

# **Feeding Southwest Virginia**

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**Financial Statements**

**Years Ended June 30, 2023 and 2022**

# Feeding Southwest Virginia

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## Table of Contents

<b>Independent Auditors' Report</b> .....	1-3
<b>Financial Statements:</b>	
Statements of Financial Position .....	4
Statements of Activities .....	5-6
Statements of Cash Flows .....	7
Statements of Functional Expenses .....	8-9
Notes to Financial Statements .....	10-19
<b>Compliance Section:</b>	
Schedule of Expenditures of Federal Awards .....	20
Notes to Schedule of Expenditures of Federal Awards .....	21
<b>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 <i>Government Auditing Standards</i></b> .....	22-23
<b>Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance</b> .....	24-26
Schedule of Findings, Questioned Costs and Response .....	27
<b>Supplementary Information:</b>	
Schedule of Food Received and Distributed .....	28



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**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of Feeding Southwest Virginia (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Feeding Southwest Virginia as of June 30, 2023, and June 30, 2022, 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.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Feeding Southwest Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Feeding Southwest Virginia's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Feeding Southwest Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Feeding Southwest Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information and 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*, is presented for purposes of additional analysis and is 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 schedule of

expenditures of federal awards 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 September 29, 2023, on our consideration of Feeding Southwest Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Feeding Southwest Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Feeding Southwest Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
September 29, 2023

## ***Financial Statements***

**Feeding Southwest Virginia**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,365,617	\$ 8,323,764
Receivables (Note 2)	987,565	662,686
Prepaid expenses	13,557	4,909
Investments in treasury funds, notes and CDs (Note 13)	3,361,691	-
Inventory (Note 3)	<u>838,302</u>	<u>1,267,162</u>
Total current assets	8,566,732	10,258,521
Cash restricted for acquisition of property and equipment	75,000	80,000
Cash restricted for endowment	4,870	56,643
Reserve funds (Note 4)	103,524	113,284
Investments in treasury notes and CDs (Note 13)	2,808,959	-
Investments in endowment (Note 11)	282,147	199,368
Property and equipment, net (Note 5)	<u>6,466,308</u>	<u>6,359,241</u>
Total assets	<u>\$ 18,307,540</u>	<u>\$ 17,067,057</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 209,918	\$ 313,196
Accrued expenses	212,914	185,029
Current portion of deferred revenue	303,072	105,057
Grants due agencies	25,316	10,000
Current portion of long-term debt (Note 7)	<u>105,439</u>	<u>116,854</u>
Total current liabilities	856,659	730,136
Long-term deferred revenue	134,166	169,166
Long-term debt (Note 7)	<u>3,332,393</u>	<u>3,435,888</u>
Total liabilities	<u>4,323,218</u>	<u>4,335,190</u>
Net assets:		
Without donor restrictions:		
Undesignated	10,728,055	10,195,444
Designated - operating reserve (Note 8)	<u>2,200,000</u>	<u>1,600,000</u>
Total without donor restrictions	<u>12,928,055</u>	<u>11,795,444</u>
With donor restrictions (Note 8)	<u>1,056,267</u>	<u>936,423</u>
Total net assets	<u>13,984,322</u>	<u>12,731,867</u>
Total liabilities and net assets	<u>\$ 18,307,540</u>	<u>\$ 17,067,057</u>

See accompanying notes.

**Feeding Southwest Virginia**  
**Statements of Activities**  
**Years Ended June 30, 2023 and 2022**

	2023		
	Without donor restrictions	With donor restrictions	Total
Revenues and support:			
Contributions - monetary	\$ 4,260,064	\$ 1,243,497	\$ 5,503,561
Contributions - in-kind	367	-	367
Grants	2,942,321	-	2,942,321
USDA reimbursements	975,080	-	975,080
Other handling fees	280,724	-	280,724
Sale of purchased food	2,266,008	-	2,266,008
Unrealized loss on investments	(64,633)	-	(64,633)
Other	287,920	-	287,920
Net assets released from restrictions	1,123,653	(1,123,653)	-
<b>Total revenues and support</b>	<b>12,071,504</b>	<b>119,844</b>	<b>12,191,348</b>
Expenses:			
Program services:			
Food distribution	8,483,783	-	8,483,783
Supporting services:			
Management and general	968,388	-	968,388
Fund-raising	1,032,148	-	1,032,148
<b>Total expenses</b>	<b>10,484,319</b>	<b>-</b>	<b>10,484,319</b>
<b>Change in net assets before donated food activity</b>	<b>1,587,185</b>	<b>119,844</b>	<b>1,707,029</b>
Donated food activity:			
Donated food received	27,281,999	-	27,281,999
Donated food distributed and disposed	(27,736,573)	-	(27,736,573)
<b>Net donated food activity</b>	<b>(454,574)</b>	<b>-</b>	<b>(454,574)</b>
<b>Change in net assets</b>	<b>1,132,611</b>	<b>119,844</b>	<b>1,252,455</b>
Net assets:			
Beginning	11,795,444	936,423	12,731,867
Ending	<u>\$ 12,928,055</u>	<u>\$ 1,056,267</u>	<u>\$ 13,984,322</u>

See accompanying notes.



	<b>2022</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>Revenues and support:</b>			
Contributions - monetary	\$ 4,142,243	\$ 1,532,439	\$ 5,674,682
Contributions - in-kind	3,715	-	3,715
Grants	944,352	416,416	1,360,768
USDA reimbursements	718,176	-	718,176
Other handling fees	237,594	-	237,594
Sale of purchased food	1,940,074	-	1,940,074
Unrealized loss on investments	(351)	(15,302)	(15,653)
Other	49,104	-	49,104
Net assets released from restrictions	1,703,420	(1,703,420)	-
<b>Total revenues and support</b>	<b>9,738,327</b>	<b>230,133</b>	<b>9,968,460</b>
<b>Expenses:</b>			
<b>Program services:</b>			
Food distribution	6,171,670	-	6,171,670
<b>Supporting services:</b>			
Management and general	886,988	-	886,988
Fund-raising	949,050	-	949,050
<b>Total expenses</b>	<b>8,007,708</b>	<b>-</b>	<b>8,007,708</b>
<b>Change in net assets before donated food activity</b>	<b>1,730,619</b>	<b>230,133</b>	<b>1,960,752</b>
<b>Donated food activity:</b>			
Donated food received	29,812,773	-	29,812,773
Donated food distributed and disposed	(31,448,813)	-	(31,448,813)
<b>Net donated food activity</b>	<b>(1,636,040)</b>	<b>-</b>	<b>(1,636,040)</b>
<b>Change in net assets</b>	<b>94,579</b>	<b>230,133</b>	<b>324,712</b>
<b>Net assets:</b>			
Beginning	11,700,865	706,290	12,407,155
Ending	<u>\$ 11,795,444</u>	<u>\$ 936,423</u>	<u>\$ 12,731,867</u>

See accompanying notes.

**Feeding Southwest Virginia**  
**Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Operating activities:		
Change in net assets	\$ 1,252,455	\$ 324,712
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated food received, distributed and disposed, net	454,574	1,636,040
Depreciation	680,214	633,937
Amortization of debt issuance costs	1,802	1,802
Contributions restricted for acquisition of property and equipment	(75,000)	(80,000)
Unrealized loss on investments	64,633	15,302
Change in:		
Receivables	(324,879)	(470,074)
Prepaid expense	(8,648)	(479)
Purchased inventory	(25,714)	(75,516)
Accounts payable and accrued expenses	(75,393)	159,638
Deferred revenue	163,015	(49,229)
Grants due agencies	15,316	(3,296)
	<u>2,122,375</u>	<u>2,092,837</u>
Net cash provided by operating activities		
Investing activities:		
Purchase of property and equipment	(787,281)	(423,306)
Purchase of investments	(6,260,987)	(163,855)
	<u>(7,048,268)</u>	<u>(587,161)</u>
Net cash used for investing activities		
Financing activities:		
Payments on long-term debt	(116,712)	(111,768)
Contributions restricted for purchase of property and equipment	75,000	80,000
Deposit to endowment	(57,075)	-
	<u>(98,787)</u>	<u>(31,768)</u>
Net cash used for financing activities		
Increase (decrease) in cash and cash equivalents and restricted cash	(5,024,680)	1,473,908
Cash and cash equivalents and restricted cash:		
Beginning	8,573,691	7,099,783
Ending	<u>\$ 3,549,011</u>	<u>\$ 8,573,691</u>
Supplementary cash flow information:		
Interest paid	<u>\$ 135,469</u>	<u>\$ 143,171</u>

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,365,617	\$ 8,323,764
Cash restricted for acquisition of property and equipment	75,000	80,000
Cash restricted for endowment	4,870	56,643
Reserve funds	103,524	113,284
Total	<u>\$ 3,549,011</u>	<u>\$ 8,573,691</u>

See accompanying notes.

**Feeding Southwest Virginia  
Statements of Functional Expenses  
Years Ended June 30, 2023 and 2022**

	2023			Total
	Program Services	Supporting Services		
	Food Distribution	Management and General	Fund Raising	
Personnel:				
Salaries	\$ 2,356,493	\$ 668,171	\$ 453,512	\$ 3,478,176
Payroll taxes	185,675	52,647	35,733	274,055
Fringe benefits	359,571	33,088	43,593	436,252
Total personnel	<u>2,901,739</u>	<u>753,906</u>	<u>532,838</u>	<u>4,188,483</u>
Other:				
Cost of purchased food	3,235,057	-	-	3,235,057
Consultants and contract services	212,139	47,026	43,029	302,194
Travel	23,351	2,334	3,204	28,889
Occupancy	361,548	12,596	6,299	380,443
Materials and supplies	82,526	3,992	18,206	104,724
Postage and printing	13,540	1,662	346,100	361,302
Equipment expense	175,651	-	-	175,651
Depreciation	628,981	37,019	14,214	680,214
Telephone	29,304	13,127	9,251	51,682
General insurance	118,716	28,545	1,526	148,787
Dues and registrations	58,509	2,972	6,021	67,502
Trucking expenses	276,886	777	518	278,181
Promotion	211	13,409	43,464	57,084
Interest expense	127,834	5,090	2,545	135,469
In-kind expense	-	-	367	367
Other costs	237,791	45,933	4,566	288,290
Total other	<u>5,582,044</u>	<u>214,482</u>	<u>499,310</u>	<u>6,295,836</u>
Total expenses	<u>\$ 8,483,783</u>	<u>\$ 968,388</u>	<u>\$ 1,032,148</u>	<u>\$ 10,484,319</u>

See accompanying notes.

	2022			Total
	Program Services	Supporting Services		
	Food Distribution	Management and General	Fund Raising	
Personnel:				
Salaries	\$ 1,962,511	\$ 573,444	\$ 395,242	\$ 2,931,197
Payroll taxes	154,821	45,238	31,180	231,239
Fringe benefits	283,932	31,982	56,276	372,190
Total personnel	<u>2,401,264</u>	<u>650,664</u>	<u>482,698</u>	<u>3,534,626</u>
Other:				
Cost of purchased food	1,622,945	-	-	1,622,945
Consultants and contract services	186,056	85,954	44,912	316,922
Travel	34,543	6,905	2,279	43,727
Occupancy	241,997	8,377	4,189	254,563
Materials and supplies	114,082	329	31,019	145,430
Postage and printing	19,354	10,689	289,950	319,993
Equipment expense	147,851	-	-	147,851
Depreciation	586,189	34,501	13,247	633,937
Telephone	27,374	12,927	9,125	49,426
General insurance	104,637	29,280	1,390	135,307
Dues and registrations	44,458	1,218	9,394	55,070
Trucking expenses	252,108	160	183	252,451
Promotion	221	14,025	45,458	59,704
Interest expense	135,055	5,411	2,705	143,171
In-kind expense	-	-	3,715	3,715
Other costs	253,536	26,548	8,786	288,870
Total other	<u>3,770,406</u>	<u>236,324</u>	<u>466,352</u>	<u>4,473,082</u>
Total expenses	<u>\$ 6,171,670</u>	<u>\$ 886,988</u>	<u>\$ 949,050</u>	<u>\$ 8,007,708</u>

## **Notes to Financial Statements**

### **1. Nature of Operations and Significant Accounting Policies**

Feeding Southwest Virginia (the “Food Bank”), previously known as Feeding America Southwest Virginia, is a nonprofit organization established to collect, warehouse, and distribute food. The Food Bank operates from locations in Salem, Roanoke, and Abingdon, Virginia, and distributes food to qualified agencies and direct client distributions. The Food Bank is affiliated with Feeding America, a national hunger relief organization. In February 2021, Feeding America Southwest Virginia filed a certificate with the State Corporation Commission to change its name to Feeding Southwest Virginia.

#### ***Basis of financial statement presentation and accounting***

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

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

**Net assets with donor restrictions** are subject to donor-imposed stipulations that may or will be met either by actions of the Food Bank and/or the passage of time. When donor stipulations expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from donor restrictions.

**Net assets without donor restrictions** are those currently available for use in the Food Bank's operations. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions in accordance with donors' stipulations result in the release of such restrictions. The Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Food Bank.

#### ***Cash and cash equivalents***

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. All cash accounts are held at two banks. The balance in these accounts may, at times, exceed federally insured limits; however, the Food Bank does not believe it is subject to any significant credit risk as a result of these deposits. As of June 30, 2023 and 2022, the Food Bank had on deposit \$12,283 and \$211,170 respectively, in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

#### ***Handling fees***

Although food is distributed to agencies at no cost, the Food Bank charges a handling fee to help offset storage and distribution costs. This revenue is recognized when food is distributed to the agency. The Food Bank does not charge a handling fee for federal commodities distributed. This cost is reimbursed by the federal government subject to funding availability and is recorded as revenue when the amount becomes known by the Food Bank.

#### ***Inventory***

Donated food inventories are stated at the nationally calculated average price per pound of \$1.93 and \$1.92 as of June 30, 2023 and 2022, respectively. This average per pound is based on an independent study by Feeding America. Purchased food is valued at cost. U.S. Department of Agriculture (USDA) commodities are stated at the value assigned by USDA. Thus, inventories are stated at the lower of cost or net realizable value on a first-in, first-out basis (“FIFO”). Additions to our Donated food inventories, provided from food donors and USDA are shown in the accompanying Statements of Activities (SOA) as Donated food received. Donated food moved through our distribution channels, including partner agencies or direct client distributions, is listed in the SOA as Donated food distributed and disposed.

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

Purchased food is obtained and made available to partner agencies at cost or with a slight markup. Some purchased food is distributed directly to clients at cost. The revenue from purchased food sales is listed in the Statement of activities under Revenues and support. The cost of purchased food distributed is listed in Program services expense.

***Property and equipment***

Property and equipment in excess of \$2,500 is capitalized. Acquisitions are recorded at cost if purchased and at fair value if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets generally as follows:

Buildings	39 years
Improvements	15 years
Refrigerated trucks	5 years
Cooler, freezers, forklifts	7 years
Other equipment, including computers	5 years
Software	3 years
Furniture	7 years

***Deferred revenue***

Deferred revenue represents amounts paid by agencies to the Food Bank in advance of the Food Bank distributing food to the agency. The amounts paid do not meet the criteria for revenue recognition, and are therefore deferred until the criteria is met. On March 9, 2017, the Food Bank entered into a ten-year agreement with Food Lion in the amount of \$350,000 payable in installments over five years. The final payment was in January 2020. For the fiscal year ended June 30, 2023 and 2022, \$35,000 is shown as short-term deferred revenue for the twelve months that the asset related to the Food Lion gift will be in service in the next fiscal year. Additionally, on December 12, 2022, the Food Bank received \$213,000 as payment for a truck from its contract with the Virginia Department of Housing and Community Development. The truck was not received by June 30, 2023, therefore the \$213,000 payment is shown as short-term deferred revenue. For the fiscal year ended June 30, 2023 and 2022, \$134,166 and \$169,166, respectively, are shown as long-term deferred revenue.

***Contributions***

Contributions, including unconditional promises to give or contributions receivable, are recognized donations without restrictions or donations with restrictions depending on the existence and/or nature of any donor restrictions, in the period the donor's commitment is received. Unrestricted, unconditional promises to give are recognized as revenues without restrictions unless the donor explicitly stipulates its use to support current period activities.

Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Food Bank. Volunteers provided various services to the Food Bank throughout the year that are not recognized as contributions in the financial statements since the recognition criteria are not met. The Food Bank received over 27,000 volunteer hours from approximately 2,500 volunteers during 2023, and over 21,000 volunteer hours from approximately 2,000 volunteers during 2022 (unaudited).

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

***Grants***

Grants received, which are considered exchange transactions, are reported as support and revenues in the period in which related expenditures are incurred. Grants received for which expenditures have not been incurred are reported as deferred revenues in the accompanying statements of financial position.

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

***Debt issuance cost***

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

***Concentrations***

A significant portion of the Food Bank's support is from the Virginia Department of Agriculture and Consumer Services (VDACS), which is passed through from USDA. During 2023 and 2022, approximately 24% and 25%, respectively, of the donated food received was from VDACS, and approximately 9% and 11%, respectively, of the total revenue and support was from VDACS.

***Income Tax***

The Food Bank is exempt from federal income taxes under Section 501(c)(3) of the *Internal Revenue Code* and did not conduct unrelated business activities. In addition, the Food Bank has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the *Internal Revenue Code*. The Food Bank has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2023 and 2022.

***Advertising costs***

The Food Bank utilizes many forms of self-promotion and advertising as part of its fundraising activities. All costs are expensed as incurred and are included in promotion expense on the statements of functional expenses.

***Functional allocation of expenses***

The costs of providing the various programs and other activities are summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on quantitative amounts such as estimated time and effort, square footage, or number of assets in service.

**Feeding Southwest Virginia  
Notes to Financial Statements  
As of June 30, 2023, and 2022**

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

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

***Subsequent events***

Management has evaluated subsequent events through September 29, 2023, the date on which the financial statements were available for issue.

**2. Receivables**

Receivables consist of the following:

	<u>2023</u>	<u>2022</u>
Due from member organizations	\$ 24,582	\$ 37,454
Contributions receivable	98,334	8,336
Other accounts receivable	<u>867,234</u>	<u>619,481</u>
	990,150	665,271
Less allowance for doubtful accounts	<u>(2,585)</u>	<u>(2,585)</u>
	<u>\$ 987,565</u>	<u>\$ 662,686</u>

The contributions receivable are due in less than one year.

**3. Inventory**

Inventory consists of the following:

	<u>2023</u>	<u>2022</u>
Purchased	\$ 386,379	\$ 360,665
Donated	176,486	473,082
USDA commodities	<u>275,437</u>	<u>433,415</u>
	<u>\$ 838,302</u>	<u>\$ 1,267,162</u>



**Feeding Southwest Virginia  
Notes to Financial Statements  
As of June 30, 2023, and 2022**

**4. Reserve Funds**

The Rural Housing Service (RHS) note on the Abingdon Facility requires a sinking fund deposit equal to 10% of the monthly debt payment until an amount equal to 12 monthly payments is accumulated. As of June 30, 2023 and 2022, the Food Bank met this requirement by holding Reserve funds in cash and cash equivalents of \$103,524. Additionally, the Food Bank has a clearing account for donors to make stock donations. The policy requires stock donations to be sold upon receipt and cash is transferred into the Food Bank operating cash account. As of June 30, 2023 and 2022 respectively, the Food Bank held funds in the clearing account of \$0 and \$9,760.

Reserve funds consist of the following:

	<u>2023</u>	<u>2022</u>
RHS Sinking funds	\$ 103,524	\$ 103,524
Clearing account	-	9,760
	<u>\$ 103,524</u>	<u>\$ 113,284</u>

**5. Property and Equipment**

Property and equipment consist of the following:

	<u>2023</u>	<u>2022</u>
Buildings and other equipment	\$ 7,902,393	\$ 7,528,534
Vehicles	2,909,514	2,496,092
Equipment under finance lease	202,639	202,639
	<u>11,014,546</u>	<u>10,227,265</u>
Less accumulated depreciation and amortization	<u>(5,875,838)</u>	<u>(5,195,624)</u>
	5,138,708	5,031,641
Land	<u>1,327,600</u>	<u>1,327,600</u>
	<u>\$ 6,466,308</u>	<u>\$ 6,359,241</u>

On May 11, 2017, the Food Bank purchased the property located at 2328 Melrose Ave. NW Roanoke, Virginia. The property has been converted into a Community Solutions Center (CSC) that promotes childhood health and wellness by increasing the nutritional quality of food distributed; stimulates economic development by providing job training skills to unemployed and underemployed adults to grow job-readiness and self-sufficiency; and rehabilitated a previously high-crime property with collaborative community support. The Food Bank is required to meet certain performance obligations and use the CSC for the purposes outlined in the grant agreements. As of June 30, 2023 and 2022, management believes the terms of the grant agreements were met.

**6. Line of Credit**

The Food Bank has a line of credit with American National Bank. The line is due on March 31, 2025 and secured by a first credit line deed of trust and a blanket lien on all assets. The maximum credit amount available was \$750,000 for 2023 and 2022. Interest during 2023 and 2022 was at the bank prime rate less 0.5%. At June 30, 2023 and 2022, the bank prime rate was 8.25% and 4.75%, respectively. At June 30, 2023 and 2022, the outstanding principal balance was \$0. There are additional terms under the line of credit agreement. As of and for the years ended June 30, 2023 and 2022, management believes the additional terms of the agreement were met.

**Feeding Southwest Virginia**  
**Notes to Financial Statements**  
**As of June 30, 2023, and 2022**

**7. Long-Term Debt**

Long-term debt consists of the following:

	<u>2023</u>	<u>2022</u>
Rural Housing Service (RHS) Abingdon Facility:		
Note payable, \$8,627 payable monthly with interest at 4.5% through 2049. Secured by real property, equipment, and reserve funds.	\$ 1,573,238	\$ 1,605,172
American National Bank Salem Facility:		
Note payable, \$10,601 payable monthly with interest at 4.00% through 2027. Secured by real property and assignment of rents. On April 15, 2020 the Food Bank entered into a loan modification agreement to provide temporary deferral of the payment of principal from May 1, 2020 through October 1, 2020. On September 10, 2020, a payment was made to catch up all principal and interest deferred. On March 19, 2021 the interest rate was renegotiated to 3.25%. The principal balance of \$1,354,572 is due April 19, 2027.	1,645,959	1,717,643
City of Roanoke, Roanoke Facility:		
Note payable, this non-interest bearing Community Development Block Grant is secured by a deed of trust on real property of the facility. Total amount of principal is \$250,000 with a balloon payment of such amount due on May 11, 2027. The note has been recorded at net present value over 10 years at 4.0%, resulting in unamortized discount of \$36,300 at June 30, 2023. However, if the Food Bank remains in good standing for the 120 month compliance period the note is to be forgiven in its entirety.	213,700	205,475
Finance Lease Obligations:		
Finance lease for equipment obtained June 2018, \$1,880 payable monthly with interest at 7.61% through September 2023, followed by a final payment of \$849 in October 2023. Secured by equipment.	<u>6,436</u>	<u>27,755</u>
	3,439,333	3,556,045
Less current portion	<u>(105,439)</u>	<u>(116,854)</u>
	3,333,894	3,439,191
Less debt issuance costs	<u>(1,501)</u>	<u>(3,303)</u>
Total long-term debt	<u>\$ 3,332,393</u>	<u>\$ 3,435,888</u>

**Feeding Southwest Virginia  
Notes to Financial Statements  
As of June 30, 2023, and 2022**

**7. Long-Term Debt (Continued)**

Long-term debt maturities are as follows:

<u>Fiscal Year Ended</u>	<u>Long-Term Debt</u>
2024	\$ 105,439
2025	102,743
2026	106,590
2027	1,444,546
2028	289,992
2029 and thereafter	<u>1,390,023</u>
	<u>\$ 3,439,333</u>

**8. Net Assets**

Net assets without restrictions totals \$12,928,055 and \$11,795,444 at years ended June 30, 2023 and 2022 respectively. In April 2021, the Board established an Operating Reserve Fund (ORF) of \$1,600,000 and increased it to \$2,200,000 in July 2022. The ORF will be an amount sufficient to maintain ongoing operations and programs for between three and six months. The ORF will be funded and available in cash or cash equivalents, or other relatively risk limited, liquid investments. Net assets released from restrictions totals \$1,123,653 and \$1,703,420 at years ended June 30, 2023 and 2022 respectively. Net assets are classified as released from restrictions when donor-imposed restrictions are met.

Net assets with donor restrictions consist of the following:

	<u>2023</u>	<u>2022</u>
Other food programs	\$ 694,250	\$ 600,412
Property and equipment	75,000	80,000
Endowment	<u>287,017</u>	<u>256,011</u>
	<u>\$ 1,056,267</u>	<u>\$ 936,423</u>

**9. Pension Plan**

The Food Bank has a 401(k) plan (the "Plan") for the benefit of its employees. Employees become eligible to make elective deferrals after 30 days of employment, and are eligible to have employer contributions credited to their account after two years of service. The Food Bank may make matching, non-elective, and discretionary contributions to the Plan. During 2023 and 2022, the Food Bank contributed \$47,007 and \$33,412, respectively, to the Plan.

**10. Related Parties**

The Food Bank is a member of the Feeding America national network of food banks. During the normal course of business, the Food Bank purchased food, paid hosting fees, and membership dues to Feeding America. At June 30, 2023 and 2022, the accounts payable balance with Feeding America was \$0 and \$0, respectively. The food purchased, hosting fees, and membership dues paid to Feeding America total \$165,496 and \$117,162, respectively, during the years ended June 30, 2023 and 2022.

**Feeding Southwest Virginia  
Notes to Financial Statements  
As of June 30, 2023, and 2022**

**11. Endowment**

The Organization’s endowment consists of donor restricted endowment funds. As required by generally accepted accounting principles, net position associated with endowment funds, including funds designated by the Board of Directors to function as endowments, is classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (VUPMIFA) 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 stipulation to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net position (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund.

The remaining portion of the donor restricted endowment fund that is also classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by VUPMIFA. In accordance with VUPMIFA, the Organization directors consider the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the fund (2) the purposes of the organization 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 the appreciation of investments (6) other resources of the organization and (7) the investment policies of the organization.

Feeding Southwest Virginia 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 the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Foundation must hold in perpetuity or for a donor specified period as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the general markets, while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Endowment net position composition by type of fund as of June 30:

	<u>2023</u>	<u>2022</u>
	<b>With Donor</b>	With Donor
	<b>Restrictions</b>	Restrictions
Donor-restricted endowment funds	<b>\$ 254,119</b>	\$ 254,119
Endowment funds without donor restrictions	<b>32,898</b>	1,892
	<u><b>\$ 287,017</b></u>	<u>\$ 256,011</u>
Endowment net position at June 30, 2023 and 2022		

**Feeding Southwest Virginia  
Notes to Financial Statements  
As of June 30, 2023, and 2022**

**11. Endowment (Continued)**

The following schedule summarizes changes in endowment net position for the year ended June 30:

	<u>2023</u>	<u>2022</u>
	Endowment Total	Endowment Total
Endowment net position at June 30, 2023 and 2022	\$ 256,011	\$ 69,134
Investment return:		
Dividends and interest	\$ 5,302	\$ 2,179
Unrealized gains (losses)	25,704	(15,302)
Total investment return	\$ 31,006	\$ (13,123)
Contributions	-	200,000
Endowment net position at June 30, 2023 and 2022	<u>\$ 287,017</u>	<u>\$ 256,011</u>

**12. Liquidity & Availability**

As part of the Food Bank's liquidity management, it has been a policy to structure its financial assets to be readily available as its general expenditures, liabilities, and other obligations come due. All funds not restricted or needed for reserve requirements are deposited in cash accounts. Additionally, the Operating Reserve Fund of \$2,200,000, with Board approval, could be made available. The Food Bank also maintains a \$750,000 line of credit to cover operating needs periodically throughout the year.

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,365,617	\$ 8,323,764
Accounts receivable without donor restrictions, net	844,803	654,350
Investments in short-term treasury funds and CDs	<u>3,361,691</u>	-
	<u>\$ 7,572,111</u>	<u>\$ 8,978,114</u>

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

**13. Investments in Marketable Securities**

The Food Bank's investments in marketable securities represent reserves and donor-restricted endowment funds. Funds are allocated under policies for two different investment strategies, short-term and long-term, based on the intended use of funds and earnings and the timeline for same. Short-term investments may be used to support near-term budgetary needs and balance fluctuations in cash flows. Long-term investments support sustainability and long-term objectives of the Food Bank, and accordingly, the adopted policy for these funds incorporates the investment objective of preserving, protecting, and growing assets within reasonable parameters of risk tolerance. The composition of assets under each policy on June 30 follows.

**Feeding Southwest Virginia  
Notes to Financial Statements  
As of June 30, 2023, and 2022**

**13. Investments in Marketable Securities (Continued)**

<u>Short and Long-Term Investments</u>	<u>Undesignated</u>	<u>Total</u>
Beginning Balance	\$ 9,760	\$ 9,760
Investments	6,200,000	6,200,000
Investment income	60,811	60,811
Market Appreciation (Depreciation)	(90,337)	(90,337)
Withdrawals from account, net	<u>(9,584)</u>	<u>(9,584)</u>
Total Investments	<u>\$ 6,170,650</u>	<u>\$ 6,170,650</u>

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.

Short-term and long-term investment activity with Net Asset classification and donor restrictions was as follows for the fiscal years ended June 30.

	<u>2023</u>
<u>Short-Term Investments</u>	
Exchange Traded Funds in:	
US Treasury Funds	<b>\$ 1,259,090</b>
US Treasury Notes	<b>1,563,182</b>
Certificates of Deposits	<b>498,016</b>
Cash Equivalents	<b>41,403</b>
Total short-term investments	<u><b>\$ 3,361,691</b></u>
<u>Long-Term Investments</u>	
Exchange Traded Funds in:	
US Treasury Notes	<b>\$ 2,065,722</b>
Certificates of Deposits	<b>743,237</b>
Total Long-term	<u><b>\$ 2,808,959</b></u>
Total Investments	<u><b>\$ 6,170,650</b></u>

***Compliance Section***

Feeding Southwest Virginia  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing (AL) Number	Federal Expenditures	Pass-through to Subrecipients
<b><u>Department of Agriculture</u></b>			
<b>Pass-through from the Virginia Department of Agriculture and Consumer Services (VDACS Agency Number 67-500)</b>			
Food Distribution Cluster:			
Emergency Food Assistance Program (Food Commodities)	10.569	\$ 4,593,187	\$ 4,169,042
Emergency Food Assistance Program (Administrative Costs)	10.568	858,932	-
Commodity Supplemental Food Program (Food Commodities and Administrative Costs)	10.565	<u>771,664</u>	<u>148,730</u>
Food Distribution Cluster Total		6,223,783	4,317,772
Child and Adult Care Food Program	10.558	578,127	-
Child Nutrition Cluster-Summer Food Service Program for Children	10.559	435,653	-
<b><u>Department of Health and Human Services:</u></b>			
<b>Pass-through from the Virginia Department of Social Services (Entity ID number - BEN-19-098)</b>			
Temporary Assistance to Needy Families (TANF#5501-12)	93.558	585,239	106,741
<b>Pass-through from the Virginia Department of Housing and Community Development (Entity ID number - KNY3ET8DBBB8)</b>			
Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	14.228	1,546,717	123,124
<b><u>Department of Treasury</u></b>			
<b>Pass-through from the Virginia Department of Agriculture and Consumer Services (VDACS Agency Number 67-500)</b>			
CORONAVIRUS State and Local Fiscal Recovery Funds (Infrastructure and Food Purchases Program)	21.027	<u>635,722</u>	<u>481,718</u>
Total Federal Expenditures		<u>\$ 10,005,241</u>	<u>\$ 5,029,355</u>



## **Notes to Schedule of Expenditures of Federal Awards**

### **1. Basis of Presentation**

The accompanying schedule of expenditures award (SEFA) includes the federal grants activity of Feeding Southwest Virginia under the programs of the federal government for the year ended June 30, 2023. The information in this SEFA is presented in accordance with the requirements of Title 2, *US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Feeding Southwest Virginia, it is not intended to and does not present the financial position, changes in net assets or cash flows of Feeding Southwest Virginia.

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

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

Feeding Southwest Virginia has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of Feeding Southwest Virginia, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and related notes to the financial statements, and have issued or report thereon dated September 29, 2023.

**Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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 or significant deficiencies, 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 or significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

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

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
September 29, 2023



**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  
FEEDING SOUTHWEST VIRGINIA  
SALEM, VIRGINIA**

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

***Opinion on Each Major Federal Program***

We have audited Feeding Southwest Virginia's (a nonprofit organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Feeding Southwest Virginia's major federal programs for the year ended June 30, 2023. Feeding Southwest Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Feeding Southwest Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Feeding Southwest Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Feeding Southwest Virginia's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Feeding Southwest Virginia's federal programs.

## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Feeding Southwest Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Feeding Southwest Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Feeding Southwest Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Feeding Southwest Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Feeding Southwest Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Robinson, Farmer, Cox Associates*  
Staunton, Virginia  
September 29, 2023

**Schedule of Findings, Questioned Costs and Response**

**1. Summary of Auditor's Results**

**Financial Statements**

Type of auditors' report issued	Unmodified	
Internal control over financial reporting:	<u>Yes</u>	<u>No</u>
• Material Weakness(es) indentified?	<u>                    </u>	<u>X</u>
• Significant deficiency(ies) identified	<u>                    </u>	<u>X</u>
Noncompliance material to financial statements noted?	<u>                    </u>	<u>X</u>

**Federal Awards**

Internal control over major programs:		
• Material weakness(es) identified?	<u>                    </u>	<u>X</u>
• Significant deficiency(ies) identified	<u>                    </u>	<u>X</u>
Type of auditors' report issued on compliance: for major programs	Unmodified	

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	<u>                    </u>	<u>X</u>
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Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount Expended</u>
14.228	Community Development Block Grant	\$ 1,546,717
21.027	Coronavirus State and Local Fiscal Recovery Funds	<u>635,722</u>
		<u>\$ 2,954,103</u>

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000  
 Auditee qualified as low-risked auditee? Yes

**2. Financial Statement Findings**  
None

**3. Federal Award Findings, Questioned Costs and Response**  
None

**4. Summary Schedule of Prior Audit Findings**  
None

***Supplementary Section***



**Feeding Southwest Virginia  
Schedules of Food Received and Distributed  
Years Ended June 30, 2023 and 2022**

	<u>Pounds</u>	<u>Dollars</u>
Year Ended June 30, 2023:		
Beginning inventory	967,829	\$ 1,267,162
Donated food received	11,413,811	22,028,655
USDA commodities received	3,648,977	5,248,703
Purchased food	<u>3,101,730</u>	<u>2,940,760</u>
Total food available	<u>19,132,347</u>	<u>31,485,280</u>
Less food distributed and adjustments	<u>18,390,943</u>	<u>30,646,978</u>
Ending Inventory	<u><u>741,404</u></u>	<u><u>\$ 838,302</u></u>
Year Ended June 30, 2022:		
Beginning inventory	1,885,926	\$ 2,827,686
Donated food received	11,659,300	22,385,856
USDA commodities received	5,089,293	7,429,336
Purchased food	<u>1,643,531</u>	<u>706,781</u>
Total food available	<u>20,278,050</u>	<u>33,349,659</u>
Less food distributed and adjustments	<u>19,310,221</u>	<u>32,082,497</u>
Ending Inventory	<u><u>967,829</u></u>	<u><u>\$ 1,267,162</u></u>