

ARLINGTON FOOD ASSISTANCE CENTER

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023



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 consolidated financial statements of **Arlington Food Assistance Center** (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Arlington Food Assistance Center** as of June 30, 2024 and 2023, and the changes in their net assets and their 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 the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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
February 14, 2025

Arlington Food Assistance Center

Consolidated Statements of Financial Position June 30,

2024**2023****Assets****Current assets**

Cash and cash equivalents	\$ 1,143,537	\$ 1,107,305
Certificate of deposit	159,449	151,856
Investments	6,960,471	6,201,947
Employee advances	5,963	2,733
Prepaid expenses	19,940	22,901
Gift cards	515	1,875
Inventory of food available for distribution	92,182	67,951
	<u>8,382,057</u>	<u>7,556,568</u>

Property and equipment, net

Land	697,401	697,401
Property and equipment, net of accumulated depreciation	3,165,665	3,138,536
	<u>3,863,066</u>	<u>3,835,937</u>

Other assets

Operating lease right-of-use asset	1,642	5,505
Total assets	<u>\$ 12,246,765</u>	<u>\$ 11,398,010</u>

Liabilities and net assets**Current liabilities**

Accounts payable and accrued expenses	\$ 331,162	\$ 301,840
Deferred revenue	10,000	30,000
Operating lease liability, current portion	1,642	3,863
	<u>342,804</u>	<u>335,703</u>

Other liabilities

Operating lease liability, net of current portion	-	1,642
Total liabilities	<u>342,804</u>	<u>337,345</u>

Net assets

Without donor restrictions	11,903,961	11,060,665
Total net assets	<u>11,903,961</u>	<u>11,060,665</u>
Total liabilities and net assets	<u>\$ 12,246,765</u>	<u>\$ 11,398,010</u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Consolidated Statement of Activities for the year ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
Public support and revenue			
Contributions			
Arlington County grant	\$ 706,606	\$ -	\$ 706,606
General contributions and grants	5,317,825	-	5,317,825
In-kind donations			
Donated food	2,924,689	-	2,924,689
Donated services	19,441	-	19,441
Special events, net \$108,932 of expenses	445,457	-	445,457
	<u>9,414,018</u>	<u>-</u>	<u>9,414,018</u>
Investment income, net of expenses	515,746	-	515,746
Loss on disposal of property and equipment	(15,214)	-	(15,214)
Other income	40	-	40
	<u>500,572</u>	<u>-</u>	<u>500,572</u>
Total public support and revenue	9,914,590	-	9,914,590
Expenses			
Food distribution	7,950,100	-	7,950,100
Management and general	414,096	-	414,096
Fundraising	707,098	-	707,098
Total expenses	<u>9,071,294</u>	<u>-</u>	<u>9,071,294</u>
Change in net assets	843,296	-	843,296
Net assets, beginning of year	<u>11,060,665</u>	<u>-</u>	<u>11,060,665</u>
Net assets, end of year	<u>\$ 11,903,961</u>	<u>\$ -</u>	<u>\$ 11,903,961</u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Consolidated Statement of Activities for the year ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Public support and revenue			
Contributions			
Arlington County grant	\$ 754,200	\$ -	\$ 754,200
General contributions and grants	4,368,878	-	4,368,878
In-kind food donations	2,733,700	-	2,733,700
Special events, net \$95,475 of expenses	288,793	-	288,793
Net assets released from restriction	2,120	(2,120)	-
	<u>8,147,691</u>	<u>(2,120)</u>	<u>8,145,571</u>
Investment income, net of expenses	189,096	-	189,096
Other income	38	-	38
	<u>189,134</u>	<u>-</u>	<u>189,134</u>
Total public support and revenue	8,336,825	(2,120)	8,334,705
Expenses			
Food distribution	6,956,351	-	6,956,351
Management and general	362,755	-	362,755
Fundraising	639,756	-	639,756
Total expenses	<u>7,958,862</u>	<u>-</u>	<u>7,958,862</u>
Change in net assets	377,963	(2,120)	375,843
Net assets, beginning of year	<u>10,682,702</u>	<u>2,120</u>	<u>10,684,822</u>
Net assets, end of year	<u>\$ 11,060,665</u>	<u>\$ -</u>	<u>\$ 11,060,665</u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Consolidated Statement of Functional Expenses for the year ended June 30, 2024

	Food distribution	Management and general	Fundraising	Total
Expenses				
Bank charges	\$ 241	\$ 2,318	\$ 34,328	\$ 36,887
Depreciation	289,292	3,264	7,283	299,839
Direct fundraising expenses	-	-	108,932	108,932
Donated goods and services	2,927,194	-	-	2,927,194
Employee benefits	374,096	34,100	106,015	514,211
Equipment rental and maintenance	39,809	455	949	41,213
Food purchases	2,517,509	-	-	2,517,509
Insurance	-	23,930	-	23,930
Interest	-	129	-	129
Occupancy costs	95,935	219	505	96,659
Other expenses	32,614	17,126	870	50,610
Payroll taxes	107,700	9,736	36,951	154,387
Personnel	1,338,557	135,809	468,563	1,942,929
Postage and shipping	652	-	2,280	2,932
Printing and publications	10,043	643	29,812	40,498
Professional fees	21,221	151,041	10,273	182,535
Program transportation	40,703	14,359	-	55,062
Supplies	11,014	578	1,029	12,621
Taxes	31,254	869	1,221	33,344
Telecommunications	25,790	12,513	4,637	42,940
Travel and meetings	12,139	7,007	2,382	21,528
Warehouse supplies	74,337	-	-	74,337
	<u>7,950,100</u>	<u>414,096</u>	<u>816,030</u>	<u>9,180,226</u>
Less expenses included with revenues on the statement of activities				
Direct fundraising expenses	-	-	(108,932)	(108,932)
Total expenses by function	<u>\$ 7,950,100</u>	<u>\$ 414,096</u>	<u>\$ 707,098</u>	<u>\$ 9,071,294</u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Consolidated Statement of Functional Expenses for the year ended June 30, 2023

	Food distribution	Management and general	Fundraising	Total
Expenses				
Bank charges	\$ -	\$ 1,681	\$ 35,797	\$ 37,478
Depreciation	244,916	6,573	5,841	257,330
Direct fundraising expenses	-	-	95,475	95,475
Donated goods	2,756,224	-	-	2,756,224
Employee benefits	317,965	32,557	75,207	425,729
Equipment rental and maintenance	45,360	2,795	5,831	53,986
Food purchases	1,942,105	-	-	1,942,105
Insurance	2,190	23,156	493	25,839
Occupancy costs	60,842	221	512	61,575
Other expenses	45,286	16,698	1,232	63,216
Payroll taxes	95,569	8,394	35,392	139,355
Personnel	1,247,480	111,442	427,928	1,786,850
Postage and shipping	477	2,688	2,601	5,766
Printing and publications	5,614	-	21,905	27,519
Professional fees	2,637	133,120	14,526	150,283
Program transportation	46,471	12,579	-	59,050
Supplies	9,361	475	1,341	11,177
Taxes	44,178	2,246	4,587	51,011
Telecommunications	23,825	5,205	4,951	33,981
Travel and meetings	5,252	2,925	1,612	9,789
Warehouse supplies	60,599	-	-	60,599
	<u>6,956,351</u>	<u>362,755</u>	<u>735,231</u>	<u>8,054,337</u>
Less expenses included with revenues on the statement of activities				
Direct fundraising expenses	-	-	(95,475)	(95,475)
Total expenses by function	<u>\$ 6,956,351</u>	<u>\$ 362,755</u>	<u>\$ 639,756</u>	<u>\$ 7,958,862</u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

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

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 843,296	\$ 375,843
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	299,839	257,330
Donated stock received	(274,749)	(103,644)
Realized and unrealized gain on investments	(339,489)	(64,289)
Loss on disposal of assets	15,214	-
(Increase) decrease in operating assets		
Accounts receivable	-	112
Employee advances	(3,230)	(1,040)
Prepaid expenses	2,961	33,256
Gift cards	1,360	245
Inventory of food available for distribution	(24,231)	20,060
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	29,322	74,225
Deferred revenue	(20,000)	19,300
Net cash provided by operating activities	<u>530,293</u>	<u>611,398</u>
Cash flows from investing activities		
Purchase of investments and reinvestments	(144,286)	(99,285)
Purchase of property and equipment	(342,182)	(76,061)
Purchase of certificate of deposit	-	(150,000)
Reinvestment of interest in certificate of deposit	(7,593)	(1,856)
Net cash used in investing activities	<u>(494,061)</u>	<u>(327,202)</u>
Net change in cash and cash equivalents	36,232	284,196
Cash and cash equivalents, beginning of year	<u>1,107,305</u>	<u>823,109</u>
Cash and cash equivalents, end of year	<u>\$ 1,143,537</u>	<u>\$ 1,107,305</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 129</u>	<u>\$ -</u>
Noncash investing and financing transactions		
Donated stock received	<u>\$ 274,749</u>	<u>\$ 103,644</u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Notes to Consolidated Financial Statements June 30, 2024 and 2023

1. Organization

The Arlington Food Assistance Center (AFAC) is an independent, community-based, nonprofit food pantry that provides dignified access to nutritious supplemental groceries to all Arlington neighbors in need. AFAC works to relieve long-term food insecurity in Arlington County and nearby jurisdictions. AFAC focuses its food offerings on the high-cost items in a grocery basket that are essential for a healthy, nutritious diet, which are often avoided by low income families. This allows families to reduce their food budget to make other necessary purchases without sacrificing their health, housing, or nutritional needs.

AFAC operates its main distribution site out of their warehouse/headquarters at 2708 South Nelson Street and distributes food at 20 other locations around Arlington County. This includes a Home Delivery service for home-bound individuals in need of food. In the year ended June 30, 2024, AFAC served an average of 3,530 families each week – just under 11,000 individuals, a third of whom are children under the age of 18. In total, 7,996 unique families were served during 183,558 visits for food. This was a 30.5 percent increase over the previous year (FY23) which saw a 29.4 percent increase over FY22. This increase in families has significantly strained AFAC's resources by requiring the purchase of over \$1 million in additional food to be distributed to AFAC's families.

AFAC works in close cooperation with the Arlington County Department of Human Services, the Arlington Public Schools, and over 20 other social safety net nonprofits to refer families in need of food to AFAC. With a referral, a family can receive free groceries once a week for 6 months. A referral can be renewed as long as a social worker believes the family will continue to benefit from AFAC's services.

AFAC collects donated food from local grocery stores, farmers' markets, community gardens, local farms, congregations, schools, businesses, community organizations, and from numerous food drives conducted by or on behalf of AFAC. The donated food is brought to AFAC where it is weighed, sorted, and prepared for distribution to the many families that rely on AFAC for help. In addition to 1.5 million pounds of donated food, AFAC distributed nearly 3.5 million pounds of food purchased from local and national wholesale and retail distributors for a total of 5 million pounds distributed to its families in the year ended June 30, 2024.

AFAC relies on the support of numerous individuals, businesses, foundations, and Arlington County to provide the financial resources, donated food, and the volunteer services essential to the operation of AFAC. Over 2,700 volunteers provided 45,000 hours of time to AFAC, the equivalent of 22 full-time employees.

AFAC owns its two buildings at 2704 and 2708 S Nelson Street through sole ownership of 2708 South Nelson Street LLC.

2. Summary of significant accounting policies

Basis of accounting

The accompanying consolidated 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.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Consolidated Financial Statements June 30, 2024 and 2023

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 those 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.

Basis of consolidation

AFAC's consolidated financial statements include the accounts of its wholly owned subsidiary, 2708 South Nelson Street LLC. All significant intercompany balances and transactions have been eliminated on consolidation.

Use of estimates

The preparation of consolidated 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 consolidated 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 consolidated 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. 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, 2024 and 2023, cash balances exceeded the FDIC limits by \$30,491 and \$49,143, respectively.

Certificates of deposit

Certificates of deposit have an initial maturity of more than three months and are recorded at cost. The certificate of deposit currently earns interest at a rate of 4.889% and matures on September 30, 2025.

Investments

Investments in equity securities with readily determinable fair values, debt securities and cash in the investment accounts are measured at fair value in the consolidated statements of financial position, 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 consolidated 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 consolidated 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.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Consolidated Financial Statements June 30, 2024 and 2023

Inventory

Approximately 31 and 36 percent of the food distributed by AFAC in the years ended June 30, 2024 and 2023, respectively, was donated. This activity is recorded in the consolidated financial statements as a contribution at a per pound value of \$1.92 and \$1.93, for years ended June 30, 2024 and 2023, respectively. 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. During the years ended June 30, 2024 and 2023, management has assessed its inventory for obsolescence and has determined that no impairment was necessary given the nature of the items held as inventory and the turnover rates experienced by AFAC.

Property and equipment

Property and equipment are 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 life of the asset.

Compensated absences

Employees of AFAC are entitled to paid vacation depending on job classification, length of service and other factors. As of June 30, 2024 and 2023, compensated absences of \$58,076 and \$50,482, respectively, are included in accounts payable and accrued expenses in the accompanying consolidated 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.

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 consolidated statements 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 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.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Consolidated Financial Statements June 30, 2024 and 2023

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, 2024 and 2023.

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. Contributed services consist of donated bookkeeping services that would otherwise be purchased in the normal course of business. Donated services are valued based on comparable market rates and donor valuations. AFAC does not sell donated gifts-in-kind. In addition to contributed non-financial assets and services, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional classification of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. 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 telecommunications.

Fair value of financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, 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.

Lease arrangements

In the ordinary course of business, AFAC may enter into operating or finance lease arrangements. Right-of-use assets and lease liabilities are recognized at the lease commencement date and represent AFAC's right to use an underlying asset and lease obligations for the lease term. Right-of-use assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-of-use assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method.

Income taxes

AFAC 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 does not have a liability for unrelated business income for the years ended June 30, 2024 and 2023.

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 through 2024.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Consolidated Financial Statements June 30, 2024 and 2023

3. Liquidity and availability

The following table reflects AFAC's financial assets as of June 30, 2024 and 2023, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date:

	2024	2023
Cash and cash equivalents	\$ 1,143,537	\$ 1,107,305
Certificates of deposit	159,449	151,856
Investments	6,960,471	6,201,947
Employee advances	5,963	2,733
Gift cards	515	1,875
Total financial assets available for general expenditure within one year	<u>\$ 8,269,935</u>	<u>\$ 7,465,716</u>

See Note 4 regarding investments and how they help AFAC manage liquidity.

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 consolidated statements of activities.

AFAC 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, 2024 and 2023, consisted of the following:

	2024			
	Level 1	Level 2	Level 3	Total assets at fair value
Cash	\$ 160,122	\$ -	\$ -	\$ 160,122
Equities	1,552,190	-	-	1,552,190
Exchange traded funds	2,793,600	-	-	2,793,600
Mutual funds	78,593	-	-	78,593
Fixed income	-	2,375,966	-	2,375,966
	<u>\$ 4,584,505</u>	<u>\$ 2,375,966</u>	<u>\$ -</u>	<u>\$ 6,960,471</u>

See independent auditor's report.

Arlington Food Assistance Center

Notes to Consolidated Financial Statements June 30, 2024 and 2023

	2023			Total assets at fair value
	Level 1	Level 2	Level 3	
Cash	\$ 135,037	\$ -	\$ -	\$ 135,037
Equities	1,448,634	-	-	1,448,634
Exchange traded funds	2,889,144	-	-	2,889,144
Fixed income	-	1,729,132	-	1,729,132
	<u>\$ 4,472,815</u>	<u>\$ 1,729,132</u>	<u>\$ -</u>	<u>\$ 6,201,947</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, 2024 and 2023, AFAC had inventory balances of \$92,182 and \$67,951, respectively. Inventory consists of both donated and purchased food. See Note 9 for the fair market value of the donated food.

6. Property and equipment

A summary of property and equipment as of June 30, 2024 and 2023, is as follows:

	2024	2023	Useful life
Land	\$ 697,401	\$ 697,401	
Building	1,056,728	1,056,728	39 years
Capital improvements	3,039,394	2,763,685	15 years
Vehicles	171,605	252,906	5 years
Equipment	443,080	432,635	5 - 10 years
Software	215,741	215,741	3 years
	<u>5,623,949</u>	<u>5,419,096</u>	
Accumulated depreciation	<u>(1,760,883)</u>	<u>(1,583,159)</u>	
	<u>\$ 3,863,066</u>	<u>\$ 3,835,937</u>	

7. Lease obligations

AFAC has operating leases for office equipment. The amount of operating lease right-of-use assets and related lease obligations are recorded within AFAC's consolidated statements of financial position.

The total lease expense for the years ended June 30, 2024 and 2023, is \$3,960 and is included with equipment rental and maintenance in the consolidated statements of functional expenses.

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Arlington Food Assistance Center

Notes to Consolidated Financial Statements June 30, 2024 and 2023

For the year ended June 30, AFAC had the following cash and non-cash activities associated with leases:

	<u>2024</u>	<u>2023</u>
Cash paid for amount included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 3,960	\$ 3,960

The lease term and discount rates elected by AFAC as of June 30, include:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term:		
Operating leases	0.42 years	1.42 years
Weighted-average discount rate:		
Operating leases	2.84%	2.84%

As of June 30, 2024, the future payments due under operating leases were as follows:

	<u>2024</u>
2025	\$ 1,650
Less: present value discount	<u>(8)</u>
	<u>\$ 1,642</u>

AFAC does not have any finance leases as of June 30, 2024 and 2023.

8. Service providing agreements

AFAC has a client service agreement with Insperity PEO Services LP (Insperity) 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 Insperity. As such, individuals who work at AFAC are considered "co-employed" under the agreement.

Based on the service offerings from Insperity, employees are able to participate in Insperity'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 to the plan totaled \$62,364 and \$53,205 for the years ended June 30, 2024 and 2023, respectively, and are included in employee benefits in the consolidated statements of functional expenses.

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Notes to Consolidated Financial Statements June 30, 2024 and 2023

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, 2024 and 2023, AFAC collected 1,563,383 and 1,464,425 pounds of food, respectively, and the approximate wholesale value of one pound of donated food was \$1.92 and \$1.93, respectively. AFAC also periodically receives other items to assist in its day-to-day operations or special activities, such as seeds for local gardens.

During the years ended June 30, 2024 and 2023, AFAC recorded in-kind food donations, net of food spoilage, of \$2,924,689 and \$2,733,700, respectively.

Donated services

AFAC receives donated bookkeeping services that would otherwise need to be purchased in the ordinary course of business. The valuation of these services is based on comparable market rates and donor valuations and may represent an excess of the services provided over the amount billed. AFAC received \$19,441 of donated services during the year ended June 30, 2024; no donated services were received during the year ended June 30, 2023.

Donated volunteer time

Many individuals volunteer their time and perform a variety of tasks that assist AFAC. Volunteers assisted in food collection, distribution, and administrative assistance. For the years ended June 30, 2024 and 2023, AFAC volunteer hours were valued at \$33.00 per hour. No amounts have been recognized in the consolidated 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, 2024 and 2023, volunteer hours and value of hours were as follows:

	2024		2023	
	Hours worked (rounded)	Value of hours	Hours worked (rounded)	Value of hours
Food distribution	46,940	\$ 1,549,020	43,596	\$ 1,438,668
Management and general	474	15,642	332	10,956
Fundraising	13	429	16	528
	<u>47,427</u>	<u>\$ 1,565,091</u>	<u>43,944</u>	<u>\$ 1,450,152</u>

Donated stock

AFAC received \$274,749 and \$103,644 in donated stock during the years ended June 30, 2024 and 2023, respectively. Donated stock is included in general contributions on the consolidated statements of activities.

Gift cards

Gift cards of \$5,000 and \$1,100 are included with general contributions and grants on the consolidated statement of activities for the years ended June 30, 2024 and 2023, respectively.

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. AFAC released \$2,120 of net assets with donor restrictions during the year ended June 30, 2023. As of June 30, 2024 and 2023, AFAC does not have any net assets with donor restrictions.

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Arlington Food Assistance Center

Notes to Consolidated Financial Statements June 30, 2024 and 2023

11. Subsequent events

AFAC assessed events occurring subsequent to June 30, 2024, through February 14, 2025, the date the consolidated financial statements were available to be issued, for potential recognition and disclosure in the consolidated financial statements. No events have occurred subsequent to year end that would require adjustment to or disclosure in the consolidated financial statements.

See independent auditor's report.