

FREDERICKSBURG REGIONAL FOOD BANK
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

FREDERICKSBURG
REGIONAL FOOD BANK

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FREDERICKSBURG REGIONAL FOOD BANK

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fredericksburg Regional Food Bank
Fredericksburg, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fredericksburg Regional Food Bank (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Fredericksburg Regional Food Bank as of 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Fredericksburg Regional Food Bank 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 Fredericksburg Regional Food Bank'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 the 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 Fredericksburg Regional Food Bank'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 Fredericksburg Regional Food Bank'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.

Report on Summarized Comparative Information

We have previously audited Fredericksburg Regional Food Bank's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 October 13, 2022, on our consideration of Fredericksburg Regional Food Bank'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 Fredericksburg Regional Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fredericksburg Regional Food Bank's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
October 13, 2022

- Financial Statements -

FREDERICKSBURG REGIONAL FOOD BANK

**Statement of Financial Position
As of June 30, 2022
(With Comparative Totals As of June 30, 2021)**

Assets	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 3,169,186	\$ 3,465,922
Short-term investments	261,055	942,802
Contributions receivables, net of allowance	86,478	113,763
Accounts receivable	213,212	60,131
Inventory	860,479	2,007,946
Current portion of beneficial interest in lead trust	48,480	49,667
Other assets	109,805	39,143
Total current assets	<u>\$ 4,748,695</u>	<u>\$ 6,679,374</u>
Noncurrent assets:		
Investments	\$ 1,755,884	\$ 537,809
Beneficial interest in lead trust, less current portion	60,600	111,752
Property and equipment, net of accumulated depreciation	2,394,938	2,404,738
Total noncurrent assets	<u>\$ 4,211,422</u>	<u>\$ 3,054,299</u>
Total assets	<u><u>\$ 8,960,117</u></u>	<u><u>\$ 9,733,673</u></u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 153,832	\$ 102,671
Accrued expenses	192,536	117,321
Refundable advances	173,287	-
Other liabilities	6,251	4,661
Total current liabilities	<u>\$ 525,906</u>	<u>\$ 224,653</u>
Total liabilities	<u>\$ 525,906</u>	<u>\$ 224,653</u>
Net assets:		
Without donor restrictions	\$ 8,119,957	\$ 9,339,601
With donor restrictions	314,254	169,419
Total net assets	<u>\$ 8,434,211</u>	<u>\$ 9,509,020</u>
Total liabilities and net assets	<u><u>\$ 8,960,117</u></u>	<u><u>\$ 9,733,673</u></u>

The accompanying notes to financial statements are an integral part of this statement.

FREDERICKSBURG REGIONAL FOOD BANK

Statement of Activities
Year Ended June 30, 2022
(With Comparative Totals for Year Ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues and other support:				
Support:				
Donated materials	\$ 6,873,699	\$ -	\$ 6,873,699	\$ 12,362,563
Federal grants	2,951,395	-	2,951,395	3,348,065
Contributions	3,247,897	205,174	3,453,071	4,548,426
Paycheck protection program loan forgiveness	-	-	-	204,700
Change in value of split interest agreement	-	(52,339)	(52,339)	(50,025)
Total support	\$ 13,072,991	\$ 152,835	\$ 13,225,826	\$ 20,413,729
Revenue:				
Program service fees	\$ 159,199	\$ -	\$ 159,199	\$ 7,072
Interest and dividends	12,983	-	12,983	9,656
Other fees	3,993	-	3,993	21,642
Fundraisers	52,050	-	52,050	201,742
Gain(Loss) on investment	(181,188)	-	(181,188)	-
Gain(Loss) on disposal of asset	(45,567)	-	(45,567)	-
Net assets released from donor restrictions	8,000	(8,000)	-	-
Total revenue	\$ 9,470	\$ (8,000)	\$ 1,470	\$ 240,112
Total revenues and other support	\$ 13,082,461	\$ 144,835	\$ 13,227,296	\$ 20,653,841
Expenses:				
Program services:				
Food distribution	\$ 13,206,209	\$ -	\$ 13,206,209	\$ 16,216,741
Supporting services:				
Management and general	395,893	-	395,893	439,211
Fundraising	700,003	-	700,003	478,824
Total expenses	\$ 14,302,105	\$ -	\$ 14,302,105	\$ 17,134,776
Increase (decrease) in net assets	\$ (1,219,644)	\$ 144,835	\$ (1,074,809)	\$ 3,519,065
Net assets, beginning of year	9,339,601	169,419	9,509,020	5,989,955
Net assets, end of year	\$ 8,119,957	\$ 314,254	\$ 8,434,211	\$ 9,509,020

The accompanying notes to financial statements are an integral part of this statement.

FREDERICKSBURG REGIONAL FOOD BANK

Statement of Functional Expenses
Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	Program Services				Supporting Services		2022 Total	2021 Total
	Food Distribution			Total Program	Management	Fundraising		
	Children	Families	Seniors	Services	and General			
Salaries and wages	\$ 124,585	\$ 1,025,580	\$ 90,637	\$ 1,240,802	\$ 251,038	\$ 238,020	\$ 1,729,860	\$ 1,306,976
Employee benefits	8,919	189,079	13,565	211,563	53,485	38,637	303,685	255,769
Payroll taxes	9,151	74,174	6,321	89,646	18,740	17,774	126,160	98,633
Food costs	215,494	10,020,466	538,735	10,774,695	-	-	10,774,695	14,437,941
Fundraising fees	-	-	-	-	-	241,116	241,116	241,777
Accounting fees	870	15,722	882	17,474	5,294	2,786	25,554	53,686
Legal fees	-	-	-	-	-	-	-	1,698
Operational fees	1,536	36,948	2,525	41,009	1,447	1,038	43,494	42,787
Other professional fees	721	7,543	444	8,708	-	116	8,824	22,482
Supplies	21,264	97,593	21,882	140,739	3,127	9,148	153,014	164,377
Telephone and telecommunication	298	7,852	464	8,614	1,053	730	10,397	5,888
Postage and shipping	1,122	28,016	977	30,115	326	52,050	82,491	4,750
Printing and copying	1,526	6,122	3,225	10,873	878	3,122	14,873	21,134
Web based Subscriptions	1,747	38,948	3,083	43,778	3,250	24,744	71,772	6,087
Utilities	1,733	36,603	2,500	40,836	4,770	3,293	48,899	29,949
Other building rentals and maintenance	11,590	121,709	18,503	151,802	781	409	152,992	62
Mortgage interest	-	-	-	-	-	-	-	20,551
Equipment rental and maintenance	5,218	60,904	4,226	70,348	577	344	71,269	71,889
Vehicle expense	2,769	63,100	3,672	69,541	-	40	69,581	49,837
Depreciation	6,362	147,215	9,388	162,965	37,331	25,942	226,238	182,318
Travel, conventions and meetings	1,305	8,422	380	10,107	601	469	11,177	3,449
Interest	-	-	-	-	-	-	-	710
Insurance	1,264	25,983	1,773	29,020	6,244	4,347	39,611	26,885
Membership dues	112	2,971	267	3,350	1,201	520	5,071	4,641
Staff development	512	10,716	630	11,858	1,523	911	14,292	4,597
Outside computer services	335	8,140	1,061	9,536	1,894	1,316	12,746	14,496
Advertising expense	1,178	12,978	622	14,778	82	13,309	28,169	53,246
Bank fees and charges	-	-	-	-	80	10,158	10,238	369
Organizational expense	319	10,854	499	11,672	2,171	9,664	23,507	7,332
Miscellaneous expense	1,500	880	-	2,380	-	-	2,380	460
Total	\$ 421,430	\$ 12,058,518	\$ 726,261	\$ 13,206,209	\$ 395,893	\$ 700,003	\$ 14,302,105	\$ 17,134,776

The accompanying notes to financial statements are an integral part of this statement.

FREDERICKSBURG REGIONAL FOOD BANK

Statement of Cash Flows
Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,074,809)	\$ 3,519,065
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	226,238	182,318
Paycheck protection program loan forgiveness	-	(204,700)
(Gain) loss on disposal of property and equipment	45,567	-
(Gain) Loss on investment	181,188	-
Donated commodities received	(9,207,883)	(14,090,788)
Donated commodities distributed	8,974,356	14,040,763
Beneficial interest in lead trust	104,678	100,050
Change in contributions receivable	27,285	4,998
Change in accounts receivable	(153,081)	1,539
Change in inventory	1,147,467	(708,957)
Change in other assets	(70,662)	(39,143)
Change in accounts payable	51,161	51,246
Change in accrued expenses	75,215	(36,764)
Change in refundable advances	173,287	-
Change in other liabilities	1,590	(13,326)
Net cash provided by (used for) operating activities	\$ <u>501,597</u>	\$ <u>2,806,301</u>
Cash flows from investing activities:		
Purchase of property and equipment	\$ (273,562)	\$ (814,963)
Redemption (purchase) of investments	(536,328)	(9,054)
Proceeds from sale of equipment	11,557	-
Net cash provided by (used for) investing activities	\$ <u>(798,333)</u>	\$ <u>(824,017)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	\$ -	\$ (686,313)
Net cash provided by (used for) financing activities	\$ -	\$ (686,313)
Net increase (decrease) in cash and cash equivalents	\$ (296,736)	\$ 1,295,971
Cash and cash equivalents at beginning of year	<u>3,465,922</u>	<u>2,169,951</u>
Cash and cash equivalents at end of year	\$ <u><u>3,169,186</u></u>	\$ <u><u>3,465,922</u></u>
Summary of cash and cash equivalents:		
Cash and cash equivalents	\$ <u>3,169,186</u>	\$ <u>3,465,922</u>
Total cash and cash equivalents	\$ <u><u>3,169,186</u></u>	\$ <u><u>3,465,922</u></u>
Noncash financing activities:		
Paycheck protection program loan forgiveness	\$ -	\$ 204,700
Supplemental Disclosures:		
Interest paid	\$ -	\$ 21,261

The accompanying notes to financial statements are an integral part of this statement.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements As of June 30, 2022

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

The Fredericksburg Regional Food Bank (the Food Bank) solicits, collects, and stores surplus food, which it distributes to various nonprofit organizations in Planning District 16, which in turn provide meals or emergency food to people in need without charge. The Food Bank is supported primarily through donor contributions, grants, United Way, and donated food through affiliation with Feeding America. Agencies affiliated with the Food Bank receive donated and purchased food and products and pay a service fee based on per pound rate.

The Food Bank also administers various need-based aid programs through agreements with the Virginia Department of Agriculture and Consumer Services, including the Commodity Supplemental Food Program (CSFP) which works to improve the health of income qualified seniors by supplementing their diets with nutritious USDA foods, the Summer Food Service Program which helps to ensure that children continue to receive nutritious meals when school is not in season, and The Emergency Food Assistance Program (TEFAP) which helps supplement the diets of income qualified families by providing emergency food and nutrition at no cost.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Food Bank is required to report information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions: net assets without donor restrictions and net assets with donor restrictions. Accordingly, the net assets of the Food Bank and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to any donor-imposed restrictions. At June 30, 2022, the Food Bank had \$8,119,957 in net assets without donor restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. A donor-imposed restriction is a donor stipulation for the use of a contributed asset that is more specific than the broad limits resulting from the Food Bank's nature, environment, and purpose. At June 30, 2022, the Food Bank had \$314,254 in net assets with donor restrictions.

Use of Estimates

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

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and Cash Equivalents

The Food Bank considers all highly liquid investments that can be readily converted to cash or with a maturity of ninety days or less when purchased, to be cash equivalents. Cash equivalents are stated at cost, which approximates market value. Cash held for long-term investment is classified as investments.

Investments - Short-term

Investments are stated at fair value and consist of certificates of deposit with original maturities of more than ninety days, but not more than twelve months. Certificates of deposit are held at various banks and are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Investments

Investments are recorded at fair value. Realized and unrealized changes in fair value of investments are reported separately in the statement of activities. For the year ended 2022, investments are maintained in Certificates of Deposit and an annuity contract.

Inventory

Inventory consists of purchased, donated and government goods. Purchased goods are valued at cost on a first in, first out basis. Donated goods are valued using Feeding America's Independent Accountants' Report of the estimated weighted average wholesale value of such goods. Management believes this benchmark reflects the most accurate basis for estimating the value of the Food Bank's donated food goods, and it is a widely accepted standard used by other food banks throughout the United States. Government goods are acquired through the United States Department of Agriculture ("USDA") and have assigned value provided by the USDA.

Property and Equipment

The Food Bank capitalizes all expenditures for the property and equipment in excess of \$5,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Depreciation

Depreciation of property and equipment is determined using the straight-line and accelerated methods over the estimated useful lives of the related assets. Estimated useful lives range from 15 to 50 years for buildings and leasehold improvements, 5 to 15 years for equipment, and 5 years for vehicles.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Functional Expenses

Expenses directly attributed to a specific functional area of the organization are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. The remaining expenses are allocated to management and general expenses for overall support and direction. Accordingly, costs have been allocated among the programs and supporting services benefited and are summarized on a functional basis in the statement of functional expenses.

Contributions

The Food Bank recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Food Bank uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Income Taxes

The Food Bank is a nonprofit organization, which is exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. However, the Food Bank is subject to unrelated business income tax for activities conducted outside of its tax exempt purpose. The Food Bank did not conduct any unrelated business activities during the year ended June 30, 2022.

Accounting for Uncertain Tax Positions

The Food Bank follows FASB ASC 740 in measurement and disclosure of uncertain tax positions. The Food Bank believes that 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.

Donated Supplies

Donated supplies and materials 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 Food Bank's program services. Volunteer services neither create nor enhance financial assets nor do they require special skills, and the services are not recognized as support in the accompanying statement of activities.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donated Materials

The Food Bank receives a substantial amount of donated food and supplies, much of which is sorted salvage. The value reflected in the financial statements is based on Feeding America's wholesale price per pound of donated items.

Advertising

The Food Bank expenses advertising costs as incurred. During 2022 and 2021, advertising costs totaled \$28,169 and \$53,246, respectively.

Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Food Bank's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

NOTE 2—INVESTMENTS:

Short-Term

Certificates of deposit with original maturities of more than ninety days, but not more than twelve months, as follows:

	<u>2022</u>	<u>2021</u>
Certificate of deposits	\$ 261,055	\$ 942,802
Total	<u>\$ 261,055</u>	<u>\$ 942,802</u>

Long-Term

	<u>2022</u>	<u>2021</u>
Certificate of deposits	\$ -	\$ 260,664
Corporate Debt	387,344	-
Equities	1,368,540	-
Indexed annuity contract	-	277,145
Total	<u>\$ 1,755,884</u>	<u>\$ 537,809</u>

NOTE 3—CONTRIBUTIONS RECEIVABLE:

Contributions receivable consist of the following:

	<u>2022</u>	<u>2021</u>
United Way contributions	\$ 109,982	\$ 155,097
Less allowance for uncollectible contributions	<u>(23,504)</u>	<u>(41,334)</u>
Total	<u>\$ 86,478</u>	<u>\$ 113,763</u>

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 4—ACCOUNTS RECEIVABLE:

Accounts receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Due from member agencies	\$ 23,351	\$ -
Federation of Virginia Food Banks	28,190	-
Commonwealth of Virginia	137,472	37,819
Other	<u>24,199</u>	<u>22,312</u>
Total	<u>\$ 213,212</u>	<u>\$ 60,131</u>

NOTE 5—INVENTORY:

During the fiscal year-ended June 30, 2022, Inventory consists of donated goods, purchased goods and USDA commodities. It is valued as stated below:

<u>Inventory Type</u>	<u>June 30, 2022</u>	
	<u>Value Method</u>	<u>Value</u>
Purchased	Cost (FIFO)	165,021
Donated	\$1.92/per pound	231,272
Government Goods	Per USDA	<u>464,186</u>
Total Value		<u><u>860,479</u></u>

The cost of \$1.92 per pound is based on a value set by Feeding America for use by member Food Banks.

For the fiscal year-ended June 30, 2021, Inventory was based on a physical weigh-in of all food and product. The cost per pound is based on a value set by Feeding America for use by other member Food Banks. The value was established at \$2,007,946 based upon the rate of \$1.74 per pound. Inventory consists of donated goods, purchased goods and USDA commodities.

NOTE 6—CHARITABLE LEAD ANNUITY TRUST:

During the 2005 fiscal year, a donor established a trust with a local bank naming the Food Bank as the beneficiary of a charitable lead annuity trust. The trust will pay out quarterly payments of \$12,474 for 20 years. Based on a 2.92% and 0.46% discount rate for the years ended June 30, 2022 and 2021, respectively, the present value of future benefits expected to be received by the Food Bank are estimated as follows:

	<u>2022</u>	<u>2021</u>
Current portion, due within one year	\$ 48,480	\$ 49,667
Long-term portion	<u>60,600</u>	<u>111,752</u>
Total	<u>\$ 109,080</u>	<u>\$ 161,419</u>

FREDERICKSBURG REGIONAL FOOD BANK

**Notes to Financial Statements
As of June 30, 2022 (Continued)**

NOTE 7—PENSION PLAN:

The Food Bank offers a SIMPLE Plan (the Plan) to all eligible employees. The Food Bank matches participants' contributions to the Plan up to 3% of the individual participant's compensation. Retirement plan expense, which is included in employee benefits, amounted to \$36,315 and \$33,440 for the years ended June 30, 2022 and 2021, respectively.

NOTE 8—PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Non-depreciable assets:		
Land	\$ 234,168	\$ 234,168
Total non-depreciable assets	<u>\$ 234,168</u>	<u>\$ 234,168</u>
Depreciable assets:		
Building	\$ 1,502,405	\$ 1,502,405
Building improvements	994,225	806,141
Vehicles	735,235	920,857
Equipment	343,646	341,405
Office furniture, furnishings, and equipment	75,587	39,703
Leasehold improvements	42,353	-
Total depreciable assets	<u>\$ 3,693,451</u>	<u>\$ 3,610,511</u>
Total assets	\$ 3,927,619	\$ 3,844,679
Accumulated depreciation	(1,532,681)	(1,439,941)
Net property and equipment	<u>\$ 2,394,938</u>	<u>\$ 2,404,738</u>

Depreciation expense for the year ended June 30, 2022 and 2021 totaled \$226,238 and \$182,318, respectively.

NOTE 9—FAIR VALUE MEASUREMENTS:

The Food Bank follows FASB ASC 820 to disclose fair value measurements of assets and liabilities. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 9—FAIR VALUE MEASUREMENTS: (Continued)

- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flows methodologies and similar techniques that use significant unobservable inputs.

In determining the appropriate levels, the Food Bank performs a detailed analysis of the assets and liabilities that are subject to FASB ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the Food Bank at June 30, 2022. The inputs and techniques used in measuring fair value were not changed in 2022.

The following table presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy. There are no liabilities that are being measured and reported on a fair value basis.

	Fair Value Measurements at Reporting Date Using			
	06/30/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of Deposits	\$ 261,055	\$ 261,055	\$ -	\$ -
Corporate Debt	387,344	387,344	-	-
Equities	1,368,540	1,368,540	-	-
Beneficial interest in lead trust	109,080	-	109,080	-
Total	\$ 2,126,019	\$ 2,016,939	\$ 109,080	\$ -

NOTE 10—COMPENSATED ABSENCES:

Employees of the Food Bank are entitled to paid vacation based upon the Food Bank’s policy including years of service. The amount which has been recorded as a liability at June 30, 2022 and 2021 totals \$108,975 and \$73,231, respectively and is included in accrued expenses as a current liability.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OPERATING LEASES:

In April 2021, the Food Bank entered into a lease agreement for the use of warehouse space with an initial term of 5 years and the option to renew the lease for one additional two-year lease term. The initial lease year started November 2021. Rent expense for the year ended June 30, 2022 totaled \$124,000. The following is the future minimum lease payments for the initial 5-year lease, including the monthly base rent and the other charges incurred by the landlord and passed through to the Food Bank:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 200,160
2024	205,301
2025	207,031
2026	207,031
Total	\$ <u>819,523</u>

NOTE 12—NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED:

Feeding America requires that the Food Bank reserve at least three months of operating expenses in net assets without donor restrictions. Also, the Board has set aside funds for capital reserves and other purposes.

The Food Bank's Board of Directors have chosen to place the following limitations on net assets without donor restrictions:

	<u>2022</u>	<u>2021</u>
Operating reserves	\$ 894,191	\$ 1,010,000
Capital reserves	100,000	100,000
Other	-	54,004
Total	\$ <u>994,191</u>	\$ <u>1,164,004</u>

NOTE 13—NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consists of the following:

	<u>2022</u>	<u>2021</u>
Beneficial interest in lead trust - Arvel Shannon Trust	\$ 109,080	\$ 161,419
Grants	205,174	7,000
Donor directed funds	-	1,000
Total	\$ <u>314,254</u>	\$ <u>169,419</u>

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 13—NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

During fiscal year 2022, net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors in the amount of \$8,000.

NOTE 14—LIQUIDITY AND AVAILABILITY:

As of June 30, 2022, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, are as follows:

Assets:	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,169,186	\$ 3,465,922
CDs maturing in less than 12 months	261,055	942,802
Accounts receivable expected to be received in less than 12 months	213,212	60,131
Contributions receivable expected to be received in less than 12 months	86,478	113,763
Current portion of beneficial interest in trust	48,480	49,667
Total assets available within one year	<u>\$ 3,778,411</u>	<u>\$ 4,632,285</u>

As part of the Food Bank’s asset management plan, various equities and long-term investments have been purchased with maturity dates beyond one year of the statement of financial position date. These assets are available for general expenditure, without donor restrictions limiting their use, and are comprised of the following:

	<u>2022</u>	<u>2021</u>
CDs maturing in more than 12 months	\$ -	\$ 260,664
Corporate Debt	387,344	-
Equities	1,368,540	-
Indexed Annuity Contract	-	277,145
Total	<u>\$ 1,755,884</u>	<u>\$ 537,809</u>

The Board has imposed restrictions pertaining to the use of net assets without donor restrictions in the amount of \$994,191 for the year ended June 30, 2022 as described in Note 12.

NOTE 15—CARES ACT - PAYCHECK PROTECTION PROGRA (PPP) LOAN:

In response to the economic instability caused by COVID-19, the “CARES Act” was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program was a component of the CARES Act and provided for a loan (“PPP loan”) to provide a direct incentive for employers to keep their employees on the payroll. A PPP loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities, as further defined in the CARES Act. On April 14, 2020, the Food Bank received a PPP loan in the amount of \$204,700 with a maturity date of April 14, 2022 and an interest rate of 1%. On December 14, 2020, the Food Bank was granted loan forgiveness for the full PPP loan amount of \$204,700 and all accrued interest and was recorded as income in the year ended June 30, 2021.

FREDERICKSBURG REGIONAL FOOD BANK

**Notes to Financial Statements
As of June 30, 2022 (Continued)**

NOTE 16—REFUNDABLE ADVANCES

In 2022, the Food Bank entered into a grant agreement for Block Funds with the Virginia Department of Housing and Community Development to increase building capacity in the leased warehouse. On June 16, 2022, The Food Bank received funds in advance to purchase and install a new freezer and cooler. The funds received in advance are recorded as refundable advances and are subsequently recognized as revenue when the Food Bank incurs the applicable costs. As of June 30, 2022, the balance was \$173,287.

NOTE 17—DATE OF MANAGER'S REVIEW:

In preparing these financial statements, management of the Food Bank has evaluated events and transactions for potential recognition or disclosure through October 13, 2022, the date the financial statements were available to be issued.

COMPLIANCE



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

**To the Board of Directors
Fredericksburg Regional Food Bank
Fredericksburg, 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 Fredericksburg Regional Food Bank (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fredericksburg Regional Food Bank'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 Fredericksburg Regional Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of Fredericksburg Regional Food Bank'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fredericksburg Regional Food Bank'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 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

Fredericksburg, Virginia
October 13, 2022



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

**To the Board of Directors
Fredericksburg Regional Food Bank
Fredericksburg, Virginia**

Opinion on Each Major Federal Program

We have audited Fredericksburg Regional Food Bank's 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 Fredericksburg Regional Food Bank's major federal programs for the year ended June 30, 2022. Fredericksburg Regional Food Bank'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, Fredericksburg Regional Food Bank 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, 2022.

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 Fredericksburg Regional Food Bank 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 Fredericksburg Regional Food Bank'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 Fredericksburg Regional Food Bank'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 Fredericksburg Regional Food Bank'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 Fredericksburg Regional Food Bank'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 Fredericksburg Regional Food Bank'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 Fredericksburg Regional Food Bank'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 Fredericksburg Regional Food Bank'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

Fredericksburg, Virginia

October 13, 2022

Fredericksburg Regional Food Bank

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>Department of Agriculture:</u>			
Pass-through Payments:			
Virginia Department of Agriculture and Consumer Services:			
<u>Food Distribution Cluster</u>			
Emergency Food Assistance Program - Food Commodities	10.569	Not Available	\$ 2,064,052
Emergency Food Assistance Program - Administrative Costs	10.568	Not Available	<u>228,421</u>
Commodity Supplemental Food Program	10.565	Not Available	<u>377,083</u>
Total Food Distribution Cluster			<u>\$ 2,669,556</u>
Virginia Department of Social Services:			
<u>Child Nutrition Cluster</u>			
Food Distribution - Summer Food Service Program for Children	10.559	Not Available	142,776
<u>SNAP Cluster</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not Available	<u>8,468</u>
Total Department of Agriculture			<u>\$ 2,820,800</u>
<u>Department of Health and Human Services</u>			
Pass-through Payments:			
Virginia Department of Social Services:			
Temporary Assistance to Needy Families	93.558	Not Available	\$ 97,580
Total Department of Health and Human Services			<u>\$ 97,580</u>
<u>Department of Housing and Urban Development:</u>			
Pass-through Payments:			
City of Fredericksburg, Virginia:			
<u>CDBG - Entitlement Grants Cluster</u>			
Community Development Block Grants/Entitlement Grants	14.218	Not Available	\$ 33,015
Total Department of Housing and Urban Development			<u>\$ 33,015</u>
Total expenditures of federal awards			<u>\$ 2,951,395</u>

See accompanying notes to the schedule of expenditures of federal awards.

Fredericksburg Regional Food Bank

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Fredericksburg Regional Food Bank under programs of the federal government for the year ended June 30, 2022. 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 Fredericksburg Regional Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Fredericksburg Regional Food Bank

Note 2 - Summary of Significant Accounting Policies:

(1) Expenditures on the Schedule 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.

(2) Pass-through entity identifying numbers are presented where available.

(3) The Food Bank did not elect to use the 10% de minimis indirect cost rate.

(4) The Food Bank did not pass any federal awards through to sub-recipients during the year ended June 30, 2022.

Note 3 - Food Distribution:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the Food Bank had food commodities totaling \$464,186 in inventory related to the federal programs based on the USDA values.

Fredericksburg Regional Food Bank

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)? No

Identification of major programs:

<u>Federal Assistance Listing #</u>	<u>Name of Federal Program or Cluster</u>
10.565/10.568/10.569	Food Distribution Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	No
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Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Summary Schedule of Prior Audit Findings

There are no prior audit findings to report.