

ARLINGTON FOOD ASSISTANCE CENTER

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

KOSITZKA, WICKS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS



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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Arlington Food Assistance Center

We have audited the accompanying financial statements of **Arlington Food Assistance Center** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 **Arlington Food Assistance Center** as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kositzka, Wicks and Company

Alexandria, Virginia
October 2, 2017

Arlington Food Assistance Center

Statements of Financial Position

June 30,

2017

2016

Assets

Current assets

Cash and cash equivalents	\$ 564,417	\$ 1,000,521
Certificates of deposit	758,626	749,877
Pledges receivable	15,271	71,283
Other receivables	466	733
Prepaid expenses	75,090	18,036
Inventory of food available for distribution	69,770	92,834
Gift cards	6,940	4,427
	<u>1,490,580</u>	<u>1,937,711</u>

Other assets

Security deposits	5,218	-
Investments	416,929	344,763
	<u>422,147</u>	<u>344,763</u>

Property and equipment

Land	261,901	261,901
Property and equipment, net of accumulated depreciation	1,256,266	599,155
	<u>1,518,167</u>	<u>861,056</u>

Total assets

\$ 3,430,894 \$ 3,143,530

Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 168,432	\$ 125,311
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Net assets

Unrestricted	3,218,263	2,938,245
Temporarily restricted	44,199	79,974
Total net assets	<u>3,262,462</u>	<u>3,018,219</u>

Total liabilities and net assets

\$ 3,430,894 \$ 3,143,530

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Statement of Activities for the year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Public support and revenue			
Contributions			
Capital campaign	\$ 10,096	\$ -	\$ 10,096
General contributions	2,164,236	62,632	2,226,868
Grants	250,925	19,225	270,150
Special events, net \$63,743 of expenses	138,752	-	138,752
	<u>2,564,009</u>	<u>81,857</u>	<u>2,645,866</u>
Arlington County	527,925	-	527,925
Rental income	6,244	-	6,244
In-kind donations	2,595,756	4,395	2,600,151
Investment income, net of expenses	45,271	-	45,271
Net assets released from restriction	122,027	(122,027)	-
Total public support and revenue	<u>5,861,232</u>	<u>(35,775)</u>	<u>5,825,457</u>
Expenses			
Program services	4,769,865	-	4,769,865
Management and general	274,344	-	274,344
Fundraising	537,005	-	537,005
Total expenses	<u>5,581,214</u>	<u>-</u>	<u>5,581,214</u>
Change in net assets	280,018	(35,775)	244,243
Net assets, beginning of year	<u>2,938,245</u>	<u>79,974</u>	<u>3,018,219</u>
Net assets, end of year	<u>\$ 3,218,263</u>	<u>\$ 44,199</u>	<u>\$ 3,262,462</u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Statement of Activities for the year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Public support and revenue			
Contributions			
General contributions	\$ 1,903,489	\$ 400	\$ 1,903,889
Grants	221,820	55,150	276,970
Special events, net \$107,800 of expenses	111,343	6,872	118,215
	<u>2,236,652</u>	<u>62,422</u>	<u>2,299,074</u>
Arlington County	477,925	-	477,925
Rental income	13,486	-	13,486
In-kind donations	2,529,076	3,100	2,532,176
Investment income, net of expenses	19,537	-	19,537
Net assets released from restriction	75,878	(75,878)	-
Total public support and revenue	<u>5,352,554</u>	<u>(10,356)</u>	<u>5,342,198</u>
Expenses			
Program services	4,558,151	-	4,558,151
Management and general	270,333	-	270,333
Fundraising	507,658	-	507,658
Total expenses	<u>5,336,142</u>	<u>-</u>	<u>5,336,142</u>
Change in net assets	16,412	(10,356)	6,056
Net assets, beginning of year	<u>2,921,833</u>	<u>90,330</u>	<u>3,012,163</u>
Net assets, end of year	<u>\$ 2,938,245</u>	<u>\$ 79,974</u>	<u>\$ 3,018,219</u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Statement of Functional Expenses for the year ended June 30, 2017

	Program services	Management and general	Fundraising	Total
Personnel	\$ 860,080	\$ 45,332	\$ 354,402	\$ 1,259,814
Benefits	143,848	4,722	23,124	171,694
Payroll taxes	73,859	3,521	28,037	105,417
Other labor	480	-	-	480
	<u>1,078,267</u>	<u>53,575</u>	<u>405,563</u>	<u>1,537,405</u>
Advertising	698	5,080	6,750	12,528
Accounting and audit fees	-	11,050	-	11,050
Bank charges	32	892	17,371	18,295
Bookkeeping fees	-	47,907	-	47,907
Building expenses	-	54,977	-	54,977
Depreciation	47,746	1,429	5,153	54,328
Donated goods	2,617,327	-	-	2,617,327
Equipment rental and maintenance	48,985	2,799	2,733	54,517
Food purchases	738,576	-	-	738,576
Fundraising and public relations	3,262	-	6,990	10,252
Insurance	10,228	2,258	211	12,697
Occupancy costs	43,760	4,368	1,504	49,632
Postage and shipping	4,438	16	13,096	17,550
Printing and publications	14,547	12,209	30,393	57,149
Professional fees	27,212	6,565	24,304	58,081
Program transportation	47,891	-	-	47,891
Supplies	8,025	481	1,855	10,361
Taxes	9,322	332	562	10,216
Telecommunications	24,872	2,411	4,986	32,269
Travel and meetings	3,112	8,597	5,072	16,781
Warehouse supplies	26,966	-	-	26,966
Other expenses	14,599	59,398	10,462	84,459
Total functional expenses	<u><u>\$ 4,769,865</u></u>	<u><u>\$ 274,344</u></u>	<u><u>\$ 537,005</u></u>	<u><u>\$ 5,581,214</u></u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Statement of Functional Expenses for the year ended June 30, 2016

	Program services	Management and general	Fundraising	Total
Personnel	\$ 789,603	\$ 59,122	\$ 336,669	\$ 1,185,394
Benefits	124,201	8,195	27,974	160,370
Payroll taxes	69,945	2,581	27,119	99,645
Other labor	200	-	-	200
	<u>983,949</u>	<u>69,898</u>	<u>391,762</u>	<u>1,445,609</u>
Accounting and audit fees	-	11,400	-	11,400
Bank charges	1,319	339	15,723	17,381
Bookkeeping fees	-	46,555	-	46,555
Depreciation	33,308	4,564	3,216	41,088
Donated goods	2,482,479	796	-	2,483,275
Equipment rental and maintenance	38,322	4,021	6,641	48,984
Food purchases	794,221	-	-	794,221
Fundraising and public relations	3,131	-	7,906	11,037
Insurance	9,610	2,253	362	12,225
Occupancy costs	45,134	13,813	587	59,534
Postage and shipping	4,651	640	14,684	19,975
Printing and publications	12,106	14,302	32,919	59,327
Professional fees	16,186	18,363	14,456	49,005
Program transportation	42,487	-	-	42,487
Supplies	10,402	804	2,762	13,968
Taxes	10,283	524	1,211	12,018
Telecommunications	18,994	6,076	4,825	29,895
Travel and meetings	1,573	8,885	5,498	15,956
Warehouse supplies	41,506	-	-	41,506
Other expenses	8,490	67,100	5,106	80,696
Total functional expenses	<u>\$ 4,558,151</u>	<u>\$ 270,333</u>	<u>\$ 507,658</u>	<u>\$ 5,336,142</u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Statements of Cash Flows for the years ended June 30,

2017

2016

Cash flows from operating activities

Change in net assets	\$ 244,243	\$ 6,056
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized gain on investments	(28,060)	(5,350)
Donated stock received	(36,328)	(22,396)
Donated vehicle	-	(22,000)
Depreciation	54,328	41,088
(Increase) decrease in operating assets		
Pledges receivable	56,012	(43,989)
Other receivables	267	(733)
Prepaid expenses	(57,054)	(5,935)
Inventory of food available for distribution	23,064	(36,931)
Gift cards	(2,513)	(1,755)
Security deposits held	(5,218)	-
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	43,121	(33,662)
Net cash provided by (used in) operating activities	<u>291,862</u>	<u>(125,607)</u>

Cash flows from investing activities

Purchase of certificate of deposits	-	(255,877)
Proceeds from certificate of deposit maturity	-	50,000
Purchase of investments and reinvestments	(16,527)	(6,270)
Proceeds from donated stock sold	-	2,832
Purchase of property and equipment	(711,439)	(12,374)
Net cash used in investing activities	<u>(727,966)</u>	<u>(221,689)</u>

Net change in cash and cash equivalents

(436,104) (347,296)

Cash and cash equivalents, beginning of year

1,000,521 1,347,817

Cash and cash equivalents, end of year

\$ 564,417 \$ 1,000,521

Supplemental cash flow information

Interest paid	<u>\$ -</u>	<u>\$ -</u>
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See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2017 and 2016

1. Organization

The Arlington Food Assistance Center (AFAC) is an independent, community-based non-profit food pantry that provides dignified access to nutritious supplemental groceries to all Arlington neighbors in need. AFAC relies on the support of numerous individuals, businesses, congregations, schools, community organizations, foundations, and Arlington County to provide the financial resources, donated food, and the services of over 2,500 dedicated volunteers to operate AFAC. AFAC works to relieve the food budget of clients, helps prevent homelessness, and allows families to make other necessary purchases without sacrificing their health, housing, or nutritional needs.

While AFAC's mission is to provide groceries to families and individuals in Arlington County, AFAC works in cooperation with the Arlington County Department of Human Services, the Arlington Public Schools, and a number of other social safety net non-profits to refer families in need of food to AFAC. In addition to AFAC's primary Groceries Program, AFAC is expanding its Backpack Buddies Program to serve additional students who frequently experience a lack of food resources during weekends and long holiday periods. AFAC operates out of its main warehouse at 2708 South Nelson Street and distributes food at 17 other locations to an average of 2,200 families each week - over 4,800 individuals, a third of whom are children under the age of 18.

AFAC drivers collect donated food from local grocery stores, farmer's markets, community gardens, local farms, and from numerous food drives conducted on behalf of AFAC. The food is brought to AFAC where it is weighed, sorted, and prepared for delivery to the many families that rely on AFAC for help. In addition to the 1.5 million pounds of donated food, AFAC distributes nearly 1.7 million pounds of food purchased from local and national wholesale and retail distributors.

AFAC is the sole owner of 2708 South Nelson Street LLC. This entity owns the facility in which AFAC operates. These financial statements include the accounts of 2708 South Nelson Street LLC and all intercompany transactions have been eliminated.

2. Summary of significant accounting policies

Basis of accounting

The financial statements of AFAC are prepared using the accrual method of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred. All revenue and expenses which are applicable to future periods have been presented as deferred revenue or prepaid expenses on the accompanying statements of financial position.

Financial statement presentation

AFAC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2017 and 2016, AFAC had no permanently restricted net assets.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2017 and 2016

2. Summary of significant accounting policies (continued)

Use of estimates

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

Cash and cash equivalents

For purposes of the statements of cash flows, AFAC considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certificates of deposit are not included in cash and cash equivalents. Investor's Deposit Accounts (IDA) are interest bearing checking accounts. FDIC insurance is \$250,000 per depositor, per insured bank. AFAC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Inventory

The majority of the food distributed by AFAC is donated. This activity is recorded in the financial statements as a contribution on per-pound (\$1.70/pound) value. AFAC also supplements its donated food supply by purchasing nutritious food items and perishable items not normally donated to AFAC, these items are valued at lower of cost or market.

Property and equipment

Property and equipment is recorded at cost if purchased and at fair value if donated. AFAC's policy is to capitalize purchases of property and equipment with a cost of \$1,000 or more. Depreciation is computed using the straight-line method over the useful lives.

Compensated absences

Employees of AFAC are entitled to paid vacation depending on job classification, length of service and other factors. As of June 30, 2017 and 2016, compensated absences of \$34,739 and \$20,158, respectively, are included in accounts payable and accrued expenses in the accompanying statements of financial position.

Contributions

Contributions received are measured at their fair values and are reported as an increase in net assets. AFAC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2017 and 2016

2. Summary of significant accounting policies (continued)

Pledges receivable

AFAC reports unconditional promises to give as contributions. Unconditional promises to give are recognized as revenue in the period pledged. Conditional promises to give are recognized as unrestricted revenue when the donor imposed conditions on which they depend are substantially met. If pledges are expected to be collected in less than one year, they are recorded at the estimated amount to be ultimately realized. If pledges are to be paid to the Organization over a period of years, they are recorded at the present value of their estimated cash flows using the prime rate as of the fiscal year-end in the year of the donation.

Management provides for potential uncollectible amounts through an allowance for doubtful accounts. Management considers past history, current economic conditions and overall viability of the third party when determining the allowance. No allowance was recorded for the years ended June 30, 2017 and 2016.

In-kind donations

A substantial number of volunteers donate time to AFAC's program services. The donated services are an integral part of AFAC's purpose but are not reflected in the financial statements because the services do not require specialized skills as defined by U.S. generally accepted accounting principles. Donated property is reflected as a revenue or asset at the fair market value of the property on date of donation. In-kind donations are detailed in Note 10 of these financial statements.

Functional classification of expenses

The costs of providing program services are summarized on a functional basis in the accompanying financial statements. Expenses have been charged to programs and supporting services directly, if applicable, or on the basis of periodic time and expense studies.

Fair value of financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, pledges receivable, others receivables, prepaid expenses, inventory of food available for distribution, and gift cards. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2017 and 2016

2. Summary of significant accounting policies (continued)

Income taxes

Arlington Food Assistance Center is exempt from federal income tax as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. AFAC did not have a liability for unrelated business income for the years ended June 30, 2017 and 2016.

AFAC is subject to taxation in the U.S. and a small number of state and local jurisdictions. The material jurisdictions subject to potential examination by taxing authorities include the U.S. and Virginia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the AFAC's results of operations. Tax years that remain subject to examination by the IRS are fiscal years 2014 through 2017.

3. Certificates of deposits

As of June 30, 2017, AFAC held five certificate of deposit accounts with various expiration dates from July 2017 through August 2018. Interest rates range between 0.70% and 1.242%. Two of the accounts matured in July of 2017 and were subsequently transferred to cash.

4. Line of credit

AFAC has a \$100,000 business line of credit, secured by the land and building. Interest is applied at a variable rate of the Bank's Prime Rate plus 0.5% per annum to be adjusted monthly, not to decrease below a fixed minimum rate of 4.75%. Payments are required monthly. No amounts were outstanding at June 30, 2017 and 2016.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2017 and 2016

5. Investments

AFAC maintains its investments at fair market value, based on quoted prices in active markets, and accordingly, recognizes the gains or losses that result from market fluctuations for the period in which fluctuations occur. Purchased investments are initially recorded at cost and donated investments at fair value on date of receipt. Unrealized gains and losses are included in the statement of activities. Investment income for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Realized and unrealized gains	\$ 28,060	\$ 5,350
Interest and dividend income	19,699	16,488
Investment fees	(2,488)	(2,301)
	<u>\$ 45,271</u>	<u>\$ 19,537</u>

Arlington Food Assistance Center classifies its investment into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

A portion of AFAC's investments are held in a community foundation. The fair value of the beneficial interest in assets held by the community foundation is based on the fair value of the fund investments as reported by the community foundation. These are considered Level 3 measurements.

Fair value measurements at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>			<u>Total assets</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>at fair value</u>
Cash	\$ 16,175	\$ -	\$ 5,500	\$ 21,675
Domestic equity stocks	32,301	-	157,847	190,148
International equity stocks	-	-	34,860	34,860
Real estate investment trusts	-	-	35,817	35,817
Mutual funds				
Large cap growth	4,410	-	-	4,410
Mid cap growth	7,463	-	-	7,463
Small cap growth	5,160	-	-	5,160
Bonds				
High yield	-	-	29,509	29,509
Interim-term	-	-	87,887	87,887
	<u>\$ 65,509</u>	<u>\$ -</u>	<u>\$ 351,420</u>	<u>\$ 416,929</u>

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2017 and 2016

5. Investments (continued)

	2016			Total assets at fair value
	Level 1	Level 2	Level 3	
Cash	\$ 13,426	\$ -	\$ 1,685	\$ 15,111
Domestic equity stocks	9,422	-	138,422	147,844
International equity stocks	-	-	29,197	29,197
Real estate investment trusts	-	-	37,374	37,374
Bonds				
High yield	-	-	26,636	26,636
Interim-term	-	-	88,601	88,601
	<u>\$ 22,848</u>	<u>\$ -</u>	<u>\$ 321,915</u>	<u>\$ 344,763</u>

In general, the primary objectives of AFAC's investment funds are (1) to provide a stable source of liquidity and financial resources to support AFAC's mission and (2) to maintain the real purchasing power of the Fund's assets, after inflation and net of investment costs.

The following table presents activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30:

	2017	2016
Beginning balance	\$ 321,915	\$ 310,710
Purchases/contributions	-	-
Investment return, net	29,505	11,205
Distributions	-	-
Ending balance	<u>\$ 351,420</u>	<u>\$ 321,915</u>

6. Inventory of food available for distribution

At June 30, 2017 and 2016, inventory consisted of \$69,770 and \$92,834, respectively. Donated food is valued based upon the fair market value of the foods. The approximate wholesale value of one pound of donated food was \$1.70 for both years ended June 30, 2017 and 2016.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2017 and 2016

7. Commitments

AFAC's operations are located at 2708 South Nelson Street; the building is owned by AFAC. Previously, AFAC subleased a portion of its building to Arlington Street People's Assistance Network, Inc. (ASPAN) until they moved to a new location. AFAC received \$13,486 in rental income from ASPAN for the year ended June 30, 2016.

During the year ended June 30, 2017, AFAC began renovations to 2708 South Nelson Street. In order to continue its programs without interruption, AFAC signed lease agreements for additional warehouse space in 2704 and 2706 South Nelson Street. The lease agreement for 2704 South Nelson Street is for two years, April 1, 2017 through March 31, 2019, with a base rental expense of \$2,700 per month. The lease agreement for 2706 South Nelson Street is for five years, January 1, 2017 through December 31, 2021, with a base rental expense of \$3,918 per month. Total rental expense for both leases was \$29,584 for the year ended June 30, 2017 and is included in building expenses on the accompanying statement of functional expenses.

AFAC subleases a portion of 2706 South Nelson Street to the Shirlington Employment & Education Center (SEEC). The sublease is for five years, February 1, 2017 through March 31, 2021. Base rental income is \$1,400 per month. Total rental income received for the year ended June 30, 2017 was \$6,244.

A summary of future minimum rental expenses and rental income for the fiscal years ending June 30, is as follows:

	<u>2704 rental expenses</u>	<u>2706 rental expenses</u>	<u>Rental income</u>
2018	\$ 32,643	\$ 47,717	\$ 16,967
2019	25,029	49,148	17,475
2020	-	50,623	18,001
2021	-	52,141	18,541
2022	-	26,456	12,606
	<u>\$ 57,672</u>	<u>\$ 226,085</u>	<u>\$ 83,590</u>

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2017 and 2016

8. Property and equipment

A summary of information relative to property depreciation as of June 30, 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>	<u>Useful life</u>
Land	\$ 261,901	\$ 261,901	
Building	669,660	669,660	39 years
Capital improvements			
Original improvements	38,314	38,314	15 years
Phase One	577,239	-	15 years
Phase Two	34,608	-	15 years
	<u>650,161</u>	<u>38,314</u>	
Vehicles	178,929	104,316	5 years
Equipment	88,627	73,022	5 - 10 years
Software	75,912	66,538	3 years
	<u>1,925,190</u>	<u>1,213,751</u>	
Accumulated depreciation	<u>(407,023)</u>	<u>(352,695)</u>	
	<u>\$ 1,518,167</u>	<u>\$ 861,056</u>	

During the year ended June 30, 2017, AFAC began capital improvements to its existing building. Phase One included renovations of office space and was completed in April of 2017. Phase Two was started in May of 2017 and is expected to be completed in 2018.

9. Service providing agreements

AFAC has a client service agreement with Insperty PEO Services LP (Insperty) to provide full-service outsourced human resources which includes payroll and employee administration, workers' compensation, health and welfare benefits and administration, employment liability insurance, human resource services, and 401K retirement plan services. In accordance with this agreement, all personnel related decisions are determined by the AFAC management team but all payroll and benefits are managed by Insperty. As such, individuals who work at AFAC are considered "co-employed" under the agreement.

Based on the service offerings from Insperty, employees are able to participate in Insperty's multi-employer defined contribution 401(k) plan that covers substantially all employees. Employee contributions are voluntary. AFAC will match an employee's contribution to the Plan up to 4% of an employee's wage. The Company's matching contributions totaled \$35,150 and \$38,118 to the Plan in fiscal years 2017 and 2016 which is included in employee benefits in the Statement of Functional Expenses.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2017 and 2016

10. In-kind donations

Donated food and assets

Food donations are received from local groceries, bakeries, and food bank distributors. Donated food is valued based upon the fair market value of the foods. For the years ended June 30, 2017 and 2016, the approximate wholesale value of one pound of donated food was \$1.70. AFAC collected 1,574,014 and 1,514,803 pounds of food in 2017 and 2016, respectively. AFAC receives gift cards and other items to assist in its day to day operations, and those items are reported as other in-kind in the chart below. Other in-kind also includes a vehicle donation for the year ended June 30, 2016.

During the years ended June 30, 2017 and 2016, AFAC recorded the following in-kind donations:

	<u>2017</u>	<u>2016</u>
Food, net spoilage	\$ 2,594,224	\$ 2,493,565
Gift cards	4,395	3,100
Other in-kind	1,532	35,511
	<u>\$ 2,600,151</u>	<u>\$ 2,532,176</u>

Donated services

Many individuals volunteer their time and perform a variety of tasks that assist AFAC. Volunteers assisted in food collection, distribution, and administrative assistance. In 2017 and 2016, AFAC volunteer hours were valued at \$25.00 and \$24.50 per hour, respectively. No amounts have been recognized in the financial statements for these volunteer hours because they do not meet the criteria for recognition. For the years ended June 30, 2017 and 2016, volunteer hours and value of hours were as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Hours worked (rounded)</u>	<u>Value of hours</u>	<u>Hours worked (rounded)</u>	<u>Value of hours</u>
Program	43,029	\$ 1,075,725	40,645	\$ 995,803
Administrative	702	17,550	830	20,335
Fundraising	52	1,300	85	2,082
	<u>43,783</u>	<u>\$ 1,094,575</u>	<u>41,560</u>	<u>\$ 1,018,220</u>

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2017 and 2016

11. Temporarily restricted net assets

Net assets are temporarily restricted for specific events or programs as well as for future periods. Restrictions on these assets are removed when expenses are incurred. Temporarily restricted net asset activity included the following for the years ended June 30, 2017 and 2016:

	<u>2016</u>	<u>Additions</u>	<u>Releases</u>	<u>2017</u>
Contributions for specific projects	\$ 8,500	\$ 62,632	\$ 70,635	\$ 497
Grants for specific projects	67,047	19,225	49,510	36,762
Gift cards	4,427	4,395	1,882	6,940
	<u>\$ 79,974</u>	<u>\$ 86,252</u>	<u>\$ 122,027</u>	<u>\$ 44,199</u>
	<u>2015</u>	<u>Additions</u>	<u>Releases</u>	<u>2016</u>
Contributions for specific projects	\$ 8,100	\$ 400	\$ -	\$ 8,500
Grants for specific projects	79,558	62,022	74,533	67,047
Gift cards	2,672	3,100	1,345	4,427
	<u>\$ 90,330</u>	<u>\$ 65,522</u>	<u>\$ 75,878</u>	<u>\$ 79,974</u>

12. Subsequent events

AFAC assessed events occurring subsequent to June 30, 2017 through October 2, 2017, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred subsequent to the fiscal year end, other than those mentioned in Note 3 that would require adjustment to or disclosure in the statements.

See independent auditor's report.