-needed basis, primarily for use in transporting food. There are no long-term commitments associated with such leases.

## 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Foodbank programs	\$ 727,186	\$ 596,533
Justine's Clothes Bank	<u>7,683</u>	<u>2,399</u>
	<u>\$ 734,869</u>	<u>\$ 598,932</u>

Temporarily restricted net assets included contributions to the Sukoff Memorial Fund. These temporarily restricted net assets were \$28,277 for 2013 and 2012.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2013</u>	<u>2012</u>
Foodbank programs	\$ 1,863,181	\$ 2,290,232
BackPack and Kids Café Programs	518,547	227,560
Justine’s Clothes Bank	3,608	5,550
	<u>\$ 2,385,336</u>	<u>\$ 2,523,342</u>

**9. Permanently Restricted Net Assets**

Permanently restricted net assets consist of contributions to Justine’s Clothes Bank fund. Contributions are permanently invested and the earnings are temporarily restricted to be used to support the operations of Justine’s Clothes Bank. At June 30, 2013 and 2012, these permanently restricted net assets were \$249,742.

**10. Retirement Plan**

The Foodbank sponsors 401(a) and 403(b) plans covering substantially all employees who had attained age 21, been employed for at least one year, and who worked a minimum of 1,000 hours annually. Employee contributions are matched up to the first 5% of their compensation. In addition, a discretionary contribution may be made by the Foodbank at the end of the fiscal year upon approval by the Board of Directors. These plans were restated July 1, 2009 to comply with the new 403(b) ERISA requirements. The employer match is now being deposited into the 403(b) plan due to this restatement. Total costs under these plans for 2013 and 2012 was \$88,802 and \$86,155, respectively.

**11. Fundraising Events**

The Foodbank conducts or is the recipient of several annual fundraising events as follows:

“Taste of Hampton Roads” and “Taste of Eastern Shore” raises funds through sponsorships, auction sales and ticket sales. Local chefs and restaurants donate their talent, time and specialties to this event. Expenses include banquet charges, licenses and advertising.

“Legal Food Frenzy” is an event that is sponsored by the Norfolk and Portsmouth Bar Association. Law professionals donate their time to collect cash and nonperishable food donations. The event is held for two weeks in March or April.

“Mayflower Marathon” is an event promoted by local radio stations requesting listeners to donate cash and canned food to the Foodbank. The Foodbank incurs minimal costs associated with this event.

“Art Auction” raises funds through ticket sales and sales of art donated by local artists. The artists utilize donated items from the Thrift Store to create pieces of art to auction. Expenses include facility rental and advertising.

“Music for the Hungry” is a day-long outdoor music festival sponsored and promoted by local musicians and corporations. Net proceeds benefit the Eastern Shore branch of the Foodbank. Expenses include advertising and promotional items.

The results of these and other fundraising events conducted during 2013 and 2012 are summarized as follows:

	<b>2013</b>		
	<b>Gross Revenues</b>	<b>Gross Expenses</b>	<b>Net Profit</b>
Cause Marketing	\$ 212,001	\$ -	\$ 212,001
Taste of Hampton Roads	361,262	168,796	192,466
Canned food and fund drives	169,694	8,054	161,640
Mayflower Marathon	99,311	7,306	92,005
Legal Food Frenzy	91,707	11,766	79,941
All Other Events	27,961	7,451	20,510
Taste of Eastern Shore	7,445	1,221	6,224
<b>Total special events</b>	<b>\$ 969,381</b>	<b>\$ 204,594</b>	<b>\$ 764,787</b>

	<b>2012</b>		
	<b>Gross Revenues</b>	<b>Gross Expenses</b>	<b>Net Profit</b>
Canned food and fund drives	\$ 315,700	\$ 593	\$ 315,107
Cause Marketing	298,487	210	298,277
Taste of Hampton Roads	270,293	143,893	126,400
Mayflower Marathon	76,654	8,096	68,558
Legal Food Frenzy	76,055	9,112	66,943
Music For The Hungry	28,900	11,287	17,613
All Other Events	15,191	1,644	13,547
Art Auction	15,817	10,270	5,547
<b>Total special events</b>	<b>\$ 1,097,097</b>	<b>\$ 185,105</b>	<b>\$ 911,992</b>

## 12. United Way Fundraising Costs

The Foodbank’s proportionate share of the United Way of South Hampton Roads’ fundraising costs in 2013 and 2012 was \$38,851 and \$34,469, respectively.

## 13. Related Party Transactions

During 2013 and 2012, the Foodbank contracted with a payroll reporting service company, which is owned by a member of its Board of Directors. Expenses incurred for the service were \$7,972 and \$6,033 for 2013 and 2012, respectively.

A member of the board assisted the Foodbank in establishing the Board Restricted Endowment Fund and receives a commission of approximately 1/5% of the average balance of the fund annually. This member does not make the day-to-day investment decisions concerning the fund.

#### 14. Fair Value Measurements

The Foodbank defines fair value as 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 and establishes a framework for measuring fair value. Accounting standards establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Current accounting standards expands disclosures about instruments measured at fair value and applies to the other accounting pronouncements that require or permit fair value measurements.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Foodbank has the ability to access.
Level 2	Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of June 30, 2013, by caption on the statement of financial position by the valuation hierarchy defined previously:

	Level 1	Level 2	Level 3	Total
<b>Mutual funds</b>				
Fixed income	\$ 182,986	\$ -	\$ -	\$ 182,986
Equity	386,570	-	-	386,570
<b>Exchange Traded Funds</b>				
Domestic sector funds	318,551	-	-	318,551
Bond funds	246,286	-	-	246,286
Blended funds	232,743	-	-	232,743
Foreign markets	124,121	-	-	124,121
<b>Beneficial interest in assets held by others</b>	-	-	53,050	53,050
	<b>\$ 1,491,257</b>	<b>\$ -</b>	<b>\$ 53,050</b>	<b>\$ 1,544,307</b>

The following table presents the financial instruments carried at fair value as of June 30, 2012, by caption on the statement of financial position by the valuation hierarchy defined previously:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Mutual funds</b>				
Fixed income	\$ 158,535	\$ -	\$ -	\$ 158,535
Equity	355,454	-	-	355,454
<b>Exchange Traded Funds</b>				
Domestic sector funds	265,670	-	-	265,670
Bond funds	230,618	-	-	230,618
Blended funds	197,436	-	-	197,436
Foreign markets	130,468	-	-	130,468
<b>Beneficial interest in assets held by others</b>				
	-	-	49,868	49,868
	<u>\$ 1,338,181</u>	<u>\$ -</u>	<u>\$ 49,868</u>	<u>\$ 1,388,049</u>

Fair value for Level 3 primarily consists of the funds invested in an agency fund managed by the United Way of South Hampton Roads Foundation. These pooled funds consist of equities and other securities that have active markets as well as alternative investments that do not have readily determinable fair values. Collectively however, the Organization's investments in the United Way of South Hampton Roads Foundation cannot be traded on active markets. The fair values of the alternative investments that do not have readily determinable fair values are determined by the investment managers and are based on audited financial statements provided to the investment managers or are based on historical cost, appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Changes in level 3 instruments during the year are shown below. The Organization recognizes transfers between the levels as of the beginning of the reporting period.

The following table summarizes the changes to Level 3 instruments, which include the beneficial interest in assets held by others, for the years ending June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Fair value, beginning of year	\$ 49,868	\$ 26,391
Net additions and purchases	3,182	25,933
Net withdrawals	-	-
Net realized and unrealized gains and losses	-	(2,456)
Fair value, end of year	<u>\$ 53,050</u>	<u>\$ 49,868</u>

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foodbank believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

## 15. Endowment

In August 2008, accounting standards provided guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. In 2008, the State of Virginia adopted UPMIFA. The adoption of UPMIFA had no effect on accounting for the Foodbank's endowment.

The Foodbank's permanently restricted endowment consists of one individual fund established for the purpose of providing vouchers to needy individuals to be used for the purchase of new clothing and shoes, which is donor-restricted. The unrestricted endowment consists of a board restricted endowment fund. Net assets associated with these funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foodbank have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foodbank classifies as permanently net restricted assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foodbank considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Foodbank and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and appreciation of investments.
- (6) Other resources of the Foodbank.
- (7) The investment policies of the Foodbank.

At June 30, 2013, the endowment net asset consisted of the following:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted funds - investment	\$ -	\$ 6,832	\$ 249,742	\$ 256,574
Donor-restricted funds - cash	-	1,625	-	1,625
Board-restricted funds - investment	941,398	-	-	941,398
	<u>\$ 941,398</u>	<u>\$ 8,457</u>	<u>\$ 249,742</u>	<u>\$ 1,199,597</u>

Changes in endowment net assets for the fiscal year ended June 30, 2013, consisted of the following:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets - beginning of year	\$ 826,088	\$ 2,399	\$ 249,742	\$ 1,078,229
Investment return:				
Investment income	10,570	6,054	-	16,624
Net appreciation (realized and unrealized)	104,740	2,449	-	107,189
Total investment income	115,310	8,503	-	123,813
Appropriation of endowment assets for expenditure	-	(2,445)	-	(2,445)
Endowment net assets - end of year	\$ 941,398	\$ 8,457	\$ 249,742	\$ 1,199,597

At June 30, 2012, the endowment net asset consisted of the following:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted funds - investment	\$ -	\$ (17,569)	\$ 249,742	\$ 232,173
Interfund borrowing	(17,569)	17,569	-	-
Donor-restricted funds - cash	-	2,399	-	2,399
Board-restricted funds - investment	843,657	-	-	843,657
	\$ 826,088	\$ 2,399	\$ 249,742	\$ 1,078,229

Changes in endowment net assets for the fiscal year ended June 30, 2012, consisted of the following:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets - beginning of year	\$ 731,941	\$ 1,960	\$ 249,742	\$ 983,643
Investment return:				
Investment income	12,232	7,843	-	20,075
Net depreciation (realized and unrealized)	(23,085)	(5,573)	-	(28,658)
Total investment gain	(10,853)	2,270	-	(8,583)
Contributions (transfers)	105,000	-	-	105,000
Appropriation of endowment assets for expenditure	-	(1,831)	-	(1,831)
Endowment net assets - end of year	\$ 826,088	\$ 2,399	\$ 249,742	\$ 1,078,229

The Foodbank has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foodbank must hold in perpetuity as well as board-designated funds. Under the investment policy, the endowment assets are invested in a manner that will build the assets sufficient to support the mission of the Foodbank. The Foodbank's spending policy with respect to the fund is to spend the interest earned on the investment of the funds on expenses related to the fund.

From time-to-time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor and UPMIFA requires the Foodbank to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$0 and \$17,569 as of June 30, 2013 and 2012, respectively, and are reported as an interfund borrowing. These deficiencies resulted from unfavorable market fluctuations that occurred after investment of permanently restricted contributions.

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*Foodbank of Southeastern Virginia*

*Supplementary Information*

*June 30, 2013*

*Foodbank of Southeastern Virginia*

*Schedule of Functional Expenses*

**Year Ended June 30, 2013 with Comparative Totals for 2012**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total 2013</b>	<b>Total 2012</b>
<b>Personnel expense</b>					
Salaries and wages	\$ 1,459,882	\$ 162,586	\$ 474,064	\$ 2,096,532	\$ 1,996,220
Employee benefits	340,787	25,033	67,004	432,824	461,930
Payroll taxes	113,166	13,215	36,175	162,556	158,046
<b>Total personnel expense</b>	<b>1,913,835</b>	<b>200,834</b>	<b>577,243</b>	<b>2,691,912</b>	<b>2,616,196</b>
Program supplies	1,164,087	-	4,718	1,168,805	602,521
Occupancy	214,566	7,138	31,276	252,980	273,016
Transportation and freight	161,176	-	-	161,176	147,391
Professional fees	7,344	28,277	42,823	78,444	65,446
Office and computer supplies	40,384	4,800	32,558	77,742	42,639
Insurance	59,246	5,291	11,935	76,472	61,211
Bank charges	226	678	47,570	48,474	43,356
Staff development	22,376	9,065	13,531	44,972	36,773
Equipment maintenance	34,005	1,076	1,836	36,917	42,553
Telephone	27,038	2,862	6,038	35,938	34,157
Printing and advertising	3,691	528	19,620	23,839	26,801
Travel	17,605	1,018	2,872	21,495	19,395
Membership dues	15,366	1,829	4,066	21,261	22,302
Postage	3,955	32	10,829	14,816	17,026
Uniforms	8,355	737	863	9,955	3,155
Miscellaneous	(892)	8,982	(5)	8,085	8,276
Interest	2,540	1,263	420	4,223	3,615
<b>Total expenses before depreciation</b>	<b>3,694,903</b>	<b>274,410</b>	<b>808,193</b>	<b>4,777,506</b>	<b>4,065,829</b>
Depreciation	436,167	-	-	436,167	396,677
<b>Total expenses, excluding donated food</b>	<b>4,131,070</b>	<b>274,410</b>	<b>808,193</b>	<b>5,213,673</b>	<b>4,462,506</b>
<b>Donated food transactions</b>					
Donated food received	21,525,046	-	-	21,525,046	21,546,728
Donated food distributed	(21,197,610)	-	-	(21,197,610)	(21,811,318)
Inventory adjustments	(361,797)	-	-	(361,797)	(140,764)
<b>Net donated food transactions</b>	<b>(34,361)</b>	<b>-</b>	<b>-</b>	<b>(34,361)</b>	<b>(405,354)</b>
<b>Total expenses</b>	<b>\$ 4,165,431</b>	<b>\$ 274,410</b>	<b>\$ 808,193</b>	<b>\$ 5,248,034</b>	<b>\$ 4,867,860</b>

*See independent auditors' report.*

*Foodbank of Southeastern Virginia*

*Schedule of Expenditures of Federal Awards*

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**Year Ended June 30, 2013**

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<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture Pass-Through from State</b>		
<u>Virginia Department of Agriculture and Consumer Services Pass Through Entity ID Number - 67-400</u>		
Food Distribution Cluster		
Food commodities value (non-cash)	10.569	\$ 1,431,440
Administrative costs (reimbursement claims)	10.568	<u>115,737</u>
Total Emergency Food Assistance Program		<u>1,547,177</u>
<u>Virginia Department of Health Pass Through Entity ID Number - 59351</u>		
Summer Food Service Program For Children		
Summer Feeding Program	10.559	<u>146,627</u>
<u>Virginia Department of Health Pass Through Agreement Number - 59326</u>		
Child and Adult Care Food Program (Kids' Cafe)	10.558	<u>599,458</u>

***Foodbank of Southeastern Virginia***

***Schedule of Expenditures of Federal Awards***

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**Year Ended June 30, 2013**

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**U.S. Department of Homeland Security  
Pass-Through from Various Cities**

Emergency Food and Shelter National Board Program

Norfolk (882400-007)		4,889
Isle of Wight (867400-002)		536
Portsmouth (883200-004)		1,406
Accomack (858400-002)		2,960
Suffolk (884600-004)		1,803
Northampton (870800-002)		6,051
Chesapeake (878400-004)		2,797
Virginia Beach (884800-001)		<u>6,987</u>
Total Emergency Food and Shelter National Board Program	97.024	<u>27,429</u>

**U.S. Department of Housing and Urban Development  
Pass-Through from City**

City of Norfolk Pass Through Entity ID Number 32-000011456		
<u>Community Development Block Grant</u>	14.218	<u>29,225</u>
		<u>\$ 2,349,916</u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the organization under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Nonprofit Organizations*. Because the schedule presents only a selected portion of the operations of the Foodbank of Southeastern Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foodbank of Southeastern Virginia.

*Foodbank of Southeastern Virginia*

*Schedule of Expenditures of Federal Awards*

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**Year Ended June 30, 2013**

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**Note 2 - Subrecipients**

The Foodbank provided federal awards (in the form of food commodities) to various subrecipient agencies as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
The Emergency Food Assistance Program		
Food commodities value	10.569	\$ 1,079,572

**Note 3 - Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. At June 30, 2013, the Foodbank had food commodities of \$448,891 in inventory.

*Foodbank of Southeastern Virginia*

*Schedule of Findings and Questioned Costs*

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**Year Ended June 30, 2013**

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**1. Summary of Auditors' Results**

**Financial Statements**

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- There were no material weaknesses identified.
- There were no significant deficiencies identified.

The audit did not disclose any material noncompliance.

**Federal Awards**

Internal control over major programs:

- There were no material weaknesses identified.
- There were no significant deficiencies identified.

An unmodified opinion was issued on compliance for major programs.  
The audit did not disclose audit findings required to be reported.  
The major program is The Food Distribution Cluster – CFDA # 10.568 and 10.569.  
The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.  
The auditee qualified as a low risk auditee.

**2. Findings related to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards (GAGAS).**

None

**3. Findings and Questioned Costs for Federal Awards**

None

*Foodbank of Southeastern Virginia*

*Summary Schedule of Prior Audit Findings*

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**Year Ended June 30, 2012**

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2012-1 The Child and Adult Care Food Program (CFDA # 10.558)

Condition: The population tested was ten monthly reimbursement claims, and the sample was two reimbursement claims. Meals reported to the Virginia Department of Health for reimbursements were overstated in one instance. For one claim tested, one of the twenty Kids' Cafe sites included a clerical error, resulting in an overstatement of twenty meals served. The effect of this overstatement was an approximately \$60 overpayment to Foodbank for meals, which is not material to this program.

Recommendation: There should be a review over reporting to ensure that the meals and snacks reported by Kids' Cafe sites agrees to the summary spreadsheet that is used for monthly reporting to the Virginia Department of Health.

Current Status: The Organization implemented a review process over reporting. No similar findings were noted in the 2013 audit.

*Foodbank of Southeastern Virginia*

*Compliance Reports*

*June 30, 2013*



***Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards***

Board of Directors  
***Foodbank of Southeastern 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 ***Foodbank of Southeastern Virginia***, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered ***Foodbank of Southeastern Virginia'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 ***Foodbank of Southeastern Virginia's*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***Foodbank of Southeastern Virginia's*** internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether *Foodbank of Southeastern Virginia's* financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

*Dixon Hughes Goodman LLP*

Norfolk, Virginia  
December 30, 2013



***Independent Auditors' Report on Compliance for  
Each Major Program and on Internal Control  
Over Compliance Required by OMB Circular A-133***

Board of Directors  
***Foodbank of Southeastern Virginia***

***Report on Compliance for Each Major Federal Program***

We have audited ***Foodbank of Southeastern Virginia's*** compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on ***Foodbank of Southeastern Virginia's*** major federal program and the related direct and material compliance requirements for the year ended June 30, 2013. ***Foodbank of Southeastern Virginia's*** major federal program is identified in the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for ***Foodbank of Southeastern Virginia's*** major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ***Foodbank of Southeastern Virginia's*** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Major Federal Program***

In our opinion, ***Foodbank of Southeastern Virginia*** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

## ***Report on Internal Control Over Compliance***

Management of ***Foodbank of Southeastern Virginia*** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ***Foodbank of Southeastern Virginia's*** internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ***Foodbank of Southeastern Virginia's*** internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

Norfolk, Virginia  
December 30, 2013