

# ARLINGTON FOOD ASSISTANCE CENTER

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024



*Certified Public Accountants*

## Table of Contents

<b>Independent Auditor's Report</b> .....	3 - 4
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position.....	5
Consolidated Statements of Activities.....	6 - 7
Consolidated Statements of Functional Expenses.....	8 - 9
Consolidated Statements of Cash Flows.....	10
Notes to Consolidated Financial Statements.....	11 - 18



*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, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated 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, 2025 and 2024, 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.

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

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  
January 22, 2026

# Arlington Food Assistance Center

## Consolidated Statements of Financial Position June 30,

**2025**
**2024**

### Assets

#### Current assets

Cash and cash equivalents	\$ 1,639,469	\$ 1,143,537
Certificates of deposit	220,168	159,449
Investments	7,667,774	6,960,471
Employee advances	7,789	5,963
Gift cards	2,948	515
Prepaid expenses	18,080	19,940
Inventory of food available for distribution	112,430	92,182
	<u>9,668,658</u>	<u>8,382,057</u>

#### Property and equipment, net

Land	697,401	697,401
Property and equipment, net of accumulated depreciation	2,903,354	3,165,665
	<u>3,600,755</u>	<u>3,863,066</u>

#### Other assets

Operating lease right-of-use asset	-	1,642
Total assets	<u>\$ 13,269,413</u>	<u>\$ 12,246,765</u>

### Liabilities and net assets

#### Current liabilities

Accounts payable and accrued expenses	\$ 289,727	\$ 331,162
Deferred revenue	17,575	10,000
Operating lease liability, current portion	-	1,642
Total liabilities	<u>307,302</u>	<u>342,804</u>

#### Net assets

Without donor restrictions and total net assets	12,962,111	11,903,961
Total liabilities and net assets	<u>\$ 13,269,413</u>	<u>\$ 12,246,765</u>

See accompanying notes and independent auditor's report.

# Arlington Food Assistance Center

## Consolidated Statement of Activities for the year ended June 30, 2025

	Without donor restrictions	With donor restrictions	Total
<b>Public support and revenue</b>			
Contributions			
Arlington County grant	\$ 1,602,869	\$ -	\$ 1,602,869
General contributions and grants	4,921,675	-	4,921,675
In-kind donations			
Donated food	2,528,066	-	2,528,066
Special events, net \$119,942 of expenses	595,910	-	595,910
	<u>9,648,520</u>	<u>-</u>	<u>9,648,520</u>
Investment income, net of expenses	664,708	-	664,708
Other income	53	-	53
	<u>664,761</u>	<u>-</u>	<u>664,761</u>
Total public support and revenue	10,313,281	-	10,313,281
<b>Expenses</b>			
Food distribution	8,119,461	-	8,119,461
Management and general	477,700	-	477,700
Fundraising	657,970	-	657,970
Total expenses	<u>9,255,131</u>	<u>-</u>	<u>9,255,131</u>
<b>Change in net assets</b>	1,058,150	-	1,058,150
<b>Net assets, beginning of year</b>	11,903,961	-	11,903,961
<b>Net assets, end of year</b>	<u>\$ 12,962,111</u>	<u>\$ -</u>	<u>\$ 12,962,111</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
<b>Public support and revenue</b>			
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	<u>9,914,590</u>	<u>-</u>	<u>9,914,590</u>
<b>Expenses</b>			
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>
<b>Change in net assets</b>	<u>843,296</u>	<u>-</u>	<u>843,296</u>
<b>Net assets, beginning of year</b>	<u>11,060,665</u>	<u>-</u>	<u>11,060,665</u>
<b>Net assets, end of year</b>	<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 Functional Expenses for the year ended June 30, 2025

	Food distribution	Management and general	Fundraising	Total
<b>Expenses</b>				
Bank charges	\$ 156	\$ 9,627	\$ 35,784	\$ 45,567
Depreciation	300,974	3,996	8,643	313,613
Direct fundraising expenses	-	-	119,942	119,942
Donated goods and services	2,528,066	-	-	2,528,066
Employee benefits	415,026	47,261	92,164	554,451
Equipment rental and maintenance	54,777	560	1,167	56,504
Food purchases	2,802,255	-	-	2,802,255
Insurance	-	25,439	-	25,439
Occupancy costs	93,235	231	532	93,998
Other expenses	53,578	17,927	409	71,914
Payroll taxes	118,832	12,980	30,341	162,153
Personnel	1,489,516	194,270	427,416	2,111,202
Postage and shipping	513	-	4,462	4,975
Printing and publications	13,130	-	29,529	42,659
Professional fees	26,879	140,647	14,625	182,151
Program transportation	53,203	15,265	-	68,468
Supplies	10,610	693	1,313	12,616
Taxes	37,442	1,802	2,752	41,996
Telecommunications	22,290	2,357	6,204	30,851
Travel and meetings	11,445	4,645	2,629	18,719
Warehouse supplies	87,534	-	-	87,534
	<u>8,119,461</u>	<u>477,700</u>	<u>777,912</u>	<u>9,375,073</u>
<b>Less expenses included with revenues on the statement of activities</b>				
Direct fundraising expenses	<u>-</u>	<u>-</u>	<u>(119,942)</u>	<u>(119,942)</u>
<b>Total expenses by function</b>	<u>\$ 8,119,461</u>	<u>\$ 477,700</u>	<u>\$ 657,970</u>	<u>\$ 9,255,131</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
<b>Expenses</b>				
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>
<b>Less expenses included with revenues on the statement of activities</b>				
Direct fundraising expenses	<u>-</u>	<u>-</u>	<u>(108,932)</u>	<u>(108,932)</u>
<b>Total expenses by function</b>	<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 Statements of Cash Flows for the years ended June 30,

	2025	2024
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,058,150	\$ 843,296
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	313,613	299,839
Donated stock received	(173,265)	(274,749)
Realized and unrealized gain on investments	(442,052)	(339,489)
Loss on disposal of assets	-	15,214
(Increase) decrease in operating assets		
Employee advances	(1,826)	(3,230)
Gift cards	(2,433)	1,360
Prepaid expenses	1,860	2,961
Inventory of food available for distribution	(20,248)	(24,231)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(41,435)	29,322
Deferred revenue	7,575	(20,000)
Net cash provided by operating activities	<u>699,939</u>	<u>530,293</u>
<b>Cash flows from investing activities</b>		
Purchase of investments and reinvestments	(91,986)	(144,286)
Purchase of property and equipment	(51,302)	(342,182)
Purchase of certificates of deposit and reinvestment of interest	(60,719)	(7,593)
Net cash used in investing activities	<u>(204,007)</u>	<u>(494,061)</u>
<b>Net change in cash and cash equivalents</b>	495,932	36,232
<b>Cash and cash equivalents, beginning of year</b>	<u>1,143,537</u>	<u>1,107,305</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,639,469</u>	<u>\$ 1,143,537</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	<u>\$ -</u>	<u>\$ 129</u>
<b>Noncash investing and financing transactions</b>		
Donated stock received	<u>\$ 173,265</u>	<u>\$ 274,749</u>

See accompanying notes and independent auditor's report.

# Arlington Food Assistance Center

## Notes to Consolidated Financial Statements June 30, 2025 and 2024

---

### 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—proteins (chicken, fish, hot dogs and ground beef), fresh fruit and vegetables, eggs, and milk, among a number of culturally important food products. 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, 2025, AFAC served an average of 4,201 families each week—just under 12,000 individuals, a third of whom are children under the age of 18. In total, 8,455 unique families were served during 199,820 visits for food. This was an 8.9 percent increase over fiscal year 2024, which had a 30.4 percent increase from fiscal year 2023, which had a 29.4 percent increase from fiscal year 2022. 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, 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 six 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 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 1.4 million pounds of donated food, AFAC distributed nearly 3.7 million pounds of food purchased from local and national wholesale and retail distributors for a total of 5.1 million pounds distributed to its families in the year ended June 30, 2025.

AFAC relies on the support of Arlington County as well as numerous individuals, businesses, and foundations to provide the financial resources, donated food, and volunteer services that are essential to the operation of AFAC. Over 2,700 volunteers provided over 51,000 hours of time to AFAC, the equivalent of 25 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.

See independent auditor's report.

# Arlington Food Assistance Center

## Notes to Consolidated Financial Statements June 30, 2025 and 2024

---

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 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 money market balances 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, 2025 and 2024, cash balances exceeded the FDIC limits by \$581,118 and \$30,491, respectively.

### **Certificates of deposit**

Certificates of deposit have an initial maturity of more than three months and are recorded at cost. The certificates of deposit currently earn interest at a rate of 5.032 percent and mature 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, 2025 and 2024

---

### **Inventory**

Approximately 27 and 31 percent of the food distributed by AFAC in the years ended June 30, 2025 and 2024, respectively, was donated. This activity is recorded in the consolidated financial statements as a contribution at a per pound value of \$1.93 and \$1.92, respectively for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, compensated absences of \$58,292 and \$58,076, respectively, are included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

### **Revenue and revenue recognition**

AFAC recognizes contributions and grants 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. AFAC did not have any contributions receivable at June 30, 2025 and 2024.

See independent auditor's report.

# Arlington Food Assistance Center

## Notes to Consolidated Financial Statements June 30, 2025 and 2024

---

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, 2025 and 2024.

### **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 benefited. 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.

AFAC has elected the short-term lease exemption for all leases with a term of 12 months or less to not recognize the assets and liabilities for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

### **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, 2025 and 2024.

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.

See independent auditor's report.

# Arlington Food Assistance Center

## Notes to Consolidated Financial Statements June 30, 2025 and 2024

---

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 2022 through 2025.

### 3. Liquidity and availability

The following table reflects AFAC's financial assets as of June 30, 2025 and 2024, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date:

	2025	2024
Cash and cash equivalents	\$ 1,639,469	\$ 1,143,537
Certificates of deposit	220,168	159,449
Investments	7,667,774	6,960,471
Employee advances	7,789	5,963
Gift cards	2,948	515
Total financial assets available for general expenditure within one year	<u>\$ 9,538,148</u>	<u>\$ 8,269,935</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, 2025, consisted of the following:

	Level 1	Level 2	Level 3	Total assets at fair value
Cash	\$ 224,002	\$ -	\$ -	\$ 224,002
Equities	1,852,090	-	-	1,852,090
Exchange traded funds	2,681,150	-	-	2,681,150
Fixed income	-	2,910,532	-	2,910,532
	<u>\$ 4,757,242</u>	<u>\$ 2,910,532</u>	<u>\$ -</u>	<u>\$ 7,667,774</u>

See independent auditor's report.

## Arlington Food Assistance Center

### Notes to Consolidated Financial Statements June 30, 2025 and 2024

---

Fair value measurements on a recurring basis at June 30, 2024, consisted of the following:

	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>

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, 2025 and 2024, AFAC had inventory balances of \$112,430 and \$92,182, 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 is as follows:

	2025	2024	Useful life
Land	\$ 697,401	\$ 697,401	
Building	1,056,728	1,056,728	39 years
Capital improvements	3,039,394	3,039,394	15 years
Vehicles	171,605	171,605	5 years
Equipment	448,726	443,080	5 - 10 years
Software	239,874	215,741	3 years
	<u>5,653,728</u>	<u>5,623,949</u>	
Accumulated depreciation	<u>(2,052,973)</u>	<u>(1,760,883)</u>	
	<u>\$ 3,600,755</u>	<u>\$ 3,863,066</u>	

#### 7. Lease obligations

AFAC had a long-term operating lease for office equipment through November 30, 2024, when the lease expired. AFAC continues to rent office equipment on a month-to-month basis; because AFAC has elected the short-term lease exemption, there are no assets or liabilities associated with the month-to-month arrangement.

Total operating lease expense for the years ended June 30, 2025 and 2024, is \$1,650 and \$3,960, respectively, and is included with equipment rental and maintenance in the consolidated statements of functional expenses. AFAC had total operating cash flows from operating leases of \$1,650 and \$3,960 for the years ended June 30, 2025 and 2024, respectively.

See independent auditor's report.



# Arlington Food Assistance Center

## Notes to Consolidated Financial Statements June 30, 2025 and 2024

---

As of June 30, 2024, AFAC's operating leases had a weighted-average remaining lease term of 0.42 years and a weighted-average discount rate of 2.84 percent.

AFAC does not have any finance leases as of June 30, 2025 and 2024.

### 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 \$67,648 and \$62,364 for the years ended June 30, 2025 and 2024, respectively, and are included in employee benefits in the consolidated 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, 2025 and 2024, AFAC collected 1,357,879 and 1,563,383 pounds of food, respectively, and the approximate wholesale value of one pound of donated food was \$1.93 and \$1.92, 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, 2025 and 2024, AFAC recorded in-kind food donations, net of food spoilage, of \$2,528,066 and \$2,924,689, 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, 2025.

#### 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, 2025 and 2024, 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.

## Arlington Food Assistance Center

### Notes to Consolidated Financial Statements June 30, 2025 and 2024

---

For the years ended June 30, 2025 and 2024, volunteer hours and the value of hours were as follows:

	2025		2024	
	Hours worked (rounded)	Value of hours	Hours worked (rounded)	Value of hours
Food distribution	51,187	\$ 1,689,171	46,940	\$ 1,549,020
Management and general	468	15,444	474	15,642
Fundraising	2	66	13	429
	<u>51,657</u>	<u>\$ 1,704,681</u>	<u>47,427</u>	<u>\$ 1,565,091</u>

#### Donated stock

AFAC received \$173,265 and \$274,749 in donated stock during the years ended June 30, 2025 and 2024, respectively. Donated stock is included in general contributions on the consolidated statements of activities.

#### Gift cards

Contributions of gift cards of \$6,170 and \$5,000 are included with general contributions and grants on the consolidated statement of activities for the years ended June 30, 2025 and 2024, respectively.

#### **10. Subsequent events**

AFAC assessed events occurring subsequent to June 30, 2025, through January 22, 2026, 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.