

**EMERGENCY FOOD BANK, INC.**

CHARLOTTESVILLE, VIRGINIA

REPORT ON EXAMINATION OF  
FINANCIAL STATEMENTS – MODIFIED CASH BASIS  
FOR THE YEAR ENDED FEBRUARY 28, 2014

**EMERGENCY FOOD BANK**  
**Report on Examination of**  
**Financial Statements – Modified Cash Basis**  
**For the Year Ended February 28, 2014**

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## EXHIBIT A

### Independent Auditor's Report on Financial Statements

July 15, 2014

Board of Directors  
Emergency Food Bank, Inc.  
Charlottesville, Virginia

We have audited the accompanying financial statements of Emergency Food Bank, Inc. (a nonprofit organization) which comprises of the statement of assets, liabilities, and net assets – modified cash basis as of February 28, 2014 and the related statements of support, revenue, and expenses – modified cash basis; functional expenses - modified cash basis, and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

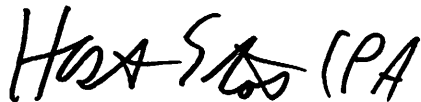
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Emergency Food Bank, Inc., as of February 28, 2014, and its support, revenue, and expenses for the year then ended on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

**Basis of Accounting**

We draw attention to Note 2 of the notes to the financial statement, which describes the basis of accounting. This financial statement is prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

A handwritten signature in black ink that reads "Hostetler Stott CPA". The signature is written in a cursive, somewhat stylized font.

Hostetler Stott CPA  
Charlottesville, Virginia

**EXHIBIT B****EMERGENCY FOOD BANK, INC.****Statement of Assets, Liabilities and Net Assets - Modified Cash Basis  
For the Year Ending February 28, 2014****ASSETS****ASSETS**

Cash and cash equivalents	
Checking and savings	\$ 467,653
Gift cards	547
	<hr/>
Total cash and cash equivalents	468,200
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TOTAL ASSETS	468,200
	<hr/> <hr/>

**LIABILITIES AND NET ASSETS****LIABILITY**

Payroll liabilities	288
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Total liabilities	288
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TOTAL LIABILITIES	288
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**NET ASSETS**

Unrestricted	467,365
Temporarily restricted	547
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Total net assets	467,912
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TOTAL LIABILITIES AND NET ASSETS	\$ 468,200
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**EXHIBIT C****EMERGENCY FOOD BANK, INC.**Statement of Support, Revenues and Expenses - Modified Cash Basis  
For the Year Ending February 28, 2014

	<b>Unrestricted <u>Net Assets</u></b>	<b>Temporarily <u>Restricted</u></b>	<b><u>Total</u></b>
<b><u>SUPPORT AND REVENUE</u></b>			
Contributions			
Individuals	\$ 160,435	\$ -	\$ 160,435
CVC	3,094	-	3,094
Businesses	4,457	18,424	22,881
Church	20,925	-	20,925
Foundations	42,250	-	42,250
Organizations	10,844	-	10,844
Total contribuitons	<u>242,005</u>	<u>18,424</u>	<u>260,429</u>
Interest income	618	-	618
Total support and revenue	<u>242,623</u>	<u>18,424</u>	<u>261,047</u>
Reclassifications			
Net assets released from restrictions	<u>35,079</u>	<u>(35,079)</u>	<u>-</u>
Total reclassifications	<u>35,079</u>	<u>(35,079)</u>	<u>-</u>
Total revenue and reclassifications	277,702	(16,655)	261,047
<b><u>EXPENSES</u></b>			
Program services	246,550	-	246,550
Administrative	18,970	-	18,970
Fundraising	1,207	-	1,207
Total expenses	<u>266,727</u>	<u>-</u>	<u>266,727</u>
Net increase/(decrease) net assets	10,975	(16,655)	(5,680)
Net assets at beginning of year as reported	456,390	17,202	473,592
Net assets at end of year	<u>\$ 467,365</u>	<u>\$ 547</u>	<u>\$ 467,912</u>

**EXHIBIT D**

**EMERGENCY FOOD BANK, INC.**  
Statement of Cash Flows - Modified Cash Basis  
For the Year Ending February 28, 2014

<u>Cash flows from operating activities:</u>	
Change in net assets	\$ (5,680)
Cash provided by operating activities:	
Increase/(decrease) in payroll liabilities	(79)
<u>Net cash provided by operating activities</u>	<u>(5,759)</u>
<u>Cash flows from investing activities</u>	<u>-</u>
<u>Cash flows from financing activities</u>	<u>-</u>
<u>Net increase/(decrease) in cash and cash equivalents</u>	(5,759)
Cash and cash equivalents at beginning of year	<u>473,959</u>
Cash and cash equivalents at end of year	<u><u>\$ 468,200</u></u>
<u>Supplemental data:</u>	
Interest paid or capitalized	\$ -
Income taxes paid	\$ -
Non-cash investing activities	\$ -

The organization considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

**EXHIBIT E**

**EMERGENCY FOOD BANK, INC.**  
**Statement of Functional Expenses - Modified Cash Basis**  
**For the Year Ending February 28, 2014**

**Supporting Services**

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Food purchases:				
Food purchases - general	\$ 90,174	\$ -	\$ -	\$ 90,174
Bright Stars	1,068	-	-	1,068
Bread purchases	19,971	-	-	19,971
Milk purchases	24,280	-	-	24,280
OOO dinners	422	-	-	422
Haven food purchases	12,256	-	-	12,256
Hispanic Ministry	10,260	-	-	10,260
Shelter for Help In Emergency	7,100	-	-	7,100
Hospitality House	4,753	-	-	4,753
Boys & Girls Club	12,948	-	-	12,948
Piedmont House	3,564	-	-	3,564
Greenbrier ESL	5,936	-	-	5,936
American Red Cross - Disaster Victims	100	-	-	100
Total food purchases	<u>192,832</u>	<u>-</u>	<u>-</u>	<u>192,832</u>
Personal care purchases	1,212	-	-	1,212
Dues and fees	-	240	625	865
Equipment purchase and maintenance	1,587	-	-	1,587
Insurance	981	794	-	1,775
Miscellaneous	1,310	-	-	1,310
Office supplies and expenses	-	643	-	643
Payroll expense	-	8,245	-	8,245
Postage and mailing	307	-	582	889
Printing and copying	-	882	-	882
Professional services	-	6,836	-	6,836
Training/education	-	225	-	225
Rent expense	13,242	-	-	13,242
Telephone	-	1,105	-	1,105
Gift card expense	35,079	-	-	35,079
Total expenses	<u>\$ 246,550</u>	<u>\$ 18,970</u>	<u>\$ 1,207</u>	<u>\$ 266,727</u>

*See accompanying notes to the financial statements.*



**EMERGENCY FOOD BANK, INC.**  
Notes to the Financial Statements  
For the Year Ending February 28, 2014

**Note 1 - Nature of the Organization**

The Emergency Food bank is an organization primarily run by volunteers that provides a three-day supply of nutritionally balanced food to needy people. The primary revenue sources are cash and noncash donations from individuals, foundations, organizations and businesses.

**Note 2 - Basis of Accounting**

The organization reports its financial statements using the modified cash method, which is a comprehensive basis of accounting other than generally accepted accounting principles. This method differs from GAAP in that grant income and contributions are recognized when received rather than when earned or promised. Therefore no pledges or grants receivable are reported in the financial statements. Additionally, furniture and equipment is expensed in the year purchased, and noncash donations are not recognized in the financial statements.

***Accounting Estimates***

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

***Cash and Cash Equivalents***

The organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Gift cards held are also considered cash equivalents. The carrying amounts reported in the statement of financial position approximate its fair values. At year end, cash and cash equivalents consist of the following:

Checking	\$ 97,519
Savings	152,706
Money Markets	217,428
Gift Cards	547
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Total Cash and Cash Equivalents	\$468,200

***Property and Equipment***

The Emergency Food Bank owns furniture and equipment for use in operations including a small freezer, two refrigerators, shelving, and miscellaneous furniture and office equipment. Additionally, building improvements were made to the storage facility at Meadows Presbyterian Church in 1990. The historical cost of these items is not reported in this statement as it would be under GAAP. The items were expensed when purchased, rather than capitalized and depreciated over their useful lives as they would be under GAAP.

**EMERGENCY FOOD BANK, INC.**  
Notes to the Financial Statements  
For the Year Ending February 28, 2014

***Inventory***

The organization holds food and other consumables in stock. The cost of these items in stock at year end would be reported under GAAP, but are not reported under this method.

***Net Assets***

Unrestricted net assets result from unexpended funds received from funding sources that impose no time or usage restrictions. At year end, the organization had unrestricted net assets of \$467,365.

Temporarily restricted net assets result from unexpended revenues subject to donor-imposed restrictions as to time and/or purpose of usage. At year end, the organization had \$547 in temporarily restricted net assets, which represent gift cards available only for purchases at the store that donated them.

Permanently restricted net assets result from donations, the principal of which are restricted by the donor to be held indefinitely. There were no permanently restricted net assets at year end.

***Noncash contributions***

The organization received donations of approximately 52,263 lbs of food during the year. They also were given the use of approximately 1,080 square feet of facility space, the value of which is not recorded in this statement as it would be under GAAP.

**Note 3 - Income Taxes**

The organization is a corporation that is exempt from income taxes on all exempt-purpose earnings under Section 509(a)(1) and 170(b)(A)(vi) of the Internal Revenue Code per letter of November 5, 1975. The corporation is not a private foundation.

**Note 4 - Facility Lease**

The organization has entered into a lease for 900 square feet of commercial space requiring monthly payments of \$1,000 per month. The three year term, ending on June 30, 2015, provides for two additional one-year renewal options at an increased rate of 5%. Rent expense, including related utilities expense, for the fiscal year was \$13,242. The future minimum lease commitments are as follows:

Fiscal Year Ended 2/28/15	\$12,000
Fiscal Year Ended 2/28/16	\$ 4,000

**Note 5 - Functional Allocation of Expenses**

The organization allocates its expenses among program services and supporting services in the Statement of Functional Expenses – Modified Cash Basis. Allocations are made based on the specific purpose of each expense or by the percentage of time spent by employees on each type of service. These allocations involve estimations made by management.

**EMERGENCY FOOD BANK, INC.**  
Notes to the Financial Statements  
For the Year Ending February 28, 2014

**Note 6 - Concentration of Risk**

The Federal Deposit Insurance Corporation (FDIC) insures account balances up to \$250,000 at a banking institution. From time to time during the year, the balances held at the bank exceeds this limit. At year end the amount that exceeded FDIC coverage was \$225.

**Note 7 - Fair Value of Financial Instruments**

The Financial Accounting Standards Board Codification of Accounting Standards Topics 820 and 825 established a framework for measuring fair value under accounting principles generally accepted in the United States of America. 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices in active markets for identical assets the Organization has the ability to access at the measurement date. These types of quoted prices would include publicly traded securities.

Level 2 – Pricing inputs (other than quoted prices included in Level 1) that are observable for the asset, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the Organization. These types of sources would include quoted prices for similar assets, models or other valuation methodologies.

Level 3 – Pricing inputs that are unobservable for the asset. Unobservable inputs are those that reflect management's assumptions about the assumptions that market participants would use in pricing the asset developed based on the best information available.

The carrying amounts for Cash reported in the statement of financial position approximate fair values.

The following table sets forth, by level, within the fair value hierarchy, amounts recorded in the Organization's financial statements at fair value as of February 28, 2014:

	<b>Fair Value</b>	<b>Level 1</b>
Checking and Savings	\$467,653	\$467,653
Gift Cards	547	547
Payroll Liabilities	288	288

**EMERGENCY FOOD BANK, INC.**  
Notes to the Financial Statements  
For the Year Ending February 28, 2014

**Note 8 - Commitments**

Emergency Food Bank has entered into several contracts with other charitable organizations in which it promises to provide money on a monthly basis for the purchase of food for their respective clients. Within the coming fiscal year, Emergency Food Bank has committed funds in the amount of \$43,989.

**Note 9 - Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 15, 2014, which is the date that the financial statements were available to be issued. No other subsequent events have been recognized or disclosed.