

FREDERICKSBURG REGIONAL FOOD BANK

FINANCIAL STATEMENTS

June 30, 2017 and 2016

C O N T E N T S

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF CASH FLOWS	6
STATEMENTS OF FUNCTIONAL EXPENSES	7
NOTES TO FINANCIAL STATEMENTS	9

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INDEPENDENT AUDITORS' REPORT

Officers and Directors
Fredericksburg Regional Food Bank
Fredericksburg, Virginia

We have audited the accompanying financial statements of Fredericksburg Regional Food Bank (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

Auditors' Responsibility

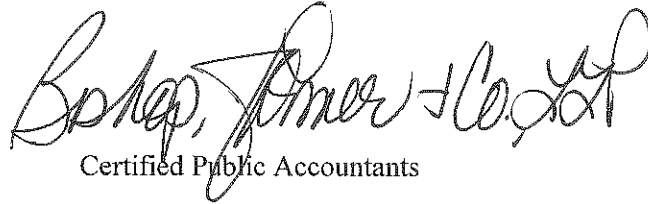
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fredericksburg Regional Food Bank as of June 30, 2017 and 2016, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Certified Public Accountants

Fredericksburg, Virginia
January 19, 2018

FREDERICKSBURG REGIONAL FOOD BANK

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

ASSETS	2017	2016	LIABILITIES AND NET ASSETS	2017	2016
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	\$ 1,141,651	\$ 1,293,447	Accounts payable	\$ 29,970	\$ 46,547
Short-term investments	528,653	401,055	Accrued expense	117,820	109,381
Unconditional promises to give	165,214	191,759	Other liabilities	14,467	9,894
Current portion of beneficial interest in lead trust	47,401	47,401	Current portion of long-term debt	<u>42,285</u>	<u>40,896</u>
Accounts receivable	15,622	16,846			
Inventory	647,501	609,360	Total Current Liabilities	\$ <u>204,542</u>	\$ <u>206,718</u>
Prepaid expenses	1,079				
Deposits	<u>500</u>	<u>500</u>			
Total Current Assets	\$ <u>2,547,621</u>	\$ <u>2,560,368</u>			
 PROPERTY AND EQUIPMENT			 LONG-TERM LIABILITIES		
Land	\$ 234,168	\$ 234,168	Long-term debt	\$ 798,195	\$ 839,087
Building	1,502,405	1,502,405	Less current portion	<u>(42,285)</u>	<u>(40,896)</u>
Building improvements	371,170	304,408			
Vehicles	387,904	382,314	Total Long-Term Liabilities	\$ <u>755,910</u>	\$ <u>798,191</u>
Equipment	217,893	194,093			
Office equipment and furnishings	<u>44,472</u>	<u>44,472</u>			
	\$ 2,758,012	\$ 2,661,860	NET ASSETS		
Less accumulated depreciation	<u>950,067</u>	<u>845,975</u>	Without donor restrictions	\$ 3,653,230	\$ 3,760,392
Total Property and Equipment	\$ <u>1,807,945</u>	\$ <u>1,815,885</u>	With donor restrictions	<u>655,889</u>	<u>581,195</u>
 OTHER ASSETS			Total Net Assets	\$ <u>4,309,119</u>	\$ <u>4,341,587</u>
Long-term investments	\$ 659,535	\$ 682,032			
Beneficial interest in lead trust, less current portion	<u>254,470</u>	<u>288,211</u>			
Total Other Assets	\$ <u>914,005</u>	\$ <u>970,243</u>			
Total Assets	\$ <u>5,269,571</u>	\$ <u>5,346,496</u>	Total Liabilities and Net Assets	\$ <u>5,269,571</u>	\$ <u>5,346,496</u>

See Notes to Financial Statements

FREDERICKSBURG REGIONAL FOOD BANK
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2017 and 2016

	<u>2017</u>		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
SUPPORT AND REVENUE			
SUPPORT			
Donated materials	\$ 7,388,529	\$	\$ 7,388,529
Donated vehicle	5,590		5,590
Donated food vouchers	3,160		3,160
Contributions	1,298,856	318,267	1,617,123
Change in value of split interest agreement	<u> </u>	<u>16,155</u>	<u>16,155</u>
Total Support	\$ <u>8,696,135</u>	\$ <u>334,422</u>	\$ <u>9,030,557</u>
REVENUE			
Program service fees	\$ 238,095	\$	\$ 238,095
Interest and dividends	10,869		10,869
Other fees	3,314		3,314
Fundraiser	74,452		74,452
Gain on disposal of asset	<u>850</u>	<u> </u>	<u>850</u>
Total Revenue	\$ 327,580	\$	\$ 327,580
Net assets released from donor restrictions	<u>259,728</u>	<u>(259,728)</u>	<u> </u>
Total Support and Revenue	\$ <u>9,283,443</u>	\$ <u>74,694</u>	\$ <u>9,358,137</u>
FUNCTIONAL EXPENSES			
Program services	\$ 8,775,967	\$	\$ 8,775,967
Management and general	241,161		241,161
Fundraising	<u>373,477</u>	<u> </u>	<u>373,477</u>
Total Functional Expenses	\$ <u>9,390,605</u>	\$ <u>-</u>	\$ <u>9,390,605</u>
CHANGE IN NET ASSETS	\$ (107,162)	\$ 74,694	\$ (32,468)
NET ASSETS, Beginning of Year	<u>3,760,392</u>	<u>581,195</u>	<u>4,341,587</u>
NET ASSETS, End of Year	\$ <u>3,653,230</u>	\$ <u>655,889</u>	\$ <u>4,309,119</u>

See Notes to Financial Statements.

FREDERICKSBURG REGIONAL FOOD BANK
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2017 and 2016

	<u>2016</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
SUPPORT			
Donated materials	\$ 6,557,122	\$	\$ 6,557,122
Donated vehicle	2,046		2,046
Donated food vouchers	15,321		15,321
Contributions	1,703,258	98,741	1,801,999
Change in value of split interest agreement	<u> </u>	<u>17,790</u>	<u>17,790</u>
Total Support	\$ <u>8,277,747</u>	\$ <u>116,531</u>	\$ <u>8,394,278</u>
REVENUE			
Program service fees	\$ 275,609	\$	\$ 275,609
Interest and dividends	10,044		10,044
Other fees	1,974		1,974
Fundraiser	123,343		123,343
Gain (loss) on disposal of asset	<u>(5,462)</u>	<u> </u>	<u>(5,462)</u>
Total Revenue	\$ 405,508	\$ -	\$ 405,508
Net assets released from donor restrictions	<u>95,158</u>	<u>(350,268)</u>	<u>(255,110)</u>
Total Support and Revenue	\$ <u>8,778,413</u>	\$ <u>(233,737)</u>	\$ <u>8,544,676</u>
FUNCTIONAL EXPENSES			
Program services	\$ 7,969,256	\$	\$ 7,969,256
Management and general	229,357		229,357
Fundraising	<u>377,591</u>	<u> </u>	<u>377,591</u>
Total Functional Expenses	\$ <u>8,576,204</u>	\$ <u>-</u>	\$ <u>8,576,204</u>
CHANGE IN NET ASSETS	\$ 202,209	\$ (233,737)	\$ (31,528)
NET ASSETS, Beginning of Year	<u>3,558,183</u>	<u>814,932</u>	<u>4,373,115</u>
NET ASSETS, End of Year	\$ <u>3,760,392</u>	\$ <u>581,195</u>	\$ <u>4,341,587</u>

See Notes to Financial Statements.

FREDERICKSBURG REGIONAL FOOD BANK

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (32,468)	\$ (31,528)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	104,092	121,536
(Gain) Loss from asset disposal	(850)	5,462
Donated commodities received	(7,388,529)	(6,557,122)
Donated commodities distributed	7,381,549	6,559,868
Changes in operating assets and liabilities:		
(Increase) decrease in inventory	(38,141)	(117,217)
(Increase) decrease in unconditional promises to give	26,545	53,158
(Increase) decrease in trust	33,741	32,106
(Increase) decrease in accounts receivable	1,224	5,323
(Increase) decrease in prepaid assets	(1,079)	4,717
Increase (decrease) in liabilities	<u>(2,176)</u>	<u>29,757</u>
Net Cash Provided By Operating Activities	\$ <u>83,908</u>	\$ <u>106,060</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (90,561)	\$ (108,952)
Purchase of investments	(258,673)	(6,765)
Redemption of investments	153,572	301,345
Proceeds from sale of equipment	<u>850</u>	<u> </u>
Net Cash Provided By (Used In) Investing Activities	\$ <u>(194,812)</u>	\$ <u>185,628</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment on long-term debt	\$ <u>(40,892)</u>	\$ <u>(35,730)</u>
Net Cash Provided By (Used In) Financing Activities	\$ <u>(40,892)</u>	\$ <u>(35,730)</u>
Increase (Decrease) In Cash and Cash Equivalents	\$ (151,796)	\$ 255,958
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,293,447</u>	<u>1,037,489</u>
CASH AND CASH EQUIVALENTS, End of Year	\$ <u>1,141,651</u>	\$ <u>1,293,447</u>
SUPPLEMENTAL DISCLOSURES		
Noncash investing transaction:		
Donated vehicle	\$ <u>5,590</u>	\$ <u>-</u>

See Notes to Financial Statements.

FREDERICKSBURG REGIONAL FOOD BANK
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2017 and 2016

	2017			
	Program Services	Management and General	Fundraising	Totals
Compensation and related expenses:				
Compensation	\$ 611,361	\$ 155,121	\$ 145,997	\$ 912,479
Employee benefit programs	127,348	32,312	30,412	190,072
Payroll taxes	45,412	11,522	10,845	67,779
Advertising	31,678			31,678
Computer	2,829	157	157	3,143
Bank charges		1,591		1,591
Depreciation	93,682	5,205	5,205	104,092
Dues and subscriptions	45,062			45,062
Food costs	7,614,867			7,614,867
Fundraising			172,766	172,766
Insurance	32,901	1,828	1,828	36,557
Interest	24,710	1,373	1,373	27,456
Maintenance and repairs	12,319	685	684	13,688
Meetings and seminars	3,856	214	214	4,284
Other	5,349			5,349
Postage/printing	5,478		609	6,087
Professional services		27,765		27,765
Supplies	6,826	379	379	7,584
Telephone	17,358	964	964	19,286
Travel	11,690	650	649	12,989
Freight	65			65
Utilities	24,619	1,368	1,368	27,355
Vehicle	35,157			35,157
Warehouse	22,907			22,907
Human resource	493	27	27	547
Total Functional Expenses	\$ 8,775,967	\$ 241,161	\$ 373,477	\$ 9,390,605

See Notes to Financial Statements.

FREDERICKSBURG REGIONAL FOOD BANK
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2017 and 2016

	2016			
	Program Services	Management and General	Fundraising	Totals
Compensation and related expenses:				
Compensation	\$ 572,518	\$ 145,266	\$ 136,721	\$ 854,505
Employee benefit programs	118,136	29,974	28,212	176,322
Payroll taxes	39,301	9,972	9,385	58,658
Advertising	47,932			47,932
Computer	3,117	347		3,464
Bank charges		1,763		1,763
Depreciation	109,382	6,077	6,077	121,536
Dues and subscriptions	34,130			34,130
Food costs	6,839,829			6,839,829
Fundraising			189,996	189,996
Insurance	25,740	1,430	1,430	28,600
Interest	27,440	1,524	1,524	30,488
Maintenance and repairs	13,591	755	755	15,101
Meetings and seminars	6,790	357		7,147
Other	15,329			15,329
Postage/printing	5,411		601	6,012
Professional services		28,164		28,164
Supplies	9,018	501	501	10,020
Telephone	19,255	1,069	1,069	21,393
Travel	15,918	838		16,756
Freight	436			436
Utilities	23,758	1,320	1,320	26,398
Vehicle	23,606			23,606
Warehouse	16,009			16,009
Human resource	2,610			2,610
	\$ 7,969,256	\$ 229,357	\$ 377,591	\$ 8,576,204

FREDERICKSBURG REGIONAL FOOD BANK**NOTES TO FINANCIAL STATEMENTS****Years Ended June 30, 2017 and 2016****1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES****Nature of Organization**

The Fredericksburg Regional Food Bank (Food Bank) solicits, collects and stores surplus food, which it distributes to other nonprofit organizations in Planning District 16 which in turn provides meals or emergency food to their clients without charge. The Organization is supported primarily through donor contributions, grants, United Way, and donated food through affiliates with Feeding America. The donations that are received are valued by Feeding America's 2017 and 2016 stated rate of \$1.73 and \$1.67 per pound, respectively. Agencies affiliated with the Food Bank that receive non-salvage food and products pay a service fee based on a per pound rate. In 2017 and 2016, the service fee established by Feeding America was up to \$0.22 per pound.

Significant Accounting Policies**Basis of Accounting**

The Fredericksburg Regional Food Bank's accounts are maintained, and these statements are presented, on the accrual basis of accounting.

Basis of Presentation

The Fredericksburg Regional Food Bank reports information regarding its financial position and activities according to three classes of net assets: those with no donor restrictions, those with temporary donor restrictions, and those with permanent donor restrictions. Contributions received are recorded as without donor restrictions, with temporary donor restrictions, or with permanent donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with temporary donor restrictions are reclassified to net assets without donor restrictions. Currently, the Food Bank has no net assets with permanent donor restrictions.

Promises to Give

Contributions are recognized when the donor makes a promise to the Fredericksburg Regional Food Bank that is, in substance, unconditional. Contributions, which have donor restrictions expiring in the current year, are reported as increases in net assets without restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of June 30, 2017, management believes that the United Way promise to give is 90.08 percent collectible, and all other promises are fully collectible. At June 30, 2016, management considered the United Way promise to be 86.75 percent collectible.

FREDERICKSBURG REGIONAL FOOD BANK**NOTES TO FINANCIAL STATEMENTS****Page 2****1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)****Use of Estimates**

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

The value of donations of food and product are based at a rate per pound established by Feeding America which estimates the value of the donations. Inventory is valued at the same per pound rate. This is an estimated per pound rate of food and product and the actual value may be significantly different from those estimates.

Inventory

Inventories are valued based upon Feeding America's wholesale inventory measure provided annually. This measure provides an average wholesale value of one pound of donated product at the national level. This rate per pound is used to prepare the valuation of inventory. The rate established for 2017 and 2016 is \$1.73 and \$1.67 per pound, respectively.

Property and equipment

The Organization capitalizes all expenditures for 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 fifteen to fifty years for building and leasehold improvements, five to fifteen years for equipment and five years for vehicles.

Functional expenses

Expenses are charged to programs and supporting services under an allocation plan management deems reasonable and appropriate. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction to the Food Bank.

FREDERICKSBURG REGIONAL FOOD BANK**NOTES TO FINANCIAL STATEMENTS****Page 3****1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)****Donated Services**

The value of donated volunteer services is not reflected in the accompanying financial statements since there are no objective basis available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time in the food distribution function. The Food Bank received 20,923 and 11,761 volunteer hours for the years ended June 30, 2017 and 2016, respectively.

Donated Materials

The Organization 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.

Income Taxes

The Fredericksburg Regional Food Bank is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. An information return Form 990 is filed with the IRS annually.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donations with donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity at purchase of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value. Realized and unrealized changes in the fair value of investments are reported separately in the statement of activities. For the years ended 2017 and 2016, most investments are maintained in Certificates of Deposit. The Organization purchased one annuity contract during fiscal year 2017.

Advertising

The Food Bank expenses advertising costs as incurred. During 2017 and 2016, advertising costs totaled \$31,678 and \$47,932, respectively.

FREDERICKSBURG REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Page 4

2. PROMISES TO GIVE

Unconditional

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give expected to be collected in less than one year totaled \$165,214 at June 30, 2017 and \$191,759 at June 30, 2016. The amounts are reflected as net assets with donor restrictions.

3. CHARITABLE LEAD ANNUITY TRUST

During the 2005 fiscal year, a donor established a trust with a local bank naming the Organization 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 five percent rate, the present value of future benefits expected to be received by the Organization is estimated to be \$301,871 as follows:

Beneficial Interest in Lead Trust

Current portion, due within one year	\$ 47,401
Long-term portion	<u>254,470</u>
Total	<u>\$ 301,871</u>

4. INVENTORY

Inventory is based on a physical weigh-in of all food and product. The cost per pound is based on a value set by Feeding America. In 2017, the inventory value was established at \$647,501 based upon the rate of \$1.73 per pound. In 2016, the inventory value was established at \$609,360 based upon the rate of \$1.67 per pound. Inventory consists of purchased and donated goods. Purchased goods totaled \$330,593 and \$242,313 for the years ended June 30, 2017 and 2016, respectively.

5. INVESTMENTS

	<u>2017</u>	<u>2016</u>
Short term investments:		
Certificates of deposits included in short term investments bearing interest rates of .10% to .9% and maturity of 1 year.	\$ <u>528,653</u>	\$ <u>401,055</u>
Total short-term investments	\$ <u>528,653</u>	\$ <u>401,055</u>
Long term investments:		
Certificates of deposit included in long term investment bearing interest ranging from .35% to .86% and mature in terms of 2 to 3 years. Annuity contract included in Long term investments. Contract is for 5 Years with a declared interest rate of 1.75%.	\$ <u>659,535</u>	\$ <u>682,032</u>
Total long-term investments	\$ <u>659,535</u>	\$ <u>682,032</u>

FREDERICKSBURG REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Page 5

5. INVESTMENTS (Continued)

Included in cash and cash equivalents are certificates of deposits with an interest rate of .05 percent and a maturity of 32 days. These certificates totaled \$211,654 and \$211,552 as of June 30, 2017 and 2016, respectively.

Total interest income from various sources including cash and cash equivalents totals \$10,869 and \$10,044 for the years ending June 30, 2017 and 2016, respectively.

6. PENSION PLAN

The Food Bank offers a SIMPLE Plan (the Plan) to all eligible employees. The Organization matches participants' contributions to the Plan up to 3 percent of the individual participant's compensation. Retirement plan expense, which is included in employee benefits, amounted to \$23,174 and \$21,773 for the years ended June 30, 2017 and 2016, respectively.

7. COMPENSATED ABSENCES

Employees of the Food Bank are entitled to paid vacation based upon the Organization's policy including years of service. The amount which has been recorded as a liability at June 30, 2017 and 2016, totals \$65,767 and \$67,461, respectively and is included in accrued expenses as a current liability.

8. LONG-TERM DEBT

Borrowings under long-term obligations at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Union Bank & Trust:		
Principal and interest payments of \$5,695.70 due monthly with an interest rate of 3.30%. Final unpaid principal and interest are due October 5, 2020. The note payable is collateralized by the deed of trust on the facility.	\$ <u>798,195</u>	\$ <u>839,087</u>
Less current maturities	<u>(42,285)</u>	<u>(40,896)</u>
Long Term Debt	\$ <u>755,910</u>	\$ <u>798,191</u>

Principal payments on the mortgage loan are scheduled as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2018	\$ 42,285
2019	43,722
2020	45,144
2021	46,741
2022 and thereafter	<u>620,303</u>
Total	\$ <u>798,195</u>

Interest expense for the years ended June 30, 2017 and 2016 totaled \$30,488 and \$33,850, respectively.

FREDERICKSBURG REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Page 6

9. NET ASSETS WITHOUT DONOR RESTRICTIONS

Feeding America recommends that the Organization reserve six months of operating expenses in net assets without restrictions. Also, the Board has set aside funds for capital reserves.

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

	<u>2017</u>	<u>2016</u>
Operating reserves	\$ 870,000	\$ 780,000
Capital reserves	100,000	100,000
Other	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 1,070,000</u>	<u>\$ 980,000</u>

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Program activities:		
Beneficial interest in lead trust – Arvel Shannon Trust	\$ 301,871	\$ 335,612
Promises to give	131,383	124,822
Food 4 Families	43,102	39,567
Kids on the Go	19,795	5,954
Mobile Pantry		44,834
Walmart (Snap)	26,080	6,503
Other	<u>133,658</u>	<u>23,903</u>
Total Future Operations	<u>\$ 655,889</u>	<u>\$ 581,195</u>

During fiscal year 2017, net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors in the amount of \$259,728.

11. CONCENTRATION OF CREDIT RISK

The financial instruments that potentially subject the Organization to credit risk include cash and promises to give. The Organization places its cash with credit worthy, high-quality financial institutions. Promises to give represent amounts due from various local governments and United Way. At June 30, 2017 cash balances exceeded the FDIC insurance coverage limits by \$189,953.

The FDIC insurance coverage limits are currently \$250,000 per depositor, per insured bank, for each account ownership category.

FREDERICKSBURG REGIONAL FOOD BANK**NOTES TO FINANCIAL STATEMENTS****Page 7****12. FUNCTIONAL ALLOCATION OF EXPENSES**

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

13. RELATED PARTIES

The President/CEO of the Food Bank has relatives who are employed by the Organization.

14. UNCERTAINTY IN INCOME TAX POSITIONS

The Organization adopted the provisions of accounting standards regarding uncertainty in income tax positions; however, management does not believe it is exposed to any such positions as they are defined in the accounting standards. The Organization files IRS Form 990, *Return of Organization Exempt From Income Tax* annually.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 19, 2018, the date which the financial statements were available for issue.