

FREDERICKSBURG REGIONAL FOOD BANK

FINANCIAL STATEMENTS

June 30, 2018 and 2017

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Robert T. Bishop, CPA
Elaine F. Farmer, CPA
Harry D. Dickinson, Ph.D., CPA



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Clarence A. Bowling, Retired
Harry B. F. Franklin, Jr., CPA

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, 2018 and 2017, 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

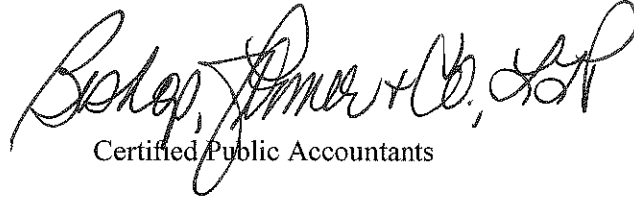
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2018 and 2017, 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 10, 2019

FREDERICKSBURG REGIONAL FOOD BANK
STATEMENTS OF FINANCIAL POSITION
Years Ended June 30, 2018 and 2017

ASSETS		
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 755,271	\$ 1,141,651
Short term investments	944,940	528,653
Unconditional promises to give	122,932	165,214
Current portion of beneficial interest in lead trust	47,401	47,401
Accounts receivable	37,244	15,622
Inventory	848,684	647,501
Prepaid expenses	1,354	1,079
Deposits	<u>500</u>	<u>500</u>
Total Current Assets	\$ <u>2,758,326</u>	\$ <u>2,547,621</u>
PROPERTY AND EQUIPMENT		
Land	\$ 234,168	\$ 234,168
Building	1,502,405	1,502,405
Building improvements	395,698	371,170
Vehicles	453,904	387,904
Equipment	259,104	217,893
Office equipment and furnishings	<u>44,472</u>	<u>44,472</u>
	\$ 2,889,751	\$ 2,758,012
Less accumulated depreciation	<u>(1,056,616)</u>	<u>(950,067)</u>
Total Property and Equipment	\$ <u>1,833,135</u>	\$ <u>1,807,945</u>
OTHER ASSETS		
Long-term investments	\$ 470,096	\$ 659,535
Beneficial interest in lead trust, less current portion	<u>219,010</u>	<u>254,470</u>
Total Other Assets	\$ <u>689,106</u>	\$ <u>914,005</u>
Total Assets	\$ <u>5,280,567</u>	\$ <u>5,269,571</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 36,145	\$ 29,970
Accrued expense	133,779	117,820
Other liabilities	18,103	14,467
Current portion of long-term debt	<u>43,722</u>	<u>42,285</u>
Total Current Liabilities	\$ <u>231,749</u>	\$ <u>204,542</u>
LONG-TERM LIABILITIES		
Long-term debt	\$ 755,906	\$ 798,195
Less current portion	<u>(43,722)</u>	<u>(42,285)</u>
Total Long-Term Liabilities	\$ <u>712,184</u>	\$ <u>755,910</u>
NET ASSETS		
Without donor restrictions	\$ 3,796,952	\$ 3,653,230
With donor restrictions	<u>539,682</u>	<u>655,889</u>
Total Net Assets	\$ <u>4,336,634</u>	\$ <u>4,309,119</u>
Total Liabilities and Net Assets	\$ <u>5,280,567</u>	\$ <u>5,269,571</u>

See Notes to Financial Statements

FREDERICKSBURG REGIONAL FOOD BANK
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2018 and 2017

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
SUPPORT			
Donated materials	\$ 8,141,717	\$	\$ 8,141,717
Donated assets	12,000		12,000
Donated food vouchers	10,932		10,932
Contributions	1,475,612	225,616	1,701,228
Change in value of split interest agreement	<u> </u>	<u>14,436</u>	<u>14,436</u>
Total Support	\$ <u>9,640,261</u>	\$ <u>240,052</u>	\$ <u>9,880,313</u>
REVENUE			
Program service fees	\$ 222,444	\$	\$ 222,444
Interest and dividends	16,561		16,561
Other fees	1,011		1,011
Fundraiser	115,992		115,992
Gain on disposal of asset	<u>800</u>	<u> </u>	<u>800</u>
Total Revenue	\$ <u>356,808</u>	\$ <u>-</u>	\$ <u>356,808</u>
Net assets released from donor restrictions	<u>356,259</u>	<u>(356,259)</u>	<u> </u>
Total Support and Revenue	\$ <u>10,353,328</u>	\$ <u>(116,207)</u>	\$ <u>10,237,121</u>
FUNCTIONAL EXPENSES			
Program services	\$ 9,419,389	\$	\$ 9,419,389
Management and general	288,381		288,381
Fundraising	<u>501,836</u>	<u> </u>	<u>501,836</u>
Total Functional Expenses	\$ <u>10,209,606</u>	\$ <u>-</u>	\$ <u>10,209,606</u>
CHANGE IN NET ASSETS	\$ <u>143,722</u>	\$ <u>(116,207)</u>	\$ <u>27,515</u>
NET ASSETS, Beginning of Year	<u>3,653,230</u>	<u>655,889</u>	<u>4,309,119</u>
NET ASSETS, End of Year	\$ <u>3,796,952</u>	\$ <u>539,682</u>	\$ <u>4,336,634</u>

See Notes to Financial Statements.

FREDERICKSBURG REGIONAL FOOD BANK
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2018 and 2017

	<u>2017</u>		
	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</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	\$ <u>327,580</u>	\$ <u>-</u>	\$ <u>327,580</u>
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	\$ <u>(107,162)</u>	\$ <u>74,694</u>	\$ <u>(32,468)</u>
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 CASH FLOWS

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 27,515	\$ (32,468)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	122,549	104,092
(Gain) Loss from asset disposal	(800)	(850)
Donated commodities received	(8,141,717)	(7,388,529)
Donated commodities distributed	8,167,321	7,381,549
Non-cash donations	(37,608)	
Changes in operating assets and liabilities:		
(Increase) decrease in inventory	(201,183)	(38,141)
(Increase) decrease in unconditional promises to give	42,282	26,545
(Increase) decrease in trust	35,460	33,741
(Increase) decrease in accounts receivable	(21,622)	1,224
(Increase) decrease in prepaid assets	(275)	(1,079)
Increase (decrease) in liabilities	<u>27,207</u>	<u>(2,176)</u>
Net Cash Provided By Operating Activities	\$ <u>19,129</u>	\$ <u>83,908</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (135,740)	\$ (90,561)
Purchase of investments	(226,847)	(258,673)
Redemption of investments		153,572
Proceeds from sale of equipment	<u>800</u>	<u>850</u>
Net Cash Provided By (Used In) Investing Activities	\$ <u>(361,787)</u>	\$ <u>(194,812)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment on long-term debt	\$ <u>(43,722)</u>	\$ <u>(40,892)</u>
Net Cash Provided By (Used In) Financing Activities	\$ <u>(43,722)</u>	\$ <u>(40,892)</u>
Increase (Decrease) In Cash and Cash Equivalents	\$ (386,380)	\$ (151,796)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,141,651</u>	<u>1,293,447</u>
CASH AND CASH EQUIVALENTS, End of Year	\$ <u>755,271</u>	\$ <u>1,141,651</u>
SUPPLEMENTAL DISCLOSURES		
Noncash investing transaction:		
Donated asset	\$ <u>12,000</u>	\$ <u>5,590</u>

See Notes to Financial Statements.

**FREDERICKSBURG REGIONAL FOOD BANK
STATEMENTS OF FUNCTIONAL EXPENSES**

Years Ended June 30, 2018 and 2017

2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Compensation and related expenses:				
Compensation	\$ 649,382	\$ 171,909	\$ 171,186	\$ 992,477
Employee benefit programs	129,775	34,428	34,230	198,433
Payroll taxes	49,347	13,401	13,092	75,840
Advertising	1,456		20,942	22,398
Computer	3,396	120	480	3,996
Bank charges			5,443	5,443
Depreciation	107,843	4,902	9,804	122,549
Dues and subscriptions	45,118	1,671	8,912	55,701
Food costs	8,226,157			8,226,157
Fundraising			205,287	205,287
Insurance	13,700	3,634	3,613	20,947
Interest	16,952	4,434	4,695	26,081
Maintenance and repairs	13,953			13,953
Meetings and seminars	5,094	334	2,923	8,351
Other	38,485	1,749	3,499	43,733
Postage/printing	1,293	820	2,819	4,932
Professional services	1,743	41,819		43,562
Supplies	8,179	372	743	9,294
Telephone	14,171	3,334	3,334	20,839
Travel	10,561	157	5,044	15,762
Freight	679			679
Utilities	19,371	4,989	4,990	29,350
Vehicle	36,018		735	36,753
Warehouse	25,468			25,468
Human resource	1,248	308	65	1,621
Total Functional Expenses	\$ 9,419,389	\$ 288,381	\$ 501,836	\$ 10,209,606

See Notes to Financial Statements.

**FREDERICKSBURG REGIONAL FOOD BANK
STATEMENTS OF FUNCTIONAL EXPENSES**

Years Ended June 30, 2018 and 2017

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

See Notes to Financial Statements

FREDERICKSBURG REGIONAL FOOD BANK**NOTES TO FINANCIAL STATEMENTS****Years Ended June 30, 2018 and 2017****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 various nonprofit organizations in Planning District 16 which in turn provides meals or emergency food to people in need without charge. The Organization is supported primarily through donor contributions, grants, United Way, and donated food through affiliates with Feeding America. The commodities that are received are valued by Feeding America's 2018 and 2017 stated rate of \$1.68 and \$1.73 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 2018 and 2017, the service fee established by Feeding America was up to \$0.22 per pound.

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 low-income elderly by supplementing their diets with nutritious USDA foods, the Summer Food Service Program which helps to ensure that low-income children continue to receive nutritious meals when school is not in session, and The Emergency Food Assistance Program (TEFAP) which helps supplement the diets of low-income families by providing emergency food and nutrition at no cost.

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 two classes of net assets: those with donor restrictions, and those without donor restrictions. Contributions received are recorded as without donor restrictions, or with donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without 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.

FREDERICKSBURG REGIONAL FOOD BANK**NOTES TO FINANCIAL STATEMENTS**

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1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018, management believes that the United Way promise to give is 86.39 percent collectible, and all other promises are fully collectible. At June 30, 2017, management considered the United Way promise to be 90.08 percent collectible.

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. A material estimate that is particularly susceptible to change in the near term is the useful life of assets over which costs are recovered. The current depreciation expense is calculated using the straight-line and accelerated methods with recovery periods of 5 to 50 years. This is based on management's estimates as of June 30, 2018; actual results could differ from those estimates.

The value of donations of food and product are calculated 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 2018 and 2017 is \$1.68 and \$1.73 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.

FREDERICKSBURG REGIONAL FOOD BANK**NOTES TO FINANCIAL STATEMENTS****Page 3****1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)****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. Accordingly, costs have been allocated among the programs and supporting services benefited and are summarized on a functional basis in the statements of functional expenses.

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 18,464 and 20,923 volunteer hours for the years ended June 30, 2018 and 2017, 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.

FREDERICKSBURG REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

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1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2018 and 2017, 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 2018 and 2017, advertising costs totaled \$23,398 and \$31,678, respectively.

Recent Accounting Guidance

During the year ended June 30, 2018, the Organization implemented ASU 2016-14, *Financial Statements of Not-for-Profit Entities*. Accordingly, this standard requires that donor restricted net assets (temporarily and permanently restricted) be consolidated into one classification, with donor restrictions. The ASU requires additional disclosures in the areas of liquidity and endowment funds and modifies the direct method presentation of the statement of cash flows, as well as requiring reclassification of investment expenses which are netted in investment return to include internal investment expenses. Additionally, the information presented in the statement of functional expenses is now required information. The Organization had no endowment funds for the years ended June 30, 2018 and 2017.

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 \$122,932 at June 30, 2018 and \$165,214 at June 30, 2017. 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 \$266,411 as follows:

FREDERICKSBURG REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

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3. CHARITABLE LEAD ANNUITY TRUST (Continued)

Beneficial Interest in Lead Trust

Current portion, due within one year	\$ 47,401
Long-term portion	<u>219,010</u>
Total	\$ <u>266,411</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 2018, the inventory value was established at \$848,684 based upon the rate of \$1.68 per pound. In 2017, the inventory value was established at \$647,501 based upon the rate of \$1.73 per pound. Inventory consists of purchased and donated goods. Purchased goods totaled \$437,423 and \$330,593 for the years ended June 30, 2018 and 2017, respectively.

5. INVESTMENTS

	<u>2018</u>	<u>2017</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>944,940</u>	\$ <u>528,653</u>
Total short-term investments	\$ <u>944,940</u>	\$ <u>528,653</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>470,096</u>	\$ <u>659,535</u>
Total long-term investments	\$ <u>470,096</u>	\$ <u>659,535</u>

Included in cash and cash equivalents are certificates of deposit with an interest rate of .05. There were no certificates of deposit in cash and cash equivalents as of June 30, 2018, and the certificates of deposit totaled \$211,654 as of June 30, 2017.

Total interest income from various sources including cash and cash equivalents totals \$16,561 and \$10,869 for the years ending June 30, 2018 and 2017, 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 three percent of the individual participant's compensation. Retirement plan expense, which is included in employee benefits, amounted to \$24,161 and \$23,174 for the years ended June 30, 2018 and 2017, respectively.

FREDERICKSBURG REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

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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, 2018 and 2017, totals \$70,372 and \$65,767, respectively and is included in accrued expenses as a current liability.

In FY18, the Food Bank established an Employee Leave Bank. In order to be eligible, employees must have completed one year of service, and have a minimum of 48 hours of vacation available. Employees may only donate in whole day increments and may donate up to 4 days per calendar year. However, the donation cannot bring the employee's vacation balance below 40 hours at the time of the donation. Employees may donate the lost portion of "use or lose" vacation time as of the end of the calendar year. Donations to the leave bank are voluntary and cannot be rescinded. To be eligible to receive donated vacation time; the employee must have completed at least one year of service; be in good standing; exhausted all other personal time off balances; and not be receiving disability pay. Employees may only receive donated time to the extent that there is donated time available. The donated time is distributed on a first-come, first-served basis. The liability for this fund is included as a current liability and is part of the compensated absences liability. As of June 30, 2018, the balance available in the Vacation Leave Bank was \$13,140.70.

8. LONG-TERM DEBT

Borrowings under long-term obligations at June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</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.	\$ 755,906	\$ 798,195
Less current maturities	<u>(43,722)</u>	<u>(42,285)</u>
Total Long-Term Debt	\$ <u>712,184</u>	\$ <u>755,910</u>

Principal payments on the mortgage loan are scheduled as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2019	\$ 43,722
2020	45,144
2021	<u>667,040</u>
Total	\$ <u>755,906</u>

Interest expense for the years ended June 30, 2018 and 2017 totaled \$26,081 and \$30,488, respectively.

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9. LIQUIDITY AND AVAILABILITY

As of June 30, 2018, 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:

Cash and cash equivalent	\$ 755,271
CDs maturing in less than 12 months	944,940
Accounts receivable expected to be received in less than 12 months	37,244
Unconditional promises to give expected to be received in less than 12 months	122,932
Current portion of beneficial interest in trust	\$ <u>47,401</u>
Total Assets Available With One Year	\$ <u>1,907,788</u>

As part of the Organization's asset management plan, various long-term investments have been purchased with maturity dates beyond one year of the balance sheet date. These assets are available for general expenditure, without donor restrictions limiting their use, and comprise of the following:

CDs maturing in more than 12 months	\$ 211,747
Five-year annuity	<u>258,349</u>
Total	\$ <u>470,096</u>

The Board has imposed restrictions pertaining to the use of net assets without donor restrictions in the amount of \$1,210,000 as described in Note 10.

10. 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 and other purposes.

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

	<u>2018</u>	<u>2017</u>
Operating reserves	\$ 1,010,000	\$ 870,000
Capital reserves	100,000	100,000
Other	<u>100,000</u>	<u>100,000</u>
Total	\$ <u>1,210,000</u>	\$ <u>1,070,000</u>

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11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Restricted funds:		
Beneficial interest in lead trust – Arvel Shannon Trust	\$ 266,411	\$ 301,871
Promises to give	100,291	131,383
Food 4 Families	8,361	43,102
Kids on the Go		19,795
Building fund	113,600	
Walmart (Snap)		26,080
Other	<u>51,019</u>	<u>133,658</u>
Total	<u>\$ 539,682</u>	<u>\$ 655,889</u>

During fiscal year 2018, net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors in the amount of \$356,259.

12. 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, 2018 cash balances exceeded the FDIC insurance coverage limits by \$236,128.

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

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

A contract is being negotiated with Wack General Contractor for renovations and upgrades to the building owned by the Organization. A proposal was submitted for the entire project with a total cost of \$355,512.

Management has evaluated subsequent events through January 10, 2019, the date which the financial statements were available for issue.