

**FREDERICKSBURG REGIONAL FOOD BANK**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2020**

**FREDERICKSBURG**  
**REGIONAL FOOD BANK**

Locust Grove • Stafford • Caroline  
Spotsylvania • King George • the  
City of Fredericksburg

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**FEEDING**  
**AMERICA**

FREDERICKSBURG REGIONAL FOOD BANK

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

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**INDEPENDENT AUDITORS' REPORT**

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**To the Board of Directors  
Fredericksburg Regional Food Bank  
Fredericksburg, Virginia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Fredericksburg Regional Food Bank (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 Fredericksburg Regional Food Bank as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### *Report on Summarized Comparative Information*

We have previously audited Fredericksburg Regional Food Bank's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2021, on our consideration of Fredericksburg Regional Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fredericksburg Regional Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fredericksburg Regional Food Bank, Inc.'s internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
June 3, 2021

**- Financial Statements -**

**FREDERICKSBURG REGIONAL FOOD BANK**

**Statement of Financial Position**  
**As of June 30, 2020**  
**(With Comparative Totals As of June 30, 2019)**

<b>Assets</b>	<b>2020</b>	<b>2019</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,162,254	\$ 748,051
Restricted cash and cash equivalents	7,697	3,460
Short-term investments	106,847	961,909
Contributions receivables, net of allowance	118,761	142,672
Accounts receivable	61,670	13,573
Inventory	1,298,989	825,274
Current portion of beneficial interest in lead trust	49,752	49,033
Other assets	-	2,754
Total current assets	\$ 3,805,970	\$ 2,746,726
<b>Noncurrent assets:</b>		
Investments	\$ 1,364,710	\$ 483,709
Beneficial interest in lead trust, less current portion	161,692	208,389
Property and equipment, net of accumulated depreciation	1,772,093	1,801,730
Total noncurrent assets	\$ 3,298,495	\$ 2,493,828
Total assets	\$ 7,104,465	\$ 5,240,554
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 51,425	\$ 46,375
Accrued expenses	154,085	126,145
Other liabilities	17,987	10,335
Current portion of long-term debt	761,921	49,774
Total current liabilities	\$ 985,418	\$ 232,629
<b>Long-term liabilities:</b>		
Long-term debt, less current portion	\$ 129,092	\$ 686,332
Total long-term liabilities	\$ 129,092	\$ 686,332
Total liabilities	\$ 1,114,510	\$ 918,961
<b>Net assets:</b>		
Without donor restrictions	\$ 5,664,911	\$ 3,950,571
With donor restrictions	325,044	371,022
Total net assets	\$ 5,989,955	\$ 4,321,593
Total liabilities and net assets	\$ 7,104,465	\$ 5,240,554

The accompanying notes to financial statements are an integral part of this statement.

FREDERICKSBURG REGIONAL FOOD BANK

Statement of Activities  
 Year Ended June 30, 2020  
 (With Comparative Totals for Year Ended June 30, 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
<b>Revenues and other support:</b>				
Support:				
Donated materials	\$ 7,421,117	\$ -	\$ 7,421,117	\$ 6,474,045
Federal grants	1,555,109	-	1,555,109	845,131
Donated food vouchers	-	-	-	1,988
Contributions	3,243,990	-	3,243,990	1,705,719
Change in value of split interest agreement	-	(45,978)	(45,978)	(8,989)
Total support	<u>\$ 12,220,216</u>	<u>\$ (45,978)</u>	<u>\$ 12,174,238</u>	<u>\$ 9,017,894</u>
Revenue:				
Program service fees	\$ 158,418	\$ -	\$ 158,418	\$ 186,265
Interest and dividends	26,792	-	26,792	25,440
Other fees	5,752	-	5,752	2,532
Fundraiser	245,290	-	245,290	123,029
Total revenue	<u>\$ 436,252</u>	<u>\$ -</u>	<u>\$ 436,252</u>	<u>\$ 337,266</u>
Total revenues and other support	<u>\$ 12,656,468</u>	<u>\$ (45,978)</u>	<u>\$ 12,610,490</u>	<u>\$ 9,355,160</u>
<b>Expenses:</b>				
Program services:				
Food distribution	\$ 9,950,679	\$ -	\$ 9,950,679	\$ 8,484,050
Supporting services:				
Management and general	344,616	-	344,616	320,638
Fundraising	<u>646,833</u>	<u>-</u>	<u>646,833</u>	<u>565,513</u>
Total expenses	<u>\$ 10,942,128</u>	<u>\$ -</u>	<u>\$ 10,942,128</u>	<u>\$ 9,370,201</u>
Increase (decrease) in net assets	\$ 1,714,340	\$ (45,978)	\$ 1,668,362	\$ (15,041)
Net assets, beginning of year	<u>3,950,571</u>	<u>371,022</u>	<u>4,321,593</u>	<u>4,336,634</u>
Net assets, end of year	<u>\$ 5,664,911</u>	<u>\$ 325,044</u>	<u>\$ 5,989,955</u>	<u>\$ 4,321,593</u>

The accompanying notes to financial statements are an integral part of this statement.

FREDERICKSBURG REGIONAL FOOD BANK

Statement of Functional Expenses  
 Year Ended June 30, 2020  
 (With Comparative Totals for the Year Ended June 30, 2019)

	Program Services		Supporting Services		2020 Total	2019 Total
	Food Distribution	Management and General	Fundraising			
Salaries and wages	\$ 733,973	\$ 210,286	\$ 194,885	\$	1,139,144	\$ 1,042,095
Employee benefit programs	144,374	53,736	39,605		237,715	246,677
Payroll taxes	48,616	16,182	14,417		79,215	71,854
Advertising	13,225	-	5,070		18,295	22,873
Computer	9,781	2,279	2,113		14,173	3,188
Bank charges	160	184	15		359	719
Depreciation	83,963	24,056	22,294		130,313	120,680
Dues and subscriptions	47,467	3,372	10,895		61,734	51,591
Food costs	8,633,981	-	-		8,633,981	7,345,837
Fundraising	-	-	284,418		284,418	220,425
Insurance	22,519	4,955	4,592		32,066	19,231
Interest	16,519	3,908	3,604		24,031	25,126
Maintenance and repairs	29,413	150	286		29,849	13,727
Meetings and seminars	4,308	-	-		4,308	4,331
Other	344	129	1,456		1,929	12,953
Postage and printing	8,490	774	10,094		19,358	4,553
Professional services	19,525	18,206	3,845		41,576	44,124
Supplies	77,372	179	40,862		118,413	9,981
Telephone	2,740	747	692		4,179	18,397
Travel	6,371	252	2,851		9,474	10,104
Freight	-	-	-		-	1,550
Utilities	18,289	5,221	4,839		28,349	28,987
Vehicle	29,162	-	-		29,162	31,277
Warehouse	-	-	-		-	18,696
Staff development	87	-	-		87	1,225
<b>Total</b>	<b>\$ 9,950,679</b>	<b>\$ 344,616</b>	<b>\$ 646,833</b>	<b>\$</b>	<b>10,942,128</b>	<b>\$ 9,370,201</b>

The accompanying notes to financial statements are an integral part of this statement.



FREDERICKSBURG REGIONAL FOOD BANK

Statement of Cash Flows  
 Year Ended June 30, 2020  
 (With Comparative Totals for the Year Ended June 30, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,668,362	\$ (15,041)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	130,313	120,680
Donated commodities received	(8,696,557)	(7,164,202)
Donated commodities distributed	8,650,579	7,157,201
Non-cash donations	-	(1,988)
Beneficial interest in lead trust	91,956	17,978
Change in contributions receivable	23,911	(19,740)
Change in accounts receivable	(48,097)	23,671
Change in inventory	(473,715)	23,410
Change in other assets	2,754	(900)
Change in accounts payable	5,050	10,230
Change in accrued expenses	27,940	(7,634)
Change in other liabilities	7,652	(7,768)
Net cash provided by (used for) operating activities	\$ 1,390,148	\$ 135,897
Cash flows from investing activities:		
Purchase of property and equipment	\$ (100,676)	\$ (89,275)
Redemption (purchase) of investments	(25,939)	(30,582)
Net cash provided by (used for) investing activities	\$ (126,615)	\$ (119,857)
Cash flows from financing activities:		
Principal payments on long-term debt	\$ (49,793)	\$ (44,800)
Proceeds from the issuance of debt	204,700	25,000
Net cash provided by (used for) financing activities	\$ 154,907	\$ (19,800)
Net increase (decrease) in cash and cash equivalents	\$ 1,418,440	\$ (3,760)
Cash and cash equivalents at beginning of year	751,511	755,271
Cash and cash equivalents at end of year	\$ 2,169,951	\$ 751,511
Summary of cash and cash equivalents:		
Cash and cash equivalents	\$ 2,162,254	\$ 748,051
Restricted cash and cash equivalents	7,697	3,460
Total cash and cash equivalents	\$ 2,169,951	\$ 751,511
Supplemental Disclosures:		
Interest paid	\$ 24,031	\$ 25,126

The accompanying notes to financial statements are an integral part of this statement.

## FREDERICKSBURG REGIONAL FOOD BANK

### Notes to Financial Statements As of June 30, 2020

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#### NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### Nature of Activities

The Fredericksburg Regional Food Bank (the Food Bank) solicits, collects, and stores surplus food, which it distributes to various nonprofit organizations in Planning District 16, which in turn provide meals or emergency food to people in need without charge. The Food Bank is supported primarily through donor contributions, grants, United Way, and donated food through affiliates with Feeding America. Agencies affiliated with the Food Bank receive donated and purchased food and products and pay a service fee based on per pound rate.

The Food Bank also administers various need-based aid programs through agreements with the Virginia Department of Agriculture and Consumer Services including the Commodity Supplemental Food Program (CSFP) which works to improve the health of low-income elderly by supplementing their diets with nutritious USDA foods, the Summer Food Service Program which helps to ensure that low-income children continue to receive nutritious meals when school is not in season, and The Emergency Food Assistance Program (TEFAP) which helps supplement the diets of low-income families by providing emergency food and nutrition at no cost.

##### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

##### Financial Statement Presentation

The Food Bank is required to report information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions: net assets without donor restrictions and net asset assets with donor restrictions. Accordingly, the net assets of the Food Bank and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to any donor-imposed restrictions. At June 30, 2020, the Food Bank had \$5,664,911 in net assets without donor restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. A donor-imposed restriction is a donor stipulation for the use of a contributed asset that is more specific than the broad limits resulting from the Food Bank's nature, environment, and purpose. At June 30, 2020, the Food Bank had \$325,044 in net assets with donor restrictions.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

## FREDERICKSBURG REGIONAL FOOD BANK

### Notes to Financial Statements As of June 30, 2020 (Continued)

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#### NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

##### Cash and Cash Equivalents

The Food Bank considers all highly liquid investments that can be readily converted to cash or with a maturity of ninety days or less when purchased, to be cash equivalents. Cash equivalents are stated at cost, which approximates market value. Cash held for long-term investment is classified as investments.

##### Investments - Short-term

Investments are stated at fair value and consist of certificates of deposit with original maturities of more than ninety days, but not more than twelve months. Certificates of deposit are held at various banks and are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

##### Investments

Investments are recorded at fair value. Realized and unrealized changes in fair value of investments are reported separately in the statement of activities. For the year ended 2020, investments are maintained in Certificates of Deposit and an annuity contract.

##### Inventory

Inventory consists of purchased, donated and government goods. Purchased goods are valued at cost on a first in, first out basis. Donated and government goods are valued using Feeding America's Independent Accountants' Report of the estimated weighted average wholesale value of such goods. Management believes this benchmark reflects the most accurate basis for estimating the value of the Food Bank's donated food goods, and it is a widely accepted standard used by other food banks throughout the United States.

##### Property and Equipment

The Food Bank capitalizes all expenditures for the property and equipment in excess of \$5,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

##### Depreciation

Depreciation of property and equipment is determined using the straight-line and accelerated methods over the estimated useful lives of the related assets. Estimated useful lives range from 15 to 50 years for buildings and leasehold improvements, 5 to 15 years for equipment, and 5 years for vehicles.

## FREDERICKSBURG REGIONAL FOOD BANK

### Notes to Financial Statements As of June 30, 2020 (Continued)

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#### NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

##### Functional Expenses

Expenses are charged to programs and supporting services under an allocation plan management deems reasonable and appropriate. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction to the Food Bank. Accordingly, costs have been allocated among the programs and supporting services benefited and are summarized on a functional basis in the statements of functional expenses.

##### Contributions

Contributions, including unconditional promises to give or contributions receivables are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Food Bank uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

##### Income Taxes

The Food Bank is a nonprofit organization, which is exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. However, the Food Bank is subject to unrelated business income tax for activities conducted outside of its tax exempt purpose. The Food Bank did not conduct any unrelated business activities during the year ended June 30, 2020.

##### Accounting for Uncertain Tax Positions

The Food Bank follows FASB ASC 740 in measurement and disclosure of uncertain tax positions. The Food Bank believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

##### Donated Supplies

Donated supplies and materials are valued at their estimated fair market value at the date of receipt.

Many individuals volunteer their time to perform a variety of tasks that assist the Food Bank's program services. Volunteer services neither create nor enhance financial assets nor do they require special skills, and the services are not recognized as support in the accompanying statement of activities.

# FREDERICKSBURG REGIONAL FOOD BANK

## Notes to Financial Statements As of June 30, 2020 (Continued)

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### NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Donated Materials

The Food Bank receives a substantial amount of donated food and supplies, much of which is sorted salvage. The value reflected in the financial statements is based on Feeding America's wholesale price per pound of donated items.

#### Advertising

The Food Bank expenses advertising costs as incurred. During 2020 and 2019, advertising costs totaled \$18,295 and \$22,873, respectively.

#### Comparative Totals

Comparative totals are presented for informational purposes only.

### NOTE 2—INVESTMENTS:

#### Short-Term

Certificates of deposit with original maturities of more than ninety days, but not more than twelve months, as follows:

	<u>2020</u>	<u>2019</u>
Certificate of deposits	\$ 106,847	\$ 961,909
Total	<u>\$ 106,847</u>	<u>\$ 961,909</u>

#### Long-Term

	<u>2020</u>	<u>2019</u>
Certificate of deposits	\$ 1,092,722	\$ 216,630
Indexed annuity contract	271,988	267,079
Total	<u>\$ 1,364,710</u>	<u>\$ 483,709</u>

### NOTE 3—CONTRIBUTIONS RECEIVABLE:

Contributions receivable consist of the following:

	<u>2020</u>	<u>2019</u>
United Way contributions	\$ 145,878	\$ 165,688
Less allowance for uncollectible contributions	<u>(27,117)</u>	<u>(23,016)</u>
Total	<u>\$ 118,761</u>	<u>\$ 142,672</u>

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 4—ACCOUNTS RECEIVABLE:**

Accounts receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Due from member agencies	\$ 12,386	\$ 13,573
Federation of Virginia Food Banks	49,284	-
Total	<u>\$ 61,670</u>	<u>\$ 13,573</u>

**NOTE 5—INVENTORY:**

Inventory is based on a physical weigh-in of all food and product. The cost per pound is based on a value set by Feeding America. For the year ended June 30, 2020, the value was established at \$1,298,989 based upon the rate of \$1.74 per pound and for the year ended June 30, 2019, the value was established at \$825,274 based upon the rate of \$1.68 per pound. Inventory consists of donated goods, purchased goods and USDA commodities.

**NOTE 6—CHARITABLE LEAD ANNUITY TRUST:**

During the 2005 fiscal year, a donor established a trust with a local bank naming the Food Bank as the beneficiary of a charitable lead annuity trust. The trust will pay out quarterly payments of \$12,474 for 20 years. Based on a 0.29% and 1.76% discount rate for the years ended June 30, 2020 and 2019, respectively, the present value of future benefits expected to be received by the Food Bank are estimated as follows:

	<u>2020</u>	<u>2019</u>
Current portion, due within one year	\$ 49,752	\$ 49,033
Long-term portion	161,692	208,389
Total	<u>\$ 211,444</u>	<u>\$ 257,422</u>

**NOTE 7—PENSION PLAN:**

The Food Bank offers a SIMPLE Plan (the Plan) to all eligible employees. The Food Bank matches participants' contributions to the Plan up to 3% of the individual participant's compensation. Retirement plan expense, which is included in employee benefits, amounted to \$28,436 and \$27,853 for the years ended June 30, 2020 and 2019, respectively.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 8—PROPERTY AND EQUIPMENT:**

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Non-depreciable assets:		
Land	\$ 234,168	\$ 234,168
Construction in progress	125,809	125,809
Total non-depreciable assets	<u>\$ 359,977</u>	<u>\$ 359,977</u>
Depreciable assets:		
Building	\$ 1,502,405	\$ 1,502,405
Building improvements	297,089	297,089
Vehicles	541,394	507,198
Equipment	296,498	265,094
Office furniture and furnishings	39,703	47,262
Total depreciable assets	<u>\$ 2,677,089</u>	<u>\$ 2,619,048</u>
Total assets	\$ 3,037,066	\$ 2,979,025
Accumulated depreciation	(1,264,973)	(1,177,295)
Net property and equipment	<u>\$ 1,772,093</u>	<u>\$ 1,801,730</u>

Depreciation expense for the year ended June 30, 2020 and 2019 totaled \$130,313 and \$120,680, respectively.

**NOTE 9—FAIR VALUE MEASUREMENTS:**

The Food Bank follows FASB ASC 820 to disclose fair value measurements of assets and liabilities. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flows methodologies and similar techniques that use significant unobservable inputs.

In determining the appropriate levels, the Food Bank performs a detailed analysis of the assets and liabilities that are subject to FASB ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the Food Bank at June 30, 2020. The inputs and techniques used in measuring fair value were not changed in 2020.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 9—FAIR VALUE MEASUREMENTS: (Continued)**

The following table presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy. There are no liabilities that are being measured and reported on a fair value basis.

	<u>06/30/2020</u>	<b>Fair Value Measurements at Reporting Date Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets</b>  (Level 1)	<b>Significant Other Observable Inputs</b>  (Level 2)	<b>Significant Unobservable Inputs</b>  (Level 3)
Certificate of Deposits	\$ 1,199,569	\$ 1,199,569	\$ -	\$ -
Indexed Annuity Contract	271,988	271,988	-	-
Beneficial interest in lead trust	<u>211,444</u>	<u>-</u>	<u>211,444</u>	<u>-</u>
Total	\$ <u>1,683,001</u>	\$ <u>1,471,557</u>	\$ <u>211,444</u>	\$ <u>-</u>

**NOTE 10—COMPENSATED ABSENCES:**

Employees of the Food Bank are entitled to paid vacation based upon the Food Bank’s policy including years of service. The amount which has been recorded as a liability at June 30, 2020 and 2019 totals \$68,716 and \$70,372, respectively and is included in accrued expenses as a current liability.



FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 11—LONG-TERM DEBT:**

Long-term debt consists of the following:

\$25,000 note payable to Atlantic Union Bank, issued March 11, 2019, for a new truck, payable in monthly installments of \$466 including interest at 4.390%, maturing March 15, 2024.	\$ 19,273
\$865,154 note payable to Atlantic Union Bank, issued September 30, 2015, for real estate, payable in 59 monthly installments of \$5,696 and one final ballon payment including interest at 3.300%, maturing October 5, 2020.	667,040
\$204,700 note payable to Atlantic Union Bank, issued April 14, 2020, for a Paycheck Protection Program Loan , payable in 17 monthly installments of \$11,521.96 beginning November 14, 2020 and one final ballon payment including interest at 1.00%, maturing April 14, 2022.	<u>204,700</u>
Total obligations	\$ 891,013
Less: current portion	<u>(761,921)</u>
Total long-term liabilities	<u>\$ 129,092</u>

Annual requirement to amortize long-term debt and related interest are as follows:

Year Ending	Atlantic Union Bank					
	Truck		Real Estate		Paycheck Protection Program	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30, 2021	\$ 4,840	\$ 750	\$ 667,040	\$ 7,396	\$ 90,041	\$ 2,135
2022	5,057	533	-	-	114,659	527
2023	5,284	306	-	-	-	-
2024	4,092	100	-	-	-	-
Totals	<u>\$ 19,273</u>	<u>\$ 1,689</u>	<u>\$ 667,040</u>	<u>\$ 7,396</u>	<u>\$ 204,700</u>	<u>\$ 2,662</u>

Interest expense for the years ended June 30, 2020 and 2019 totaled \$24,031 and \$25,126, respectively.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 12—NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED:**

Feeding America requires that the Food Bank reserve at least three months of operating expenses in net assets without donor restrictions. Also, the Board has set aside funds for capital reserves and other purposes.

The Food Bank's Board of Directors have chosen to place the following limitations on net assets without donor restrictions:

	<u>2020</u>	<u>2019</u>
Operating reserves	\$ 1,010,000	\$ 1,010,000
Capital reserves	100,000	100,000
Other	<u>100,000</u>	<u>100,000</u>
<b>Total</b>	<b>\$ <u>1,210,000</u></b>	<b>\$ <u>1,210,000</u></b>

**NOTE 13—NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restrictions consists of the following:

	<u>2020</u>	<u>2019</u>
Beneficial interest in lead trust - Arvel Shannon Trust	\$ 211,444	\$ 257,422
Building fund	<u>113,600</u>	<u>113,600</u>
<b>Total</b>	<b>\$ <u>325,044</u></b>	<b>\$ <u>371,022</u></b>

During fiscal year 2020, no net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors.

**NOTE 14—LIQUIDITY AND AVAILABILITY:**

As of June 30, 2020, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, are as follows:

<b>Assets:</b>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,162,254	\$ 748,051
CDs maturing in less than 12 months	106,847	961,909
Accounts receivable expected to be received in less than 12 months	61,670	13,573
Contributions receivable expected to be received in less than 12 months	118,761	142,672
Current portion of beneficial interest in trust	<u>49,752</u>	<u>49,033</u>
Total assets available within one year	<b>\$ <u>2,499,284</u></b>	<b>\$ <u>1,915,238</u></b>

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 14—LIQUIDITY AND AVAILABILITY: (Continued)**

As part of the Food Bank’s asset management plan, various long-term investments have been purchased with maturity dates beyond one year of the balance sheet date. These assets are available for general expenditure, without donor restrictions limiting their use, and are comprised of the following:

	<u>2020</u>	<u>2019</u>
CDs maturing in more than 12 months	\$ 1,092,722	\$ 216,630
Indexed Annuity Contract	<u>271,988</u>	<u>267,079</u>
Total	<u>\$ 1,364,710</u>	<u>\$ 483,709</u>

The Board has imposed restrictions pertaining to the use of net assets without donor restrictions in the amount of \$1,210,000 for the year ended June 30, 2020 as described in Note 12.

**NOTE 15—RESTRICTED CASH:**

As of June 30, 2020, the Food Bank had restricted cash in the amount of \$7,697 for charitable gaming funds. The restricted cash is held in a separate checking account and is used for charitable gaming activities as required by the state of Virginia.

**NOTE 16 - PAYCHECK PROTECTION PROGRAM (PPP) LOAN:**

The Food Bank received a PPP Loan for an amount of \$204,700 under PPP which was established under the CARES Act. The application for the PPP Loans requires the Food Bank to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operation of the Food Bank. This certification further requires the Food Bank to take into account the current activities and the ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the Food Bank. The receipt of the funds from the PPP Loans and the forgiveness of the PPP Loans is dependent on the Food Bank having initially qualified for the PPP Loans and qualifying for the forgiveness of such PPP Loans based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP Loans. There is no assurance that the Food Bank’s obligation under the PPP Loans will be forgiven. If the PPP Loans are not forgiven, the Food Bank will need to repay the PPP Loans over a two-year period, commencing six months after the funding of the PPP Loans, at an interest rate of 1% per annum. If the PPP Loan is not forgiven the annual requirements to amortize the Paycheck Protection Program Loan are as described at Note 11.

**NOTE 17—SUBSEQUENT EVENTS:**

In preparing these financial statements, management of the Food Bank has evaluated events and transactions for potential recognition or disclosure through June 3, 2021, the date the financial statements were available to be issued.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on our future operations and financial results will depend on future developments, including the duration and spread of the outbreak within the areas in which we operate, all of which are highly uncertain. The Food Bank is not able to estimate the financial effects of the COVID-19 pandemic at this time.

**FREDERICKSBURG REGIONAL FOOD BANK**

**Notes to Financial Statements  
As of June 30, 2020 (Continued)**

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**NOTE 17—SUBSEQUENT EVENTS: (Continued)**

On October 5, 2020, the Food Bank entered into a loan agreement with Atlantic Union Bank in the amount of \$655,552 to refinance the existing Real Estate loan with the bank.

Additionally, the PPP Loan in the amount of \$204,700 referenced in Note 16 has been forgiven subsequent to the fiscal year ended June 30, 2020 on December 14, 2020.

**COMPLIANCE**



**Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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**To the Board of Directors  
Fredericksburg Regional Food Bank  
Fredericksburg, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fredericksburg Regional Food Bank (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 3, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fredericksburg Regional Food Bank's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fredericksburg Regional Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of Fredericksburg Regional Food Bank's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fredericksburg Regional Food Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
June 3, 2021



**Independent Auditors' Report on Compliance for Each Major Program and on  
Internal Control over Compliance Required by the Uniform Guidance**

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To the Board of Directors  
Fredericksburg Regional Food Bank  
Fredericksburg, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited Fredericksburg Regional Food Bank's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fredericksburg Regional Food Bank's major federal programs for the year ended June 30, 2020. Fredericksburg Regional Food Bank's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Fredericksburg Regional Food Bank's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fredericksburg Regional Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Fredericksburg Regional Food Bank's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Fredericksburg Regional Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.



## Report on Internal Control over Compliance

Management of Fredericksburg Regional Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fredericksburg Regional Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fredericksburg Regional Food Bank's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
June 3, 2021

Fredericksburg Regional Food Bank

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>Department of Agriculture:</u>			
Pass-through Payments:			
Virginia Department of Agriculture and Consumer Services:			
<u>Food Distribution Cluster</u>			
Emergency Food Assistance Program - Food Commodities	10.569	Not Available	\$ 982,678
Emergency Food Assistance Program - Administrative Costs	10.568	Not Available	79,010
Commodity Supplemental Food Program	10.565	Not Available	363,628
Total Food Distribution Cluster			\$ 1,425,316
Virginia Department of Social Services:			
<u>Child Nutrition Cluster</u>			
Food Distribution - Summer Food Service Program for Children	10.559	Not Available	38,365
<u>SNAP Cluster</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not Available	6,305
Total Department of Agriculture			\$ 1,469,986
<u>Department of Health and Human Services</u>			
Pass-through Payments:			
Virginia Department of Social Services:			
Temporary Assistance to Needy Families	93.558	Not Available	\$ 85,123
Total Department of Health and Human Services			\$ 85,123
Total expenditures of federal awards			\$ 1,555,109

See accompanying notes to the schedule of expenditures of federal awards.

## Fredericksburg Regional Food Bank

Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

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### Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Fredericksburg Regional Food Bank under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Fredericksburg Regional Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Fredericksburg Regional Food Bank

### Note 2 - Summary of Significant Accounting Policies:

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The Food Bank did not elect to use the 10% de minimis indirect cost rate.

(4) The Food Bank did not pass any federal awards through to sub-recipients during the year ended June 30, 2020.

### Note 3 - Food Distribution:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the Food Bank had food commodities totaling \$191,929 in inventory related to the federal programs based on the Feeding America Valuation procedures.

**Fredericksburg Regional Food Bank**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section .516(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
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10.565/10.568/10.569	Food Distribution Cluster
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Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

There are no federal award findings and questioned costs to report.

**Section IV - Summary Schedule of Prior Audit Findings**

There are no prior audit findings to report.