

FREDERICKSBURG REGIONAL FOOD BANK

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019



FREDERICKSBURG REGIONAL FOOD BANK

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of 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 statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditors' 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, 2019, 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.

Other Matters

Supplementary and Other 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

Other auditors previously audited Fredericksburg Regional Food Bank's 2018 financial statements, and they expressed an unmodified audit opinion on those audited financial statements in their report dated January 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 17, 2020, on our consideration of Fredericksburg Regional Food Bank, Inc.'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, Inc.'s internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
August 17, 2020

- Financial Statements -

FREDERICKSBURG REGIONAL FOOD BANK

Statement of Financial Position
 As of June 30, 2019
 (With Comparative Totals As of June 30, 2018)

Assets	2019	2018
Current assets:		
Cash and cash equivalents	\$ 748,051	\$ 755,271
Restricted cash and cash equivalents	3,460	-
Short-term investments	961,909	944,940
Contributions receivables, net of allowance	142,672	122,932
Accounts receivable	13,573	37,244
Inventory	825,274	848,684
Current portion of beneficial interest in lead trust	49,033	47,401
Other assets	2,754	1,854
Total current assets	\$ 2,746,726	\$ 2,758,326
Noncurrent assets:		
Investments	\$ 483,709	\$ 470,096
Beneficial interest in lead trust, less current portion	208,389	219,010
Property and equipment, net of accumulated depreciation	1,801,730	1,833,135
Total noncurrent assets	\$ 2,493,828	\$ 2,522,241
Total assets	\$ 5,240,554	\$ 5,280,567
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 46,375	\$ 36,145
Accrued expenses	126,145	133,779
Other liabilities	10,335	18,103
Current portion of long term debt	49,774	43,722
Total current liabilities	\$ 232,629	\$ 231,749
Long-term liabilities:		
Long-term debt, less current portion	\$ 686,332	\$ 712,184
Total long-term liabilities	\$ 686,332	\$ 712,184
Total liabilities	\$ 918,961	\$ 943,933
Net assets:		
Without donor restrictions	\$ 3,950,571	\$ 3,796,952
With donor restrictions	371,022	539,682
Total net assets	\$ 4,321,593	\$ 4,336,634
Total liabilities and net assets	\$ 5,240,554	\$ 5,280,567

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

FREDERICKSBURG REGIONAL FOOD BANK

Statement of Activities
 Year Ended June 30, 2019
 (With Comparative Totals for Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues, gains, and other support:				
Support:				
Donated materials	\$ 6,474,045	\$ -	\$ 6,474,045	\$ 8,141,717
Federal grants	845,131	-	845,131	-
Donated assets	-	-	-	12,000
Donated food vouchers	1,988	-	1,988	10,932
Contributions	1,705,719	-	1,705,719	1,701,228
Change in value of split interest agreement	-	(8,989)	(8,989)	14,436
Total support	<u>\$ 9,026,883</u>	<u>\$ (8,989)</u>	<u>\$ 9,017,894</u>	<u>\$ 9,880,313</u>
Revenue:				
Program service fees	\$ 186,265	\$ -	\$ 186,265	\$ 222,444
Interest and dividends	25,440	-	25,440	16,561
Other fees	2,532	-	2,532	1,011
Fundraiser	123,029	-	123,029	115,992
Gain on disposal of asset	-	-	-	800
Net assets released from donor restrictions	159,671	(159,671)	-	-
Total revenue	<u>\$ 496,937</u>	<u>\$ (159,671)</u>	<u>\$ 337,266</u>	<u>\$ 356,808</u>
Total revenues, gains and other support	<u>\$ 9,523,820</u>	<u>\$ (168,660)</u>	<u>\$ 9,355,160</u>	<u>\$ 10,237,121</u>
Expenses:				
Program services:				
Food distribution	\$ 8,484,050	\$ -	\$ 8,484,050	\$ 9,419,389
Supporting services:				
Management and general	320,638	-	320,638	288,381
Fundraising	565,513	-	565,513	501,836
Total expenses	<u>\$ 9,370,201</u>	<u>\$ -</u>	<u>\$ 9,370,201</u>	<u>\$ 10,209,606</u>
Increase (decrease) in net assets	\$ 153,619	\$ (168,660)	\$ (15,041)	\$ 27,515
Net assets, beginning of year	<u>3,796,952</u>	<u>539,682</u>	<u>4,336,634</u>	<u>4,309,119</u>
Net assets, end of year	<u>\$ 3,950,571</u>	<u>\$ 371,022</u>	<u>\$ 4,321,593</u>	<u>\$ 4,336,634</u>

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, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

	Program Services		Supporting Services		2019 Total	2018 Total
	Food Distribution	Management and General	Fundraising			
Salaries and wages	\$ 650,051	\$ 189,482	\$ 202,562	\$ 1,042,095	\$ 992,477	
Employee benefit programs	153,609	45,271	47,797	246,677	198,433	
Payroll taxes	44,175	13,481	14,198	71,854	75,840	
Advertising	12,277	226	10,370	22,873	22,398	
Computer	1,480	1,172	536	3,188	3,996	
Bank charges	-	290	429	719	5,443	
Depreciation	75,279	21,943	23,458	120,680	122,549	
Dues and subscriptions	34,296	1,647	15,648	51,591	55,701	
Food costs	7,345,837	-	-	7,345,837	8,226,157	
Fundraising	875	-	219,550	220,425	205,287	
Insurance	13,431	3,655	2,145	19,231	20,947	
Interest	15,719	4,542	4,865	25,126	26,081	
Maintenance and repairs	13,678	49	-	13,727	13,953	
Meetings and seminars	2,260	1,052	1,019	4,331	8,351	
Other	7,863	1,517	3,573	12,953	43,733	
Postage and printing	612	705	3,236	4,553	4,932	
Professional services	15,026	24,416	4,682	44,124	43,562	
Supplies	8,489	1,166	326	9,981	9,294	
Telephone	12,151	3,075	3,171	18,397	20,839	
Travel	6,405	1,339	2,360	10,104	15,762	
Freight	1,550	-	-	1,550	679	
Utilities	18,172	5,227	5,588	28,987	29,350	
Vehicle	31,277	-	-	31,277	36,753	
Warehouse	18,363	333	-	18,696	25,468	
Human resources	1,175	50	-	1,225	1,621	
Total	\$ 8,484,050	\$ 320,638	\$ 565,513	\$ 9,370,201	10,209,606	

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, 2019
 (With Comparative Totals for the Year Ended June 30, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (15,041)	\$ 27,515
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	120,680	122,549
(Gain) loss on disposal of property and equipment	-	(800)
Donated commodities received	(7,164,202)	(8,141,717)
Donated commodities distributed	7,157,201	8,167,321
Non-cash donations	(1,988)	(37,608)
Beneficial interest in lead trust	17,978	35,460
Change in contributions receivable	(19,740)	42,282
Change in accounts receivable	23,671	(21,622)
Change in inventory	23,410	(201,183)
Change in other assets	(900)	(275)
Change in accounts payable	10,230	6,175
Change in accrued expenses	(7,634)	15,959
Change in other liabilities	(7,768)	3,636
Net cash provided by (used for) operating activities	\$ <u>135,897</u>	\$ <u>17,692</u>
Cash flows from investing activities:		
Purchase of property and equipment	\$ (89,275)	\$ (135,740)
Redemption (purchase) of investments	(30,582)	(226,847)
Proceeds from sale of equipment	-	800
Net cash provided by (used for) investing activities	\$ <u>(119,857)</u>	\$ <u>(361,787)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	\$ (44,800)	\$ (42,285)
Proceeds from the issuance of debt	25,000	-
Net cash provided by (used for) financing activities	\$ <u>(19,800)</u>	\$ <u>(42,285)</u>
Net increase (decrease) in cash and cash equivalents	\$ (3,760)	\$ (386,380)
Cash and cash equivalents, beginning of year	<u>755,271</u>	<u>1,141,651</u>
Cash and cash equivalents, end of year	<u>\$ 751,511</u>	<u>\$ 755,271</u>
Supplemental Disclosures:		
Interest paid	\$ 25,126	\$ 26,081
Contributed property and equipment	-	12,000

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, 2019

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 provides 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 affiliates with Feeding America. Agencies affiliated with the Food Bank receive non-salvage food and products and pay a service fee based on a 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 Commodity Supplement 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 season, 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.

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 asset 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, 2019, the Food Bank had \$3,950,571 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, 2019, the Food Bank had \$371,022 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, 2019 (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 2019, 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 and government 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. For the years ended June 30, 2019 and 2018, the value of donated goods and inventory balance reported in the statement of financial position was calculated using the calendar year 2017 estimate of \$1.68 per pound, which was the most recent number available when the Food Bank's fiscal year began.

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, 2019 (Continued)

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

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.

Contributions

Contributions, including unconditional promises to give or contributions receivables are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

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, 2019.

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, materials, and rent are valued at their estimated fair market value at the date of receipt.

Many individuals volunteer their time to perform a variety of tasks that assist the 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 statements of activities and changes in net assets.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2019 (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 2019 and 2018, advertising costs totaled \$22,873 and \$22,398, respectively.

Comparative Totals

Comparative totals are presented for informational purposes only.

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>2019</u>	<u>2018</u>
Certificate of deposits	\$ 961,909	\$ 944,940
Total	<u>\$ 961,909</u>	<u>\$ 944,940</u>

Long-Term

	<u>2019</u>	<u>2018</u>
Certificate of deposits	\$ 216,630	\$ 211,747
Indexed annuity contract	267,079	258,349
Total	<u>\$ 483,709</u>	<u>\$ 470,096</u>

NOTE 3—CONTRIBUTIONS RECEIVABLE:

Contributions receivable consist of the following:

	<u>2019</u>	<u>2018</u>
United Way contributions	\$ 165,688	\$ 138,733
Less allowance for uncollectible contributions	<u>(23,016)</u>	<u>(15,801)</u>
Total	<u>\$ 142,672</u>	<u>\$ 122,932</u>

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 4—ACCOUNTS RECEIVABLE:

Accounts receivable consist of the following:

	<u>2019</u>	<u>2018</u>
Due from member agencies	\$ 13,573	\$ 14,603
City of Fredericksburg	-	5,000
Stafford County	-	11,641
Caroline County	-	6,000
Total	<u>\$ 13,573</u>	<u>\$ 37,244</u>

NOTE 5—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. For the year ended June 30, 2019, the value was established at \$825,274 based upon the rate of \$1.68 per pound and for the year ended June 30, 2018, the value was established at \$848,684 based upon the rate of \$1.68 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 1.76% and 5.00% discount rate for the years ended June 30, 2019 and 2018, respectively, the present value of future benefits expected to be received by the Food Bank are estimated as follows:

	<u>2019</u>	<u>2018</u>
Current portion, due within one year	\$ 49,033	\$ 47,401
Long-term portion	208,389	219,010
Total	<u>\$ 257,422</u>	<u>\$ 266,411</u>

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 \$27,853 and \$24,161 for the years ended June 30, 2019 and 2018, respectively.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 8—PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Non-depreciable assets:		
Land	\$ 234,168	\$ 234,168
Construction in progress	125,809	98,609
Total non-depreciable assets	<u>\$ 359,977</u>	<u>\$ 332,777</u>
Depreciable assets:		
Building	\$ 1,502,405	\$ 1,502,405
Building improvements	297,089	297,089
Vehicles	507,198	453,904
Equipment	265,094	259,104
Office furniture and furnishings	47,262	44,472
Total depreciable assets	<u>\$ 2,619,048</u>	<u>\$ 2,556,974</u>
Total assets	\$ 2,979,025	\$ 2,889,751
Accumulated depreciation	(1,177,295)	(1,056,616)
Net property and equipment	<u>\$ 1,801,730</u>	<u>\$ 1,833,135</u>

Depreciation expense for the year ended June 30, 2019 and 2018 totaled \$120,680 and \$122,549, 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 to 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.
- 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, 2019. The inputs and techniques used in measuring fair value were not changed in 2019.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 9—FAIR VALUE MEASUREMENTS: (Continued)

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.

	06/30/2019	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of Deposits	\$ 1,178,539	\$ 1,178,539	\$ -	\$ -
Indexed Annuity Contract	267,079	267,079	-	-
Beneficial interest in lead trust	257,422	-	257,422	-
Total	\$ <u>1,703,040</u>	\$ <u>1,445,618</u>	\$ <u>257,422</u>	\$ <u>-</u>

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, 2019 and 2018 totals \$70,372 and \$70,372, respectively and is included in accrued expenses as a current liability.

The Food Bank established an Employee Leave Bank and 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 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.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 11—LONG-TERM DEBT:

Long-term debt consists of the following:

\$25,000 note payable to Atlantic Union Bank, issued March 11, 2019, for a new truck, payable in monthly installments of \$466 including interest at 4.390%, maturing March 15, 2024.	\$	23,922
\$865,154 note payable to Atlantic Union Bank, issued September 30, 2015, for real estate, payable in 59 monthly installments of \$5,696 and one final ballon payment including interest at 3.300%, maturing October 5, 2020.		<u>712,184</u>
Total obligations	\$	736,106
Less: current portion		<u>(49,774)</u>
Total long-term liabilities	\$	<u><u>686,332</u></u>

Annual requirement to amortize long-term debt and related interest are as follows:

Year Ending June 30,	Atlantic Union Bank			
	Truck		Real Estate	
	Principal	Interest	Principal	Interest
2020	\$ 4,630	\$ 961	\$ 45,144	\$ 23,205
2021	4,840	750	667,040	7,396
2022	5,057	533	-	-
2023	5,284	306	-	-
2024	4,111	116	-	-
Totals	<u>\$ 23,922</u>	<u>\$ 2,666</u>	<u>\$ 712,184</u>	<u>\$ 30,601</u>

Interest expense for the years ended June 30, 2019 and 2018 totaled \$25,126 and \$26,081, respectively.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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

	<u>2019</u>	<u>2018</u>
Operating reserves	\$ 1,010,000	\$ 1,010,000
Capital reserves	100,000	100,000
Other	100,000	100,000
Total	<u>\$ 1,210,000</u>	<u>\$ 1,210,000</u>

NOTE 13—NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions represent funding for future operating expense of the following programs:

	<u>2019</u>	<u>2018</u>
Beneficial interest in lead trust - Arvel Shannon Trust	\$ 257,422	\$ 266,411
Promises to give	-	100,291
Food 4 Families	-	8,361
Building fund	113,600	113,600
Other	-	51,019
Total	<u>\$ 371,022</u>	<u>\$ 539,682</u>

During fiscal year 2019, net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors in the amount of \$159,671.

NOTE 14—LIQUIDITY AND AVAILABILITY:

As of June 30, 2019, 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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 748,051	\$ 755,271
CDs maturing in less than 12 months	961,909	944,940
Accounts receivable expected to be received in less than 12 months	13,573	37,244
Contributions receivable expected to be received in less than 12 months	142,672	122,932
Current portion of beneficial interest in trust	49,033	47,401
Total assets available within one year	<u>\$ 1,915,238</u>	<u>\$ 1,907,788</u>

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 14—LIQUIDITY AND AVAILABILITY: (Continued)

As part of the Food Bank’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:

	<u>2019</u>	<u>2018</u>
CDs maturing in more than 12 months	\$ 483,709	\$ 470,096
Indexed Annuity Contract	<u>267,079</u>	<u>258,349</u>
Total	<u>\$ 750,788</u>	<u>\$ 728,445</u>

The Board has imposed restrictions pertaining to the use of net assets without donor restrictions in the amount of \$1,210,000 for the year ended June 30, 2019 as described in Note 12.

NOTE 15—RESTRICTED CASH:

As of June 30, 2019, the Food Bank had restricted cash in the amount of \$3,460 for charitable gaming funds. The restricted cash is held in a separate checking account and is used for charitable gaming activities as required by the state of Virginia.

NOTE 16—SUBSEQUENT EVENTS:

In preparing the financial statements, the Food Bank has evaluated events and transactions for potential recognition or disclosure through August 17, 2020, the date that the financial statements were available to be issued and none were identified.

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, 2019 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 August 17, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
August 17, 2020



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

Report on Compliance for Each Major Federal Program

We have audited Fredericksburg Regional Food Bank's compliance with the types of compliance requirements described 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, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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, 2019.

Report on Internal Control over Compliance

Management of Fredericksburg Regional Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fredericksburg Regional Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fredericksburg Regional Food Bank's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
August 17, 2020

Fredericksburg Regional Food Bank

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA 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		\$ 428,595
Emergency Food Assistance Program - Administrative Costs	10.568		56,484
Commodity Supplemental Food Program	10.565		360,052
Total Food Distribution Cluster			\$ <u>845,131</u>
Total Department of Agriculture			\$ <u>845,131</u>
Total expenditures of federal awards			\$ <u><u>845,131</u></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, 2019

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, 2019. 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, 2019.

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, 2019, the Food Bank had food commodities totaling \$139,652 in inventory related to the federal programs based on the Feeding America Valuation procedures.

Fredericksburg Regional Food Bank

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

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 .516(a)?	No

Identification of major programs:

<u>CFDA #</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
Auditee qualified as low-risk auditee?	No

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.