

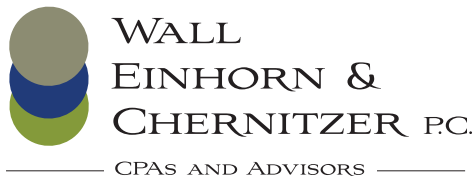


VIRGINIA PENINSULA FOODBANK  
FINANCIAL REPORT  
June 30, 2016 and 2015

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TRUST. TALENT. TEAMWORK.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**Virginia Peninsula Foodbank**  
Hampton, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of **Virginia Peninsula Foodbank** (the Foodbank) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 the Foodbank as of June 30, 2016 and 2015, and its changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 21, 2016 on our consideration of the Foodbank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foodbank's internal control over financial reporting and compliance.

*Wall, Eubank & Chernitzky, P.C.*

Norfolk, Virginia  
September 21, 2016

VIRGINIA PENINSULA FOODBANK  
STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 1,471,868	\$ 993,328
Certificates of deposits		-	250,833
Investments		3,742,636	3,417,040
Unconditional promises to give, current portion		60,000	60,000
United Way and federal campaign designation receivables		221,898	254,872
Accounts receivable:			
Grants		67,792	186,489
Program service fees		22,166	28,585
Inventory		790,261	943,692
Prepaid expenses		<u>19,670</u>	<u>15,686</u>
<b>Total current assets</b>		<u>6,396,291</u>	<u>6,150,525</u>
<b>PROPERTY AND EQUIPMENT, NET</b>		<u>6,069,870</u>	<u>6,207,376</u>
<b>OTHER ASSETS</b>			
Unconditional promises to give, net of discount, less current portion		19,550	78,659
Land held for investment		<u>9,956</u>	<u>9,956</u>
<b>Total other assets</b>		<u>29,506</u>	<u>88,615</u>
<b>Total assets</b>		<u>\$ 12,495,667</u>	<u>\$ 12,446,516</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 50,766	\$ 62,683
Accrued payroll, vacation and related expenses		79,929	108,024
Deferred revenue		<u>7,542</u>	<u>11,780</u>
<b>Total current liabilities</b>		<u>138,237</u>	<u>182,487</u>
<b>NET ASSETS</b>			
Unrestricted:			
General		2,501,558	1,976,499
Invested in property and equipment		6,069,870	6,207,376
Board designated reserve		<u>3,404,250</u>	<u>3,489,403</u>
		11,975,678	11,673,278
Temporarily restricted		<u>381,752</u>	<u>590,751</u>
<b>Total net assets</b>		<u>12,357,430</u>	<u>12,264,029</u>
<b>Total liabilities and net assets</b>		<u>\$ 12,495,667</u>	<u>\$ 12,446,516</u>

See Independent Auditor's Report and Notes to Financial Statements.

VIRGINIA PENINSULA FOODBANK

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, SUPPORT AND GAINS</b>			
Contributions	\$ 1,583,348	\$ 72,253	\$ 1,655,601
Program service fees	510,919	-	510,919
Grants	715,604	-	715,604
SHARE sales	118,192	-	118,192
Special events (net of related expenses of \$97,442)	159,185	-	159,185
United Way allocation	-	100,000	100,000
Community and Combined Federal Campaign designations	-	119,230	119,230
Investment income, net	75,925	-	75,925
Gain on disposal of property and equipment	1,789	-	1,789
Miscellaneous	4,271	-	4,271
	<u>3,169,233</u>	<u>291,483</u>	<u>3,460,716</u>
Net assets released from restrictions	<u>500,482</u>	<u>(500,482)</u>	<u>-</u>
<b>Total revenues, support and gains</b>	<u><b>3,669,715</b></u>	<u><b>(208,999)</b></u>	<u><b>3,460,716</b></u>
<b>EXPENSES</b>			
Program services:			
Food distribution	1,517,047	-	1,517,047
SHARE	144,567	-	144,567
Culinary and kid's cafe	694,694	-	694,694
BackPack program	220,372	-	220,372
Supporting services:			
Fundraising	520,340	-	520,340
Management and general	182,399	-	182,399
	<u>3,279,419</u>	<u>-</u>	<u>3,279,419</u>
<b>Change in net assets before donated food transactions</b>	<u><b>390,296</b></u>	<u><b>(208,999)</b></u>	<u><b>181,297</b></u>
<b>DONATED FOOD TRANSACTIONS</b>			
Donated food received	16,927,687	-	16,927,687
Donated food distributed and undistributable food	<u>(17,015,583)</u>	<u>-</u>	<u>(17,015,583)</u>
<b>Net change in donated food</b>	<u><b>(87,896)</b></u>	<u><b>-</b></u>	<u><b>(87,896)</b></u>
<b>Change in net assets</b>	<b>302,400</b>	<b>(208,999)</b>	<b>93,401</b>
<b>Net assets at the beginning of the year</b>	<u><b>11,673,278</b></u>	<u><b>590,751</b></u>	<u><b>12,264,029</b></u>
<b>Net assets at the end of the year</b>	<u><u><b>\$ 11,975,678</b></u></u>	<u><u><b>\$ 381,752</b></u></u>	<u><u><b>\$ 12,357,430</b></u></u>

See Independent Auditor's Report and Notes to Financial Statements.

VIRGINIA PENINSULA FOODBANK

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES, SUPPORT AND GAINS</b>			
Contributions	\$ 1,307,896	\$ 387,998	\$ 1,695,894
Program service fees	467,763	-	467,763
Grants	981,801	-	981,801
SHARE sales	127,253	-	127,253
Special events (net of related expenses of \$115,392)	244,655	-	244,655
United Way allocation	-	125,000	125,000
Community and Combined Federal Campaign designations	-	135,147	135,147
Investment income, net	35,077	-	35,077
Gain on disposal of property and equipment	7,656	-	7,656
Miscellaneous	4,017	-	4,017
	<u>3,176,118</u>	<u>648,145</u>	<u>3,824,263</u>
Net assets released from restrictions	<u>415,520</u>	<u>(415,520)</u>	<u>-</u>
<b>Total revenues, support and gains</b>	<u>3,591,638</u>	<u>232,625</u>	<u>3,824,263</u>
<b>EXPENSES</b>			
Program services:			
Food distribution	1,509,202	-	1,509,202
SHARE	144,151	-	144,151
Culinary and kid's cafe	841,857	-	841,857
BackPack program	227,509	-	227,509
Supporting services:			
Fundraising	421,583	-	421,583
Management and general	131,925	-	131,925
	<u>3,276,227</u>	<u>-</u>	<u>3,276,227</u>
<b>Change in net assets before donated food transactions</b>	<u>315,411</u>	<u>232,625</u>	<u>548,036</u>
<b>DONATED FOOD TRANSACTIONS</b>			
Donated food received	16,442,767	-	16,442,767
Donated food distributed and undistributable food	<u>(16,616,717)</u>	<u>-</u>	<u>(16,616,717)</u>
<b>Net change in donated food</b>	<u>(173,950)</u>	<u>-</u>	<u>(173,950)</u>
<b>Change in net assets</b>	141,461	232,625	374,086
<b>Net assets at the beginning of the year</b>	<u>11,531,817</u>	<u>358,126</u>	<u>11,889,943</u>
<b>Net assets at the end of the year</b>	<u>\$ 11,673,278</u>	<u>\$ 590,751</u>	<u>\$ 12,264,029</u>

See Independent Auditor's Report and Notes to Financial Statements.

VIRGINIA PENINSULA FOODBANK  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2016

	Program Services					Supporting Services			
	Food Distribution	SHARE	Culinary and Kid's Cafe	BackPack Program	Total	Fund Raising	Management and General	Total	Total
Agency support	\$ 33,245	\$ -	\$ -	\$ -	\$ 33,245	\$ -	\$ -	\$ -	\$ 33,245
Bank charges	-	-	-	-	-	6,713	121	6,834	6,834
Computer maintenance and support	8,368	208	3,892	456	12,924	3,341	958	4,299	17,223
Conferences and trainings	5,587	-	2,803	-	8,390	5,242	7,002	12,244	20,634
Dues and subscriptions	4,456	111	2,073	243	6,883	809	511	1,320	8,203
Employee benefits	131,657	4,798	37,498	4,972	178,925	22,837	15,558	38,395	217,320
Equipment rental and maintenance	42,742	108	20,823	2,108	65,781	-	-	-	65,781
Food costs	135,248	89,963	187,286	128,367	540,864	-	-	-	540,864
Freight	50,492	8,100	-	-	58,592	-	-	-	58,592
Fundraising	-	-	-	-	-	142,589	-	142,589	142,589
Insurance	28,226	703	13,131	1,543	43,603	5,124	3,236	8,360	51,963
Miscellaneous	-	-	4,020	-	4,020	-	444	444	4,464
Occupancy	135,440	355	28,579	6,745	171,119	2,308	4,083	6,391	177,510
Payroll taxes	51,801	1,914	21,015	3,491	78,221	16,201	8,865	25,066	103,287
Postage	4,281	106	1,992	234	6,613	55,206	491	55,697	62,310
Printing and publications	6,442	160	2,997	352	9,951	1,169	739	1,908	11,859
Professional fees	19,983	497	9,296	1,092	30,868	3,627	2,292	5,919	36,787
Recognition and awards	2,518	37	884	80	3,519	456	168	624	4,143
Salaries and wages	646,334	22,969	253,060	41,969	964,332	199,339	118,272	317,611	1,281,943
Supplies	15,285	1,353	30,718	2,615	49,971	3,246	1,186	4,432	54,403
Telephone	7,386	63	1,771	138	9,358	2,531	1,581	4,112	13,470
Temporary services	1,038	26	483	57	1,604	188	119	307	1,911
Transportation services	45,877	-	9,175	6,117	61,169	-	-	-	61,169
Travel	3,538	154	1,970	-	5,662	1,689	313	2,002	7,664
Total expenses before depreciation	1,379,944	131,625	633,466	200,579	2,345,614	472,615	165,939	638,554	2,984,168
Depreciation	137,103	12,942	61,228	19,793	231,066	47,725	16,460	64,185	295,251
Total Expenses	\$ 1,517,047	\$ 144,567	\$ 694,694	\$ 220,372	\$ 2,576,680	\$ 520,340	\$ 182,399	\$ 702,739	\$ 3,279,419

See Independent Auditor's Report and Notes to Financial Statements.



**VIRGINIA PENINSULA FOODBANK**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2015

	Program Services					Supporting Services			
	Food Distribution	SHARE	Culinary and Kid's Cafe	BackPack Program	Total	Fund Raising	Management and General	Total	Total
Agency support	\$ 21,000	\$ -	\$ -	\$ -	\$ 21,000	\$ -	\$ -	\$ -	\$ 21,000
Bank charges	-	-	-	-	-	6,243	787	7,030	7,030
Computer maintenance and support	12,209	292	5,689	675	18,865	2,226	1,394	3,620	22,485
Conference expense	15,587	262	5,108	606	21,563	1,999	1,252	3,251	24,814
Dues and subscriptions	9,525	228	4,438	526	14,717	1,736	1,087	2,823	17,540
Employee benefits	115,127	2,756	53,641	6,361	177,885	20,990	13,145	34,135	212,020
Equipment rental and maintenance	63,819	131	11,016	2,557	77,523	-	-	-	77,523
Food costs	62,266	98,793	215,103	127,163	503,325	-	-	-	503,325
Freight	39,799	8,100	-	7,075	54,974	-	-	-	54,974
Fundraising	-	-	-	-	-	145,668	-	145,668	145,668
Insurance	27,098	649	12,625	1,497	41,869	4,940	3,094	8,034	49,903
Miscellaneous	2,435	58	1,135	133	3,761	445	279	724	4,485
Occupancy	140,607	184	29,854	7,003	177,648	2,396	4,238	6,634	184,282
Payroll taxes	57,380	1,374	26,735	3,170	88,659	10,462	6,552	17,014	105,673
Postage	5,260	126	2,450	291	8,127	50,289	601	50,890	59,017
Printing and publications	8,267	798	3,852	457	13,374	1,507	944	2,451	15,825
Professional fees	20,110	481	9,370	1,111	31,072	3,666	2,296	5,962	37,034
Recognition and awards	3,998	96	1,863	221	6,178	729	457	1,186	7,364
Salaries and wages	685,897	16,421	319,580	37,895	1,059,793	125,053	78,316	203,369	1,263,162
Supplies	16,545	392	47,453	2,715	67,105	3,432	2,096	5,528	72,633
Telephone	10,111	242	4,711	559	15,623	1,843	1,154	2,997	18,620
Temporary services	1,316	32	614	73	2,035	240	150	390	2,425
Transportation services	54,356	-	10,871	7,248	72,475	-	-	-	72,475
Travel	4,209	101	1,960	232	6,502	767	480	1,247	7,749
<b>Total expenses before depreciation</b>	<b>1,376,921</b>	<b>131,516</b>	<b>768,068</b>	<b>207,568</b>	<b>2,484,073</b>	<b>384,631</b>	<b>118,322</b>	<b>502,953</b>	<b>2,987,026</b>
Depreciation	132,281	12,635	73,789	19,941	238,646	36,952	13,603	50,555	289,201
<b>Total expenses</b>	<b>\$ 1,509,202</b>	<b>\$ 144,151</b>	<b>\$ 841,857</b>	<b>\$ 227,509</b>	<b>\$ 2,722,719</b>	<b>\$ 421,583</b>	<b>\$ 131,925</b>	<b>\$ 553,508</b>	<b>\$ 3,276,227</b>

See Independent Auditor's Report and Notes to Financial Statements.

VIRGINIA PENINSULA FOODBANK

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 93,401	\$ 374,086
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated food transactions, net	87,896	173,950
Depreciation	295,251	289,201
Gain on disposal of property and equipment	(1,789)	(7,656)
Reinvested investment income	(92,584)	(78,552)
Net realized and unrealized loss on investments	16,659	43,475
Provision for discount on unconditional promises to give	(891)	1,341
Provision for allowance for doubtful accounts on unconditional promises to give	-	(12,400)
(Increase) decrease in assets:		
Unconditional promises to give	60,000	(127,600)
United Way and federal campaign designation receivables	32,974	(9,919)
Accounts receivable:		
Grants	118,697	(84,272)
Program service fees	6,419	(3,773)
Inventory	65,535	(57,721)
Prepaid expenses	(3,984)	467
Increase (decrease) in liabilities:		
Accounts payable	(11,917)	5,432
Accrued payroll, vacation and related expenses	(28,095)	2,870
Deferred revenue	(4,238)	6,265
<b>Net cash provided by operating activities</b>	<u>633,334</u>	<u>515,194</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for the purchase of property and equipment	(155,956)	(328,624)
Net change in investments	(249,671)	1,198
Net change in certificates of deposit	250,833	(500)
Proceeds from sale of property and land held for investment	-	64,129
<b>Net cash used in investing activities</b>	<u>(154,794)</u>	<u>(263,797)</u>
<b>Net increase in cash and cash equivalents</b>	478,540	251,397
<b>Cash and cash equivalents, beginning</b>	<u>993,328</u>	<u>741,931</u>
<b>Cash and cash equivalents, ending</b>	<u>\$ 1,471,868</u>	<u>\$ 993,328</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**VIRGINIA PENINSULA FOODBANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2016 and 2015**

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**Note 1. Nature of Activities and Significant Accounting Policies**

Nature of activities:

**Virginia Peninsula Foodbank** (Foodbank) is a nonprofit Virginia corporation, exempt under 501(c)(3) of the Internal Revenue Code, organized June 22, 1987, which distributes food effectively through collaborative efforts that minimize hunger, promote nutrition and encourage self-reliance through education. The Foodbank serves Gloucester, Hampton, James City County, Mathews County, Newport News, Poquoson, Surry County, Williamsburg, and York County.

A summary of the Foodbank's significant accounting policies follows:

Basis of accounting:

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Under 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.

Basis of presentation:

The Foodbank reports 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. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as "net assets released from restrictions." As of June 30, 2016 and 2015, the Foodbank had no permanently restricted net assets.

Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand or in demand deposit accounts and highly liquid investments purchased with an original maturity of three months or less. Cash and cash equivalents managed by the Foodbank's investment managers, such as money market funds, are included in investments.

Unconditional promises to give, program service fees and other receivables:

Unconditional promises to give, program service fees, and other receivables are reported at the amount management expects to collect on balances outstanding at year-end, less an allowance for doubtful accounts and discount, if necessary. The Foodbank provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of donors to meet their obligations. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are considered to be uncollectible. Recoveries of unconditional promises to give, program service fees, and other receivables previously written off are recorded as income when received. Program service fees and other receivables are considered past due if any portion of the receivable balance is outstanding for more than 60 days. Past due accounts are not charged a monthly finance fee, and the Foodbank does not require collateral for its receivables.

See Independent Auditor's Report. Notes continued on next page.

VIRGINIA PENINSULA FOODBANK  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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**Note 1. Nature of Activities and Significant Accounting Policies (continued)**

Inventory:

Purchased food inventory has been valued at the lower of (first-in, first-out) cost or market. Donated inventory has been valued using approximate average wholesale values of one pound of donated product of \$1.67 and \$1.70 at June 30, 2016 and 2015, respectively, as determined by Feeding America, the Nation's Foodbank Network. Certain agreed upon procedures were applied to the Feeding America methodology by other auditors in 2016 and 2015. Inventory of commodities is valued at the amount stated by the U.S. Department of Agriculture (USDA). Undistributable food for the years ended June 30, 2016 and 2015 amounted to \$362,969 and \$557,527, respectively, which was written off when it was identified as undistributable.

Property and equipment:

Property and equipment is stated at cost, if purchased, and at estimated or market value, if donated. Assets purchased of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is provided using the straight line method over the estimated useful lives of the assets. The estimated lives of property and equipment are as follows:

	<u>Years</u>
Buildings and improvements	5 - 40
Equipment	3 - 40
Transportation equipment	5 - 10

Impairment of long-lived assets:

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified.

Recognition of income:

Allocations from other organizations are recognized as income in the period in which they are received unless they are specifically designated as being for a future period. In the latter case, they are initially recorded as deferred revenue and are then recorded as income in the period for which they were designated.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. These contributions are presented as 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 statements of activities and changes in net assets as net assets released from restrictions. The Foodbank's policy is to report as unrestricted support, contributions with donor-imposed restrictions when these restrictions are met in the same year that the contribution was received.

See Independent Auditor's Report. Notes continued on next page.

**VIRGINIA PENINSULA FOODBANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2016 and 2015**

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**Note 1. Nature of Activities and Significant Accounting Policies (continued)**

Grants:

Revenue from cost reimbursement-based grants is recognized when reimbursable costs are incurred under the terms of the agreements. Revenue from performance-based grants is recognized when performance objectives pursuant to the agreement have been accomplished. Grant payments received in excess of the qualified costs or performance are accounted for as deferred revenues.

Deferred revenue:

Deferred revenue results primarily from recipient agency payments received in advance, which will be recognized as revenue when the recipient agency incurs its shared maintenance fee (See Note 7).

In-kind contributions and expenditures:

Donated services for work requiring specialized skills and are performed by individuals possessing those skills are valued at rates consistent with regular rates paid for similar work. Donated supplies, materials and rent are valued at their estimated fair market value at the date of receipt.

Many individuals volunteer their time to perform a variety of tasks that assist the Foodbank's program services. Volunteer services neither create nor enhance financial assets nor do they require special skills, and thus are not recognized as support in the accompanying statements of activities and changes in net assets.

Advertising:

Advertising costs for special events totaling \$23,433 and \$22,738 were expensed as incurred by the Foodbank in 2016 and 2015, respectively. Advertising costs for various programs totaling \$5,936 were expensed as incurred by the Foodbank in 2015.

Income taxes:

The Foodbank is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently the Foodbank has no obligation for any unrelated business income tax. The Foodbank believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be specifically identified to a functional area are allocated directly. Expenses that are common to more than one function are allocated by various statistical means and by the use of management's estimates.

Use of estimates in the preparation of financial statements:

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

See Independent Auditor's Report. Notes continued on next page.

VIRGINIA PENINSULA FOODBANK  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

**Note 1. Nature of Activities and Significant Accounting Policies (continued)**

Reclassifications:

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications have no effect on total net assets previously reported.

**Note 2. Investments**

Investments are summarized as follows:

	June 30, 2016		
	Adjusted Cost Basis	Fair Market Value	Cumulative Unrealized Gain (Loss)
Money market funds	\$ 41,444	\$ 41,444	\$ -
Bond and fixed income mutual funds	2,949,746	2,867,587	(82,159)
Equity mutual funds	799,807	833,605	33,798
	\$ 3,790,997	\$ 3,742,636	\$ (48,361)
	June 30, 2015		
	Adjusted Cost Basis	Fair Market Value	Cumulative Unrealized Gain (Loss)
Money market funds	\$ 22,885	\$ 22,885	\$ -
Bond and fixed income mutual funds	2,607,279	2,578,878	(28,401)
Equity mutual funds	733,134	815,277	82,143
	\$ 3,363,298	\$ 3,417,040	\$ 53,742

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Investment income, net consists of the following:

	2016	2015
Interest and dividends	\$ 114,250	\$ 92,265
Realized gain	45,146	48,012
Investment fees	(21,666)	(13,713)
Unrealized loss	(61,805)	(91,487)
	\$ 75,925	\$ 35,077

See Independent Auditor's Report. Notes continued on next page.

**VIRGINIA PENINSULA FOODBANK**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended June 30, 2016 and 2015

**Note 3. Unconditional Promises to Give**

Unconditional promises to give and grants that are not expected to be collected within one year are discounted to their estimated present value at rates of .90% to 1.53%. Unconditional promises to give receivable at June 30 are estimated as follows:

	<b>2016</b>	<b>2015</b>
Current:		
Receivable in less than one year	\$ <u>60,000</u>	\$ <u>60,000</u>
Long-term:		
Receivable in one-to-five years	20,000	80,000
Less discount to present value	<u>(450)</u>	<u>(1,341)</u>
	<u>19,550</u>	<u>78,659</u>
	<u>\$ 79,550</u>	<u>\$ 138,659</u>

**Note 4. Inventory**

Inventories consist of USDA commodities and purchased food inventory stated at the lower of (first-in, first-out) cost or market. Donated foods inventory is stated at the wholesale value per pound of donated product as determined by Feeding America at June 30, 2016 and 2015 (See Note 1). Inventories are summarized as follows:

	<b>2016</b>		<b>2015</b>	
	<b>Poundage</b>	<b>Value</b>	<b>Poundage</b>	<b>Value</b>
Donated food inventory	324,887	\$ 542,561	359,178	\$ 610,603
USDA commodities	185,543	157,088	207,288	177,659
Purchased food inventory	<u>102,786</u>	<u>90,612</u>	<u>203,315</u>	<u>155,430</u>
	<u>613,216</u>	<u>\$ 790,261</u>	<u>769,781</u>	<u>\$ 943,692</u>

**Note 5. Property and Equipment**

Property and equipment consists of the following as of June 30:

	<b>2016</b>	<b>2015</b>
Buildings and improvements	\$ 5,305,523	\$ 5,305,523
Equipment	669,109	640,840
Transportation equipment	776,354	658,083
Land	<u>898,867</u>	<u>898,867</u>
	<u>7,649,853</u>	<u>7,503,313</u>
Less accumulated depreciation	<u>1,579,983</u>	<u>1,295,937</u>
	<u>\$ 6,069,870</u>	<u>\$ 6,207,376</u>

See Independent Auditor's Report. Notes continued on next page.

**VIRGINIA PENINSULA FOODBANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2016 and 2015**

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**Note 6. Land Held for Investment**

At July 1, 2015, land held for investment consisted of three donated lots in Gloucester, Virginia. The value of the land was recorded at fair market value based on real estate assessments. During the year ended June 30, 2015, one of the lots was sold. At June 30, 2016 and 2015, only two of the donated lots remained.

**Note 7. Program Service Fees Receivable**

The Foodbank charges a shared maintenance fee (maximum of 19 cents per pound) to the recipient agency, church, or other charitable organization which takes the donated food and commodities and redistributes such items to the poor, needy and hungry. This fee offsets a portion of the handling and redistribution costs incurred by the Foodbank. Many donated items, specifically fresh produce and bread, are distributed free of a shared maintenance fee. Accounts receivables - program service fees of \$22,166 and \$28,585 at June 30, 2016 and 2015, respectively, are for outstanding shared maintenance fees.

**Note 8. Retirement Plans**

The Foodbank has a tax deferred annuity plan under Internal Revenue Code Section 403(b) for all employees who wish to participate. Contributions to the plan are not made by the Foodbank.

The Foodbank has a defined contribution plan (the Plan) covering employees who have been employed with the Foodbank three of the last five years. The Foodbank makes a contribution to the Plan each year equal to 3% of all participants' compensation. Annual contributions to the plan amounted to \$23,720 and \$20,651 for the years ended 2016 and 2015, respectively.

**Note 9. Public Support**

The Foodbank received 6.3% and 6.8% of its total revenue for the years ended June 30, 2016 and 2015, respectively, through allocations and designations from the United Way of the Virginia Peninsula and the Peninsula Combined Federal Campaign. The United Way determines allocations annually and funds the Foodbank at their discretion.

**Note 10. Related Party Transactions**

The Foodbank's board members include volunteers from the financial, legal and medical communities who provide valuable assistance to the Foodbank's development of policies and programs. As of June 30, 2016 and 2015, a significant amount of the Foodbank's cash and investments were maintained in banks with which board members were associated.

**Note 11. Board Designated Funds**

The Foodbank's board agreed to designate a portion of the Foodbank's available cash to serve as a reserve fund for future capital and operational expenses. The operating reserve fund requires twelve months of operations to be designated to ensure the stability of the Foodbank's mission and ongoing operations. The designated funds are held in short-term highly liquid investments. At June 30, 2016 and 2015, \$3,404,250 and \$3,489,403 were designated, respectively.

See Independent Auditor's Report. Notes continued on next page.



VIRGINIA PENINSULA FOODBANK

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

**Note 12. Fair Value Measurement**

FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted 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: (1) Quoted prices for similar assets or liabilities in active markets; (2) Quoted prices for identical or similar assets or liabilities in inactive markets; (3) Inputs other than quoted prices that are observable for the asset or liability; and/or (4) Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodologies used at June 30, 2016 and 2015.

Mutual funds:

Valued at the daily close price as reported by the fund. Mutual funds held by the Foodbank are open-end mutual funds that are registered with the SEC. These funds are required to publish a daily net asset value (NAV) and transact at that price.

The following tables set forth by level, within the fair value hierarchy as measured on a recurring basis, the Foodbank's assets at fair value as of June 30, 2016 and 2015:

	Total Fair Value	<i>Fair Value as of June 30, 2016</i>		
		Level 1	Level 2	Level 3
Money market funds	\$ 41,444	\$ 41,444	\$ -	\$ -
Bond and fixed income mutual funds	2,867,587	2,867,587	-	-
Equity mutual funds:				
Growth	384,277	384,277	-	-
Value	435,870	435,870	-	-
Balanced	13,458	13,458	-	-
Total fair value measurements	\$ 3,742,636	\$ 3,742,636	\$ -	\$ -

See Independent Auditor's Report. Notes continued on next page.

VIRGINIA PENINSULA FOODBANK  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

Note 12. Fair Value Measurement (continued)

	Total <u>Fair Value</u>	<u>Fair Value as of June 30, 2015</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 22,885	\$ 22,885	\$ -	\$ -
Bond and fixed income mutual funds	2,578,878	2,578,878	-	-
Equity mutual funds:				
Growth	547,888	547,888	-	-
Value	257,209	257,209	-	-
Balanced	<u>10,180</u>	<u>10,180</u>	<u>-</u>	<u>-</u>
Total fair value measurements	<u>\$ 3,417,040</u>	<u>\$ 3,417,040</u>	<u>\$ -</u>	<u>\$ -</u>

Note 13. Concentrations

The Foodbank is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Foodbank to risk consist principally of cash and investments. The Foodbank places its cash and investments with high quality financial institutions that participate in Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) programs. As of June 30, 2016, the Foodbank had cash and investments in excess of the insured limit at financial institutions in the amount of \$966,664 of FDIC coverage and \$2,114,092 of SIPC coverage.

The Foodbank's potential credit risk in regard to accounts receivable is limited due to the nature of the Foodbank's receivables as well as the Foodbank's collection history.

The Foodbank receives substantial donations of food from federal and state governments. If a significant reduction in the amount of donated food were to occur, it would affect the Foodbank's future programs and activities.

Note 14. Commitments

The Foodbank leases three copiers under non-cancelable operating leases which expire from September 2016 to October 2021. Lease expense totaled \$10,443 and \$9,087, respectively, for the years ended June 30, 2016 and 2015. Future minimum lease payments by year and in the aggregate under these operating leases are as follows:

2017	\$	9,458
2018		7,747
2019		3,733
2020		3,733
2021		<u>1,244</u>
	\$	<u><u>25,915</u></u>

See Independent Auditor's Report. Notes continued on next page.

**VIRGINIA PENINSULA FOODBANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2016 and 2015**

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**Note 15. Restrictions on Net Assets**

Temporarily restricted net assets of the Foodbank were released from donor restrictions by incurring expenses that satisfy the purpose or time restrictions specified by donors as follows:

	<b>2016</b>	<b>2015</b>
Program and support services	\$ 253,993	\$ 253,346
Time restrictions	246,489	162,174
	\$ 500,482	\$ 415,520

Temporarily restricted net assets are restricted for the following reasons at June 30:

	<b>2016</b>	<b>2015</b>
Timing restrictions related to United Way receivable	\$ 221,898	\$ 254,872
Timing restrictions related to unconditional promises to give	79,550	138,659
Timing restrictions related to other receivables	67,686	186,489
Land held for investment	9,956	9,956
Mobile pantry	2,662	775
	\$ 381,752	\$ 590,751

**Note 16. Subsequent Events**

The Foodbank has evaluated subsequent events through September 21, 2016, the date the financial statements were available to be issued.

See Independent Auditor's Report.

VIRGINIA PENINSULA FOODBANK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
<b>Emergency Food Assistance Program Cluster:</b>				
<b>U.S. Department of Agriculture</b>				
Pass-through from Virginia Department of Agriculture & Consumer Services:				
The Emergency Food Assistance Program (Administrative Costs)	10.568	67-350	\$ -	\$ 147,176
The Emergency Food Assistance Program (Food Commodities - Note 3)	10.569	67-350	<u>677,275</u>	<u>1,011,619</u>
<b>Total Emergency Food Assistance Cluster and Pass-through from Virginia Department of Agriculture &amp; Consumer Services</b>			<u>677,275</u>	<u>1,158,795</u>
Pass-through from Virginia Department of Health:				
Virginia Child and Adult Care Food Program	10.558		-	246,111
Summer Food Service Program for Children	10.559		-	157,199
Summer Food Service Program for Children (Food Commodities - Note 4)	10.559		<u>-</u>	<u>716</u>
<b>Total Pass-through from Virginia Department of Health</b>			<u>-</u>	<u>404,026</u>
<b>Total U.S. Department of Agriculture</b>			<u>677,275</u>	<u>1,562,821</u>
<b>U.S. Department of Homeland Security</b>				
Emergency Food and Shelter National Board Program	97.024		<u>26,982</u>	<u>26,982</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 704,257</u>	<u>\$ 1,589,803</u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards.

VIRGINIA PENINSULA FOODBANK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Foodbank under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Foodbank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foodbank.

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3. Indirect Cost Rate**

The Foodbank has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4. The Emergency Food Assistance Program (Food Commodities)**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, the Foodbank had food commodities from the program totaling \$157,088 in inventory.

**Note 5. Summer Food Service Program for Children (Food Commodities)**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, the Foodbank had no food commodities from the program in inventory.

**Note 6. Pass-Through State Agencies**

Expenditures of federal awards for funds passed through state agencies are based on information provided by the respective agencies. Pass-through entity identifying numbers are presented where available.

See Independent Auditor's Report.

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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**Virginia Peninsula Foodbank**  
Hampton, Virginia

We have audited 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, the financial statements of **Virginia Peninsula Foodbank** (the Foodbank), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 21, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foodbank'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 the Foodbank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foodbank'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 the Foodbank'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 Foodbank'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 Foodbank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Norfolk, Virginia  
September 21, 2016

Wall, Eubank & Chernitzky, P.C.

REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Virginia Peninsula Foodbank  
Hampton, Virginia

**Report on Compliance for Major Federal Program**

We have audited Virginia Peninsula Foodbank's (the Foodbank) compliance with the types of compliance requirements described in OMB *Compliance Supplement* that could have a direct and material effect on the Foodbank's major federal program for the year ended June 30, 2016. The Foodbank's major federal program is identified in the summary of auditor's results section of 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Foodbank's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foodbank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Major Federal Program**

In our opinion, the Foodbank 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, 2016.



### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on the major program is not modified with respect to this matter.

The Foodbank's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foodbank's response was not subjected to the auditing procedures applied in the audit, and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the Foodbank 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 the Foodbank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foodbank'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Wall, Eubank & Chernitzky, P.C.*

Norfolk, Virginia  
September 21, 2016

VIRGINIA PENINSULA FOODBANK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

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

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____ X _____	No
Significant deficiency(ies) identified?	_____	Yes	_____ X _____	None Reported
Noncompliance material to financial statements noted?	_____	Yes	_____ X _____	No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____ X _____	No
Significant deficiency(ies) identified?	_____	Yes	_____ X _____	None Reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

	_____ X _____	Yes	_____	No
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Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.568 / 10.569	Emergency Food Assistance Program Cluster

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

Auditee qualified as low-risk auditee?   X   Yes            No

See Independent Auditor's Report.

VIRGINIA PENINSULA FOODBANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2016

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Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

Finding 2016-001:

Information on the  
Federal Program:

Federal Program:	CFDA 10.568/10.569 - The Emergency Food Assistance Program Cluster
Federal Grantor:	U.S. Department of Agriculture
Pass-Through Entity:	Virginia Department of Agriculture & Consumer Services
Pass-Through ID Number:	67-350
Compliance Requirement:	Reporting
Type of Finding:	Material Noncompliance

Criteria:

The Foodbank is required to submit financial reports on a quarterly basis for the periods ending March 31, June 30, September 30, and December 31 each year. Reports are due 30 days after each reporting period.

Condition:

Noted one instance where a financial report was submitted after the 30 day due date.

Cause:

Preparation and submission of report was delayed due to turnover of USDA program manager position. Report was submitted after pass-through state agency's Regional Commodities Manager inquired regarding status of report.

Recommendation:

Management should modify their policies and procedures to ensure that reporting requirements are submitted timely. If additional time is needed, we recommend requesting an extension from the grantor.

Responsible Official's  
Response and Corrective  
Action Planned:

Management agrees with the finding and has modified their policies and procedures to ensure quarterly reports are submitted timely in accordance with the grant requirements. Additional calendar reminders and other notification tools have been utilized to monitor and ensure compliance.

Planned Implementation  
Date of Corrective Action:

June 30, 2016

Person Responsible  
for Corrective Action:

Chief Operating Officer

See Independent Auditor's Report.

VIRGINIA PENINSULA FOODBANK  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2016

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There were no findings in prior year.

See Independent Auditor's Report.