

# ARLINGTON FOOD ASSISTANCE CENTER

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



*Certified Public Accountants*

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*Certified Public Accountants*

## **Independent Auditor's Report**

To the Board of Directors  
**Arlington Food Assistance Center**

### **Opinion**

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Arlington Food Assistance Center** and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Arlington Food Assistance Center's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Arlington Food Assistance Center's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Arlington Food Assistance Center's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Kositzka, Wicks and Company*

Alexandria, Virginia  
January 26, 2023

# Arlington Food Assistance Center

## Statements of Financial Position June 30,

**2022****2021****Assets****Current assets**

Cash and cash equivalents	\$ 823,109	\$ 5,120,491
Accounts receivable	112	100
Employee advances	1,693	-
Gift cards	2,120	2,809
Prepaid expenses	56,157	21,129
Inventory of food available for distribution	88,011	127,278
Investments	5,934,729	362,160
	<u>6,905,931</u>	<u>5,633,967</u>

**Property and equipment, net**

Land	697,401	697,401
Property and equipment, net of accumulated depreciation	3,319,805	3,028,463
	<u>4,017,206</u>	<u>3,725,864</u>
Total assets	<u>\$ 10,923,137</u>	<u>\$ 9,359,831</u>

**Liabilities and net assets****Current liabilities**

Accounts payable and accrued expenses	\$ 227,615	\$ 164,409
Deferred revenue	10,700	-
Total liabilities	<u>238,315</u>	<u>164,409</u>

**Net assets**

Without donor restrictions	10,682,702	9,192,613
With donor restrictions	2,120	2,809
Total net assets	<u>10,684,822</u>	<u>9,195,422</u>
Total liabilities and net assets	<u>\$ 10,923,137</u>	<u>\$ 9,359,831</u>

See accompanying notes and independent auditor's report.

# Arlington Food Assistance Center

## Statement of Activities for the year ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
<b>Public support and revenue</b>			
Contributions			
Arlington County grant	\$ 755,500	\$ -	\$ 755,500
General contributions and grants	5,058,002	4,075	5,062,077
In-kind donations	2,441,243	-	2,441,243
Special events, net \$62,219 of expenses	300,922	-	300,922
Net assets released from restriction	4,764	(4,764)	-
	<u>8,560,431</u>	<u>(689)</u>	<u>8,559,742</u>
Investment loss, net of expenses	(156,459)	-	(156,459)
Other income	16	-	16
	<u>(156,443)</u>	<u>-</u>	<u>(156,443)</u>
Total public support and revenue	8,403,988	(689)	8,403,299
<b>Expenses</b>			
Food distribution	5,947,750	-	5,947,750
Management and general	341,348	-	341,348
Fundraising	624,801	-	624,801
Total expenses	<u>6,913,899</u>	<u>-</u>	<u>6,913,899</u>
<b>Change in net assets</b>	1,490,089	(689)	1,489,400
<b>Net assets, beginning of year</b>	9,192,613	2,809	9,195,422
<b>Net assets, end of year</b>	<u>\$ 10,682,702</u>	<u>\$ 2,120</u>	<u>\$ 10,684,822</u>

See accompanying notes and independent auditor's report.

# Arlington Food Assistance Center

## Statement of Activities for the year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
<b>Public support and revenue</b>			
Contributions			
Arlington County grant	\$ 550,000	\$ -	\$ 550,000
General contributions and grants	6,558,367	17,425	6,575,792
In-kind donations	2,614,942	-	2,614,942
Special events, net \$34,747 of expenses	292,865	-	292,865
Net assets released from restriction	93,409	(93,409)	-
	<u>10,109,583</u>	<u>(75,984)</u>	<u>10,033,599</u>
Rental income	1,400	-	1,400
Investment income, net of expenses	120,437	-	120,437
Other income	241,700	-	241,700
	<u>363,537</u>	<u>-</u>	<u>363,537</u>
Total public support and revenue	10,473,120	(75,984)	10,397,136
<b>Expenses</b>			
Food distribution	5,714,868	-	5,714,868
Management and general	330,429	-	330,429
Fundraising	631,250	-	631,250
Total expenses	<u>6,676,547</u>	<u>-</u>	<u>6,676,547</u>
<b>Change in net assets</b>	3,796,573	(75,984)	3,720,589
<b>Net assets, beginning of year</b>	<u>5,396,040</u>	<u>78,793</u>	<u>5,474,833</u>
<b>Net assets, end of year</b>	<u>\$ 9,192,613</u>	<u>\$ 2,809</u>	<u>\$ 9,195,422</u>

See accompanying notes and independent auditor's report.

# Arlington Food Assistance Center

## Statement of Functional Expenses for the year ended June 30, 2022

	Food distribution	Management and general	Fundraising	Total
<b>Expenses</b>				
Bank charges	\$ -	\$ 1,354	\$ 43,217	\$ 44,571
Employee benefits	299,418	29,951	84,173	413,542
Depreciation	263,454	6,542	6,025	276,021
Direct fundraising expenses	-	-	62,219	62,219
Donated goods	2,445,561	-	-	2,445,561
Equipment rental and maintenance	44,262	2,757	5,753	52,772
Food purchases	1,362,409	-	-	1,362,409
Food insecurity study	35,000	-	-	35,000
Insurance	2,640	33,122	595	36,357
Occupancy costs	81,114	149	344	81,607
Other expenses	26,239	9,014	250	35,503
Payroll taxes	92,329	7,672	30,791	130,792
Personnel	1,118,465	109,432	409,365	1,637,262
Postage and shipping	11	-	2,398	2,409
Printing and publications	10,671	-	24,149	34,820
Professional fees	534	127,600	7,398	135,532
Program transportation	43,610	59	-	43,669
Supplies	8,532	1,452	1,802	11,786
Taxes	37,310	1,333	2,785	41,428
Telecommunications	22,981	4,140	4,498	31,619
Travel and meetings	1,764	6,771	1,258	9,793
Warehouse supplies	51,446	-	-	51,446
<b>Total expenses by function</b>	5,947,750	341,348	687,020	6,976,118
<b>Less expenses included with revenues on the statement of activities</b>				
Direct fundraising expenses	-	-	(62,219)	(62,219)
<b>Total expenses included in the expense section of the statement of activities</b>	\$ 5,947,750	\$ 341,348	\$ 624,801	\$ 6,913,899

See accompanying notes and independent auditor's report.



## Arlington Food Assistance Center

### Statement of Functional Expenses for the year ended June 30, 2021

	Food distribution	Management and general	Fundraising	Total
<b>Expenses</b>				
Bank charges	\$ 2	\$ 1,720	\$ 73,382	\$ 75,104
Employee benefits	238,123	27,624	72,650	338,397
Depreciation	211,804	6,057	4,892	222,753
Direct fundraising expenses	-	-	34,747	34,747
Donated goods	2,622,622	-	-	2,622,622
Equipment rental and maintenance	42,946	2,437	5,083	50,466
Food purchases	1,067,009	-	-	1,067,009
Insurance	12,709	1,923	-	14,632
Mortgage interest	-	25,194	-	25,194
Occupancy costs	87,266	319	737	88,322
Other expenses	38,370	15,240	2,403	56,013
Payroll taxes	92,029	8,093	29,656	129,778
Personnel	1,098,314	97,651	375,250	1,571,215
Postage and shipping	236	-	5,723	5,959
Printing and publications	9,353	-	41,820	51,173
Professional fees	546	126,638	5,954	133,138
Program transportation	61,422	44	-	61,466
Supplies	3,496	326	1,190	5,012
Taxes	57,117	3,642	7,543	68,302
Telecommunications	26,256	11,041	4,526	41,823
Travel and meetings	2,538	2,480	441	5,459
Warehouse supplies	42,710	-	-	42,710
<b>Total expenses by function</b>	5,714,868	330,429	665,997	6,711,294
<b>Less expenses included with revenues on the statement of activities</b>				
Direct fundraising expenses	-	-	(34,747)	(34,747)
<b>Total expenses included in the expense section of the statement of activities</b>	\$ 5,714,868	\$ 330,429	\$ 631,250	\$ 6,676,547

See accompanying notes and independent auditor's report.

# Arlington Food Assistance Center

## Statements of Cash Flows for the years ended June 30,

**2022**
**2021**

	2022	2021
<b>Cash flows from operating activities</b>		
<b>Change in net assets</b>	\$ 1,489,400	\$ 3,720,589
<b>Adjustments to reconcile change in net assets to net cash from operating activities</b>		
Depreciation	276,021	222,753
Donated stock received	(137,016)	(104,345)
Forgiveness of SBA Payroll Protection Program loan	-	(241,700)
Realized and unrealized loss (gain) on investments	164,432	(108,971)
(Increase) decrease in operating assets		
Accounts receivable	(12)	4,628
Employee advances	(1,693)	-
Prepaid expenses	(35,028)	552
Inventory of food available for distribution	39,267	14,528
Gift cards	689	1,896
Security deposits	-	5,218
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	63,206	(45,983)
Deferred revenue	10,700	-
Net cash provided by operating activities	<u>1,869,966</u>	<u>3,469,165</u>
<b>Cash flows from investing activities</b>		
Sale (purchase) of investments and reinvestments	(5,599,984)	428,625
Purchase of property and equipment	(567,364)	(1,468,601)
Net cash used in investing activities	<u>(6,167,348)</u>	<u>(1,039,976)</u>
<b>Cash flows from financing activities</b>		
Payments on building loan	-	(958,400)
Net cash provided by financing activities	<u>-</u>	<u>(958,400)</u>
<b>Net change in cash and cash equivalents</b>	(4,297,382)	1,470,789
<b>Cash and cash equivalents, beginning of year</b>	<u>5,120,491</u>	<u>3,649,702</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 823,109</u>	<u>\$ 5,120,491</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	<u>\$ -</u>	<u>\$ 25,194</u>
Noncash investing and financing transactions		
Donated stock received	<u>\$ 137,016</u>	<u>\$ 104,345</u>

See accompanying notes and independent auditor's report.

# Arlington Food Assistance Center

## Notes to Financial Statements June 30, 2022 and 2021

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### 1. Organization

The Arlington Food Assistance Center (AFAC) is an independent, community-based non-profit food pantry that provides dignified access to nutritious groceries for Arlington neighbors in need. AFAC relies on the support of numerous individuals, businesses, congregations, schools, community organizations, foundations, and Arlington County to provide financial resources and donated food for their operations. Annually, 2,500 volunteers assist in collecting and distributing food. AFAC works with the Arlington County Department of Human Services, the Arlington Public Schools, and a number of other social safety net non-profits who refer families in need of food to AFAC.

AFAC's primary operations are concentrated in warehouse facilities located at 2708 South Nelson Street. They expand their reach within the county by distributing food from 17 additional locations. Through this network, AFAC distributes food to an average of 2,200 families each week including over 4,800 individuals, approximately a third of whom are children under the age of 18. An example of supplemental food distribution programs is the Home Delivery program that was started during the Covid Pandemic and has continued ever since. The program is now serving 150 home bound individuals who cannot get to one of our sites for their weekly pickup.

AFAC collects donated food from local grocery stores, farmers markets, community gardens, local farms and numerous food drives. Annually AFAC distributes more than 1.5 million pounds of donated food and 1.9 million pounds of purchased food – a total of 3.3 million pounds.

AFAC is the sole owner of 2708 South Nelson Street LLC. These financial statements include the accounts of 2708 South Nelson Street LLC and all intercompany transaction have been eliminated.

### 2. Summary of significant accounting policies

#### Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of restrictions imposed by donors or grantors. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

# Arlington Food Assistance Center

## Notes to Financial Statements June 30, 2022 and 2021

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### **Use of estimates**

The preparation of financial statements in conformity with U.S. GAAP 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. FDIC insurance is \$250,000 per depositor, per insured bank. AFAC's excess funds are swept into an ICS (Insured Cash Sweep) account provided by IntraFi Network (formerly Promontory Interfinancial Network). AFAC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. On June 30, 2022 and 2021, cash balances exceeded the FDIC limits by \$30,142 and \$76,826, respectively.

### **Inventory**

Approximately 64 percent of the food distributed by AFAC in fiscal year 2022 was donated. This activity is recorded in the financial statements as a contribution at a per pound value of \$1.70. 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.

### **Investments**

Investments consist of equity securities that are carried at their fair values, which are based on publicly available data obtained from services independent of AFAC. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in net assets.

### **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, 2022 and 2021, compensated absences of \$45,013 and \$43,829, respectively, are included in accounts payable and accrued expenses in the accompanying statements of financial position.

### **Revenue and revenue recognition**

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

See independent auditor's report.

# Arlington Food Assistance Center

## Notes to Financial Statements June 30, 2022 and 2021

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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, donor restricted net assets are reclassified to net assets without donor restrictions 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 support without donor restrictions.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. AFAC recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. AFAC recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

### **Receivables**

AFAC reports unconditional promises to give as revenue in the period pledged. Conditional promises to give are recognized as 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. Pledges to be paid to AFAC over a period of years, 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 annually estimates the amount of potential uncollectible amounts. Management considers past history, current economic conditions and overall viability of the third party when determining the allowance. No allowance was deemed necessary or recorded for the years ended June 30, 2022 and 2021.

### **In-kind donations**

Contributed nonfinancial assets include donated food, donated gift cards and other in-kind contributions which are recorded at the respective fair value of the goods or services received (Note 9). AFAC does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of the donation.

### **Functional classification of expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supported services benefitted. A portion of general and administrative expenses that benefit multiple functional areas have been allocated across the programs and supporting services based on the proportion of time spent by personnel on each activity or use of building space. The allocated expenses include: depreciation, insurance, taxes, occupancy costs, other expenses, and tele-communications.

### **Fair value of financial assets and liabilities**

Financial assets with carrying values approximating fair value include cash and cash equivalents, accounts receivable, employee advances, prepaid expenses, inventory of food available for distribution, and gift cards. Financial liabilities with carrying values approximating fair value include accounts payable, accrued expenses, and deferred revenue. 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, 2022 and 2021

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### **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, 2022 and 2021. AFAC annually files form 990 with Internal Revenue Service (IRS).

By law, IRS has the right to audit filed returns. Tax years that remain open for examination are fiscal years 2019 through 2022. Management does not believe that the ultimate outcome of any examination of open tax years would have a material impact on AFAC's results of operations.

### **Recently adopted accounting pronouncements**

The FASB (ASU) No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, requires not-for-profits (NFPs) to present contributed nonfinancial assets as a separate line item in the statement activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The ASU is effective for annual periods beginning after June 15, 2021. The Organization adopted this standard for the year ended June 30, 2022.

### **Upcoming accounting pronouncements**

The FASB has issued ASU 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. The Organization adopted the standard on its effective date, which for the Organization was July 1, 2022.

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2016-13 which adopts the current expected credit loss (CECL) model. The CECL model requires a financial asset or a group of financial assets (including trade receivables, contract assets, lease receivables, financial guarantees, loans and loan commitments, and held-to-maturity debt securities) measured at amortized cost basis to be presented at the net amount expected to be collected. The income statement will reflect the measurement of credit losses for newly recognized financial assets, as well as the increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022 and the Organization plans to adopt this standard on its effective date, July 1, 2023. Management is assessing the impact that the standard will have on the financial statements.

### **Reclassifications**

Certain reclassifications have been made to the 2021 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

See independent auditor's report.

# Arlington Food Assistance Center

## Notes to Financial Statements June 30, 2022 and 2021

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### 3. Liquidity and availability

The following table reflects AFAC's financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 823,109	\$ 5,120,491
Accounts receivable	112	100
Employee advances	1,693	-
Gift cards	2,120	2,809
Investments	<u>5,934,729</u>	<u>362,160</u>
	6,761,763	5,485,560
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	<u>(2,120)</u>	<u>(2,809)</u>
Total financial assets available for general expenditure within one year	<u>\$ 6,759,643</u>	<u>\$ 5,482,751</u>

See Note 4 regarding investments and how they help AFAC manage liquidity. Gift cards are not considered available for general use.

### 4. 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 statements of activities.

Arlington Food Assistance Center classifies its investments 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.

Fair value measurements on a recurring basis at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total assets at fair value</u>
Cash	\$ 1,272,152	\$ -	\$ -	\$ 1,272,152
Equities	1,024,879	-	-	1,024,879
Exchange traded funds	1,772,486	-	-	1,772,486
Fixed income funds	1,865,212	-	-	1,865,212
	<u>\$ 5,934,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,934,729</u>

See independent auditor's report.

# Arlington Food Assistance Center

## Notes to Financial Statements June 30, 2022 and 2021

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	2021			Total assets at fair value
	Level 1	Level 2	Level 3	
Cash	\$ 23,286	\$ -	\$ -	\$ 23,286
Equities	177,340	-	-	177,340
Exchange traded funds	44,316	-	-	44,316
Real estate investment trusts	-	15,007	-	15,007
Mutual funds	102,211	-	-	102,211
	<u>\$ 347,153</u>	<u>\$ 15,007</u>	<u>\$ -</u>	<u>\$ 362,160</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.

### 5. Inventory of food available for distribution

At June 30, 2022 and 2021, inventory consisted of \$88,011 and \$127,278, respectively. Inventory consists of both donated and purchased food. See Note 9 for the fair market value of the donated food.

### 6. Commitments

During the year ended June 30, 2017, AFAC began renovations to 2708 South Nelson Street. In order to continue its programs without interruption and consolidate off-site storage, AFAC signed lease agreements for additional warehouse space in 2704 and 2706 South Nelson Street.

The lease agreement for 2704 South Nelson Street was for two years, April 1, 2017 through March 31, 2019, with a base rental expense of \$2,700 per month. The lease was initially extended through December 31, 2021, but then later terminated and 2704 South Nelson Street was purchased on September 16, 2020 by AFAC for \$800,000. There is no associated loan on the property.

Total rental expense for both leases was \$28,176 and \$43,518 for the years ended June 30, 2022 and 2021, respectively, and are included in occupancy costs on the accompanying statements of functional expenses. There are no remaining lease obligations as of June 30, 2022.

See independent auditor's report.



# Arlington Food Assistance Center

## Notes to Financial Statements June 30, 2022 and 2021

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### 7. Property and equipment

A summary of information relative to property and equipment as of June 30, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>	<u>Useful life</u>
Land	\$ 697,401	\$ 697,401	
Building	1,056,728	1,056,728	39 years
Capital improvements	2,763,685	2,259,680	15 years
Vehicles	202,638	202,639	5 years
Equipment	431,585	392,969	5 - 10 years
Software	190,998	166,255	3 years
	<u>5,343,035</u>	<u>4,775,672</u>	
Accumulated depreciation	<u>(1,325,829)</u>	<u>(1,049,808)</u>	
	<u>\$ 4,017,206</u>	<u>\$ 3,725,864</u>	

### 8. 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 401(k) 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 percent of an employee's wage. AFAC's matching contributions totaled \$48,543 and \$43,022 to the plan in fiscal years 2022 and 2021 which is included in employee benefits in the statements of functional expenses.

### 9. 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, 2022 and 2021, the approximate wholesale value of one pound of donated food was \$1.70. AFAC collected 1,483,771 and 1,494,421 pounds of food in 2022 and 2021, respectively. AFAC also receives other items to assist in its day-to-day operations or special activities, like seeds for local gardens.

During the years ended June 30, 2022 and 2021, AFAC recorded the following in-kind donations:

	<u>2022</u>	<u>2021</u>
Food, net spoilage	\$ 2,440,811	\$ 2,612,366
Other in-kind	432	2,576
	<u>\$ 2,441,243</u>	<u>\$ 2,614,942</u>

See independent auditor's report.

# Arlington Food Assistance Center

## Notes to Financial Statements June 30, 2022 and 2021

### 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 2022 and 2021, AFAC volunteer hours were valued at \$33.00 per hour. No amounts have been recognized in the financial statements for these volunteer hours because they do not meet the criteria for recognition under U.S. GAAP. For the years ended June 30, 2022 and 2021, volunteer hours and value of hours were as follows:

	2022		2021	
	Hours worked (rounded)	Value of hours	Hours worked (rounded)	Value of hours
Food distribution	37,387	\$ 1,233,771	36,920	\$ 1,218,360
Management and general	330	10,890	349	11,517
Fundraising	39	1,287	52	1,716
	<u>37,756</u>	<u>\$ 1,245,948</u>	<u>37,321</u>	<u>\$ 1,231,593</u>

### Donated stock

AFAC received \$137,016 and \$104,345 in donated stock during the years ended June 30, 2022 and 2021, respectively. Donated stock is included in general contributions on the statements of activities.

### Gift cards

Gift cards of \$4,075 and \$11,025 are included with general contributions and grants on the statement of activities for the years ended June 30, 2022 and 2021.

## 10. Net assets with donor restrictions

Net assets with donor restrictions are for specific events or programs as well as for future periods. Restrictions on these assets are removed when expenses are incurred. Net assets with donor restrictions activity included the following for the years ended June 30, 2022 and 2021:

	2021	Additions	Releases	2022
Gift cards	\$ 2,809	\$ 4,075	\$ 4,764	\$ 2,120

  

	2020	Additions	Releases	2021
Contributions for specific projects	\$ 497	\$ -	\$ 497	\$ -
Grants for specific projects	73,591	6,400	79,991	-
Gift cards	4,705	11,025	12,921	2,809
	<u>\$ 78,793</u>	<u>\$ 17,425</u>	<u>\$ 93,409</u>	<u>\$ 2,809</u>

## 11. Subsequent events

AFAC assessed events occurring subsequent to June 30, 2022 through January 26, 2023, 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 year end that would require adjustment to or disclosure in the statements.

See independent auditor's report.