

# ARLINGTON FOOD ASSISTANCE CENTER

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



**KWC**

*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, 2020** and 2019, 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, 2020** and 2019, 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  
January 28, 2021

# Arlington Food Assistance Center

## Statements of Financial Position June 30,

**2020****2019****Assets****Current assets**

Cash and cash equivalents	\$ 3,649,702	\$ 754,356
Accounts receivable	4,728	2,233
Gift cards	4,705	3,437
Prepaid expenses	21,681	10,660
Inventory of food available for distribution	141,806	45,151
Investments	577,469	470,804
	<u>4,400,091</u>	<u>1,286,641</u>

**Property and equipment, net**

Land	261,901	261,901
Property and equipment, net of accumulated depreciation	2,218,115	2,289,614
	<u>2,480,016</u>	<u>2,551,515</u>

**Other assets**

Security deposits	5,218	5,218
Total assets	<u>\$ 6,885,325</u>	<u>\$ 3,843,374</u>

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

Accounts payable and accrued expenses	\$ 210,392	\$ 137,528
Building loan payable, current portion	25,271	982,463
SBA Payroll Protection Program loan	241,700	-
	<u>477,363</u>	<u>1,119,991</u>

**Long-term liabilities**

Building loan payable, long-term portion	933,129	-
Total liabilities	<u>1,410,492</u>	<u>1,119,991</u>

**Net assets**

Without donor restrictions	5,396,040	2,692,939
With donor restrictions	78,793	30,444
Total net assets	<u>5,474,833</u>	<u>2,723,383</u>
Total liabilities and net assets	<u>\$ 6,885,325</u>	<u>\$ 3,843,374</u>

See accompanying notes and independent auditor's report.

# Arlington Food Assistance Center

## Statement of Activities for the year ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
<b>Public support and revenue</b>			
Contributions			
Arlington County grant	\$ 615,425	\$ -	\$ 615,425
General contributions	5,218,535	47,505	5,266,040
Grants	118,247	-	118,247
In-kind donations	2,187,511	10,595	2,198,106
Special events, net \$49,739 of expenses	304,366	-	304,366
Net assets released from restriction	9,751	(9,751)	-
	<u>8,453,835</u>	<u>48,349</u>	<u>8,502,184</u>
Rental income	13,256	-	13,256
Investment income, net of expenses	23,464	-	23,464
Loss on disposal of assets	(3,638)	-	(3,638)
Other income	212	-	212
	<u>33,294</u>	<u>-</u>	<u>33,294</u>
Total public support and revenue	8,487,129	48,349	8,535,478
<b>Expenses</b>			
Food distribution	4,880,612	-	4,880,612
Management and general	247,008	-	247,008
Fundraising	656,408	-	656,408
Total expenses	<u>5,784,028</u>	<u>-</u>	<u>5,784,028</u>
<b>Change in net assets</b>	2,703,101	48,349	2,751,450
<b>Net assets, beginning of year</b>	2,692,939	30,444	2,723,383
<b>Net assets, end of year</b>	<u>\$ 5,396,040</u>	<u>\$ 78,793</u>	<u>\$ 5,474,833</u>

See accompanying notes and independent auditor's report.

# Arlington Food Assistance Center

## Statement of Activities for the year ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
<b>Public support and revenue</b>			
Contributions			
Arlington County grant	\$ 477,925	\$ -	\$ 477,925
General contributions	2,266,081	-	2,266,081
Grants	140,445	28,579	169,024
In-kind donations	2,138,465	1,360	2,139,825
Special events, net \$63,743 of expenses	243,615	-	243,615
Net assets released from restriction	19,882	(19,882)	-
	<u>5,286,413</u>	<u>10,057</u>	<u>5,296,470</u>
Rental income	19,443	-	19,443
Investment income, net of expenses	34,674	-	34,674
	<u>54,117</u>	<u>-</u>	<u>54,117</u>
Total public support and revenue	5,340,530	10,057	5,350,587
<b>Expenses</b>			
Food distribution	4,655,072	-	4,655,072
Management and general	364,485	-	364,485
Fundraising	563,965	-	563,965
Total expenses	<u>5,583,522</u>	<u>-</u>	<u>5,583,522</u>
<b>Change in net assets</b>	(242,992)	10,057	(232,935)
<b>Net assets, beginning of year</b>	<u>2,935,931</u>	<u>20,387</u>	<u>2,956,318</u>
<b>Net assets, end of year</b>	<u>\$ 2,692,939</u>	<u>\$ 30,444</u>	<u>\$ 2,723,383</u>

See accompanying notes and independent auditor's report.

# Arlington Food Assistance Center

## Statement of Functional Expenses for the year ended June 30, 2020

Expenses	Food distribution	Management and general	Fundraising	Total
Advertising	\$ -	\$ -	\$ 300	\$ 300
Bank charges	-	302	58,435	58,737
Building repairs	600	-	-	600
Employee benefits	179,327	26,311	63,612	269,250
Depreciation	176,582	5,493	21,361	203,436
Direct fundraising expenses	-	-	49,739	49,739
Donated goods	2,124,599	-	-	2,124,599
Equipment rental and maintenance	42,406	5,723	-	48,129
Food purchases	934,279	-	-	934,279
Insurance	1,933	60	234	2,227
Mortgage interest	37,480	1,166	4,534	43,180
Occupancy costs	111,287	3,462	13,462	128,211
Other expenses	10,606	8,500	1,564	20,670
Payroll taxes	79,804	8,224	32,016	120,044
Personnel	920,136	101,824	391,441	1,413,401
Postage and shipping	-	1,427	5,015	6,442
Printing and publications	8,114	1,662	30,578	40,354
Professional fees	50,469	64,273	29,226	143,968
Program transportation	85,732	35	-	85,767
Supplies	4,641	4,099	788	9,528
Taxes	14,846	462	1,796	17,104
Telecommunications	25,502	8,734	297	34,533
Travel and meetings	10,607	5,251	1,749	17,607
Warehouse supplies	61,662	-	-	61,662
<b>Total expenses by function</b>	4,880,612	247,008	706,147	5,833,767
<b>Less expenses included with revenues on the statement of activities</b>				
Direct fundraising expenses	-	-	(49,739)	(49,739)
<b>Total expenses included in the expense section of the statement of activities</b>	\$ 4,880,612	\$ 247,008	\$ 656,408	\$ 5,784,028

See accompanying notes and independent auditor's report.

# Arlington Food Assistance Center

## Statement of Functional Expenses for the year ended June 30, 2019

Expenses	Food distribution	Management and general	Fundraising	Total
Advertising	\$ 99	\$ -	\$ -	\$ 99
Bank charges	1	299	22,283	22,583
Employee benefits	180,539	32,686	49,914	263,139
Depreciation	157,984	13,073	14,110	185,167
Direct fundraising expenses	-	-	58,489	58,489
Donated goods	2,171,251	2,410	-	2,173,661
Equipment rental and maintenance	30,424	-	11,153	41,577
Food purchases	883,677	21	622	884,320
Fundraising and public relations	-	-	11,975	11,975
Insurance	11,336	-	513	11,849
Mortgage interest	-	43,090	-	43,090
Occupancy costs	147,352	589	1,320	149,261
Other expenses	36,340	47,295	2,274	85,909
Payroll taxes	67,809	8,110	28,616	104,535
Personnel	824,692	108,889	361,371	1,294,952
Postage and shipping	-	50	4,570	4,620
Printing and publications	3,700	1,060	38,087	42,847
Professional fees	6,072	86,760	8,934	101,766
Program transportation	50,255	52	-	50,307
Supplies	9,007	814	1,059	10,880
Taxes	15,059	443	1,792	17,294
Telecommunications	20,373	14,677	4,181	39,231
Travel and meetings	2,600	4,167	1,191	7,958
Warehouse supplies	36,502	-	-	36,502
<b>Total expenses by function</b>	<u>4,655,072</u>	<u>364,485</u>	<u>622,454</u>	<u>5,642,011</u>
<b>Less expenses included with revenues on the statement of activities</b>				
Direct fundraising expenses	-	-	(58,489)	(58,489)
<b>Total expenses included in the expense section of the statement of activities</b>	<u>\$ 4,655,072</u>	<u>\$ 364,485</u>	<u>\$ 563,965</u>	<u>\$ 5,583,522</u>

See accompanying notes and independent auditor's report.



# Arlington Food Assistance Center

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

2020

2019

	2020	2019
<b>Cash flows from operating activities</b>		
<b>Change in net assets</b>	\$ 2,751,450	\$ (232,935)
<b>Adjustments to reconcile change in net assets to net cash from operating activities</b>		
Realized and unrealized gain on investments	(7,553)	(21,666)
Donated stock received	(86,198)	(30,150)
Loss on disposal of property and equipment	3,638	-
Depreciation	203,436	185,167
(Increase) decrease in operating assets		
Accounts receivable	(2,495)	4,123
Pledges receivable	-	9,414
Prepaid expenses	(11,021)	27,442
Inventory of food available for distribution	(96,655)	36,016
Gift cards	(1,268)	(425)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	72,864	(18,291)
Net cash (used in) provided by operating activities	<u>2,826,198</u>	<u>(41,305)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments and reinvestments	(12,914)	(9,305)
Purchase of property and equipment	(135,575)	(47,476)
Net cash used in investing activities	<u>(148,489)</u>	<u>(56,781)</u>
<b>Cash flows from financing activities</b>		
Proceeds from building loan	-	232,608
Payments on building loan	(24,063)	(17,537)
Proceeds from SBA Payroll Protection Program loan	241,700	-
Net cash provided by financing activities	<u>217,637</u>	<u>215,071</u>
<b>Net change in cash and cash equivalents</b>	2,895,346	116,985
<b>Cash and cash equivalents, beginning of year</b>	<u>754,356</u>	<u>637,371</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 3,649,702</u>	<u>\$ 754,356</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	<u>\$ 43,180</u>	<u>\$ 40,028</u>
Noncash investing and financing transactions		
Donated stock received	<u>\$ 86,198</u>	<u>\$ 30,150</u>

See accompanying notes and independent auditor's report.

# Arlington Food Assistance Center

## Notes to Financial Statements June 30, 2020 and 2019

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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 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.

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.

AFAC's food distribution includes Backpack Buddies, serving students who frequently experience a lack of food resources during weekends and over long holiday periods. AFAC operates out of the 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, approximately a third of whom are children under the age of 18.

AFAC collects donated food from local grocery stores, farmer's markets, community gardens, local farms, and from numerous food drives conducted by or 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 1.3 million pounds of donated food, AFAC distributes nearly 1.7 million pounds of food purchased from local and national wholesale and retail distributors.

AFAC utilized reserve funds and a loan to fully renovate the second floor offices and the first floor to improve client services, the handling of food, while doubling its refrigeration capacity.

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 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.

See independent auditor's report.

# Arlington Food Assistance Center

## Notes to Financial Statements June 30, 2020 and 2019

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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, 2020 and 2019, cash balances exceeded the FDIC limits by \$114,889 and \$76,169, respectively.

### **Inventory**

Approximately 40 percent of the food distributed by AFAC is 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 market 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 without donor restrictions unless the income or loss is restricted by donor or law.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statements of activities. Management believes that AFAC's investments do not represent significant concentrations of market risk as the investment portfolios are adequately diversified among issuers.

### **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, 2020 and 2019, compensated absences of \$43,677 and \$34,991, 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, 2020 and 2019

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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.

AFAC records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

### **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 revenue without donor restrictions 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 AFAC 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, 2020 and 2019.

### **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. GAAP. Donated property is reflected as a revenue or asset at the fair market value of the property on the date of donation. In-kind donations are detailed in Note 11 of these financial statements.

### **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, 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.

### **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, 2020 and 2019.

See independent auditor's report.

# Arlington Food Assistance Center

## Notes to Financial Statements June 30, 2020 and 2019

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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 2017 through 2020.

### Recently adopted accounting pronouncements

The FASB has issued Accounting Standards Update (ASU) 2014-09 (as amended by ASU 2015-14), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018. AFAC adopted the standard on its effective date, which was July 1, 2019, with no effect on beginning net assets.

The FASB issued ASU 2018-08, which provides a new framework for determining whether a transaction should be accounted for as a contribution or an exchange. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018. AFAC adopted the standard on its effective date, which was July 1, 2019, with no effect on beginning net assets.

### New 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. AFAC plans to adopt the standard on its effective date, which for the Organization is July 1, 2022. AFAC has not evaluated the impact of this statement.

### 3. Liquidity and availability

The following table reflects AFAC's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,649,702	\$ 754,356
Accounts receivable	4,728	2,233
Investments	<u>577,469</u>	<u>470,804</u>
	4,231,899	1,227,393
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(30,444)	(30,444)
Total financial assets available for general expenditure within one year	<u>\$ 4,201,455</u>	<u>\$ 1,196,949</u>

See Note 5 regarding investments and how they help AFAC manage liquidity.

### 4. Building loan

AFAC obtained a \$1,000,000 construction loan commitment to be used for expenses relating to the building renovation. The loan required monthly interest payments during the construction period, and those payments were capitalized with the building improvements.

See independent auditor's report.

# Arlington Food Assistance Center

## Notes to Financial Statements June 30, 2020 and 2019

The interest rate is fixed at 4.375 percent with fixed monthly loan repayment amounts of \$5,606 for five years repayable over 300 monthly installments. The interest rate and the monthly repayment amount will be adjusted at the end of five years and then in five year increments. The terms of the loan require a balloon payment for the remaining balance on July 4, 2028. The loan requires AFAC to maintain a 1:1 coverage factor on the results of the twelve-month period ending with the reporting period. For the year ended June 30, 2019, AFAC was not in compliance with the required ratio, a waiver of this requirement was sought and received. Accordingly, the loan was classified as current for the year ended June 30, 2019. AFAC was in compliance for the year ended June 30, 2020. Future minimum principal payments for the fiscal years ending June 30 are as follows:

2021	\$	25,271
2022		26,415
2023		27,611
2024		28,755
2025		30,162
Thereafter		820,186
Total	\$	<u>958,400</u>

### 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 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.

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. Subsequent to the year ended June 30, 2020, the investments were moved from the community foundation to a brokerage firm.

Fair value measurements on a recurring basis at June 30, 2020 and 2019 consisted of the following:

	2020			Total assets at fair value
	Level 1	Level 2	Level 3	
Cash	\$ 19,021	\$ -	\$ 4,141	\$ 23,162
BM Equity core	88,162	-	153,510	241,672
Small Cap core	-	-	41,758	41,758
Real estate investment trusts	-	-	53,589	53,589
Mutual funds				
Large cap growth	43,349	-	-	43,349
Large value	12,840	-	-	12,840
Bonds				
Intermediate bonds	-	-	125,073	125,073
Interim-term	-	-	36,026	36,026
	<u>\$ 163,372</u>	<u>\$ -</u>	<u>\$ 414,097</u>	<u>\$ 577,469</u>

See independent auditor's report.

# Arlington Food Assistance Center

## Notes to Financial Statements June 30, 2020 and 2019

	2019			Total assets at fair value
	Level 1	Level 2	Level 3	
Cash	\$ 12,178	\$ -	\$ 1,929	\$ 14,107
Domestic equity stocks	38,314	-	151,360	189,674
International equity stocks	-	-	38,292	38,292
Real estate investment trusts	-	-	52,167	52,167
Mutual funds				
Large cap growth	16,791	-	-	16,791
Large value	1,050	-	-	1,050
Bonds				
Intermediate bonds	-	-	122,537	122,537
Interim-term	-	-	36,186	36,186
	<u>\$ 68,333</u>	<u>\$ -</u>	<u>\$ 402,471</u>	<u>\$ 470,804</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:

	2020	2019
Beginning balance	\$ 402,471	\$ 375,311
Purchases/contributions	-	-
Investment return, net	11,626	27,160
Distributions	-	-
Ending balance	<u>\$ 414,097</u>	<u>\$ 402,471</u>

### 7. Inventory of food available for distribution

At June 30, 2020 and 2019, inventory consisted of \$141,806 and \$45,151, respectively. Inventory consists of both donated and purchased food. See Note 11 for the fair market value of the donated food.

### 8. 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 extended through December 31, 2021. Subsequent to the fiscal year ended June 30, 2020, the building was purchased by AFAC for \$800,000. There is no associated loan on the property.

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. AFAC sublet a portion of 2706 South Nelson Street to the Shirlington Employment & Education Center (SEEC). The sublease was for five years, February 1, 2017 through March 31, 2021, but terminated early and ended on October 13, 2019. Base rental income was \$1,400 per month. Total rental income received for the years ended June 30, 2020 and 2019 was \$13,256 and \$19,443, respectively.

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# Arlington Food Assistance Center

## Notes to Financial Statements June 30, 2020 and 2019

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Total rental expense for both leases was \$87,564 and \$82,358 for the years ended June 30, 2020 and 2019, respectively, and are included in occupancy costs on the accompanying statements of functional expenses.

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

	<u>2706 rental expenses</u>
2021	\$ 52,141
2022	<u>26,456</u>
	<u>\$ 78,597</u>

The Organization obtained a \$241,700 CARES Act Paycheck Protection Program loan in May 2020. The Organization believes they have complied with the requirements required for loan forgiveness and have submitted an application for loan forgiveness and are awaiting a response.

### 9. Property and equipment

A summary of information relative to property and equipment as of June 30, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>	<u>Useful life</u>
Land	\$ 261,901	\$ 261,901	
Building	669,660	669,660	39 years
Capital improvements	1,680,564	1,657,315	15 years
Vehicles	202,639	156,929	5 years
Equipment	350,795	356,782	5 - 10 years
Software	141,512	75,912	3 years
	<u>3,307,071</u>	<u>3,178,499</u>	
Accumulated depreciation	<u>(827,055)</u>	<u>(626,984)</u>	
	<u>\$ 2,480,016</u>	<u>\$ 2,551,515</u>	

### 10. 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 \$39,453 and \$33,005 to the plan in fiscal years 2020 and 2019 which is included in employee benefits in the statements of functional expenses.

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## Notes to Financial Statements June 30, 2020 and 2019

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### 11. 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, 2020 and 2019, the approximate wholesale value of one pound of donated food was \$1.70. AFAC collected 1,304,503 and 1,442,236 pounds of food in 2020 and 2019, respectively. AFAC also receives gift cards and other items to assist in its day-to-day operations.

During the years ended June 30, 2020 and 2019, AFAC recorded the following in-kind donations:

	<u>2020</u>	<u>2019</u>
Food, net spoilage	\$ 2,121,569	\$ 2,136,055
Gift cards	1,360	629
Other in-kind	75,177	3,141
	<u>\$ 2,198,106</u>	<u>\$ 2,139,825</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 2020 and 2019, 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, 2020 and 2019, volunteer hours and value of hours were as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Hours worked (rounded)</u>	<u>Value of hours</u>	<u>Hours worked (rounded)</u>	<u>Value of hours</u>
Food distribution	41,437	\$ 1,367,421	49,448	\$ 1,631,784
Management and general	425	14,025	563	18,579
Fundraising	85	2,805	72	2,376
	<u>41,947</u>	<u>\$ 1,384,251</u>	<u>50,083</u>	<u>\$ 1,652,739</u>

#### Donated stock

AFAC received \$86,198 and \$30,150 in donated stock during the years ended June 30, 2020 and 2019, respectively. Donated stock is included in general contributions on the statements of activities.

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### 12. 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, 2020 and 2019:

	<u>2019</u>	<u>Additions</u>	<u>Releases</u>	<u>2020</u>
Contributions for specific projects	\$ 497	\$ -	\$ -	\$ 497
Grants for specific projects	26,510	47,505	424	73,591
Gift cards	3,437	10,595	9,327	4,705
	<u>\$ 30,444</u>	<u>\$ 58,100</u>	<u>\$ 9,751</u>	<u>\$ 78,793</u>
	<u>2018</u>	<u>Additions</u>	<u>Releases</u>	<u>2019</u>
Contributions for specific projects	\$ 497	\$ -	\$ -	\$ 497
Grants for specific projects	16,878	28,579	18,947	26,510
Gift cards	3,012	1,360	935	3,437
	<u>\$ 20,387</u>	<u>\$ 29,939</u>	<u>\$ 19,882</u>	<u>\$ 30,444</u>

### 13. Subsequent events

AFAC assessed events occurring subsequent to June 30, 2020 through January 28, 2021, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events, other than those described in Note 5 and 8, have occurred subsequent to year end that would require adjustment to or disclosure in the statements.

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