

FREDERICKSBURG REGIONAL FOOD BANK

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

FREDERICKSBURG
REGIONAL FOOD BANK

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FREDERICKSBURG REGIONAL FOOD BANK

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

**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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 October 25, 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
October 25, 2021

- Financial Statements -

FREDERICKSBURG REGIONAL FOOD BANK

Statement of Financial Position
As of June 30, 2021
(With Comparative Totals As of June 30, 2020)

Assets	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 3,465,922	\$ 2,162,254
Restricted cash and cash equivalents	-	7,697
Short-term investments	942,802	106,847
Contributions receivables, net of allowance	113,763	118,761
Accounts receivable	60,131	61,670
Inventory	2,007,946	1,298,989
Current portion of beneficial interest in lead trust	49,667	49,752
Other assets	39,143	-
Total current assets	<u>\$ 6,679,374</u>	<u>\$ 3,805,970</u>
Noncurrent assets:		
Investments	\$ 537,809	\$ 1,364,710
Beneficial interest in lead trust, less current portion	111,752	161,692
Property and equipment, net of accumulated depreciation	2,404,738	1,772,093
Total noncurrent assets	<u>\$ 3,054,299</u>	<u>\$ 3,298,495</u>
Total assets	<u>\$ 9,733,673</u>	<u>\$ 7,104,465</u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 102,671	\$ 51,425
Accrued expenses	117,321	154,085
Other liabilities	4,661	17,987
Current portion of long-term debt	-	761,921
Total current liabilities	<u>\$ 224,653</u>	<u>\$ 985,418</u>
Long-term liabilities:		
Long-term debt, less current portion	\$ -	\$ 129,092
Total long-term liabilities	<u>\$ -</u>	<u>\$ 129,092</u>
Total liabilities	<u>\$ 224,653</u>	<u>\$ 1,114,510</u>
Net assets:		
Without donor restrictions	\$ 9,339,601	\$ 5,664,911
With donor restrictions	169,419	325,044
Total net assets	<u>\$ 9,509,020</u>	<u>\$ 5,989,955</u>
Total liabilities and net assets	<u>\$ 9,733,673</u>	<u>\$ 7,104,465</u>

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

FREDERICKSBURG REGIONAL FOOD BANK

Statement of Activities
Year Ended June 30, 2021
(With Comparative Totals for Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues and other support:				
Support:				
Donated materials	\$ 12,362,563	\$ -	\$ 12,362,563	\$ 7,421,117
Federal grants	3,348,065	-	3,348,065	1,555,109
Contributions	4,445,740	102,686	4,548,426	3,243,990
Paycheck protection program loan forgiveness	204,700	-	204,700	
Change in value of split interest agreement	-	(50,025)	(50,025)	(45,978)
Total support	\$ 20,361,068	\$ 52,661	\$ 20,413,729	\$ 12,174,238
Revenue:				
Program service fees	\$ 7,072	\$ -	\$ 7,072	\$ 158,418
Interest and dividends	9,656	-	9,656	26,792
Other fees	21,642	-	21,642	5,752
Fundraisers	201,742	-	201,742	245,290
Net assets released from donor restrictions	208,286	(208,286)	-	-
Total revenue	\$ 448,398	\$ (208,286)	\$ 240,112	\$ 436,252
Total revenues and other support	\$ 20,809,466	\$ (155,625)	\$ 20,653,841	\$ 12,610,490
Expenses:				
Program services:				
Food distribution	\$ 16,216,741	\$ -	\$ 16,216,741	\$ 9,950,679
Supporting services:				
Management and general	439,211	-	439,211	344,616
Fundraising	478,824	-	478,824	646,833
Total expenses	\$ 17,134,776	\$ -	\$ 17,134,776	\$ 10,942,128
Increase (decrease) in net assets	\$ 3,674,690	\$ (155,625)	\$ 3,519,065	\$ 1,668,362
Net assets, beginning of year	5,664,911	325,044	5,989,955	4,321,593
Net assets, end of year	\$ 9,339,601	\$ 169,419	\$ 9,509,020	\$ 5,989,955

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, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	Program Services		Supporting Services		2021 Total	2020 Total
	Food Distribution	Management and General	Fundraising			
Salaries and wages	\$ 950,876	\$ 225,344	\$ 130,756	\$	1,306,976	\$ 1,139,144
Employee benefits	171,932	58,298	25,539		255,769	237,715
Payroll taxes	70,407	18,563	9,663		98,633	79,215
Food costs	14,437,941	-	-		14,437,941	8,633,981
Fundraising fees	52	-	241,725		241,777	284,938
Accounting fees	-	53,686	-		53,686	24,052
Legal fees	-	1,698	-		1,698	4,182
Operational fees	39,488	1,196	2,103		42,787	-
Other professional fees	396	22,086	-		22,482	13,342
Supplies	160,330	4,047	-		164,377	117,438
Telephone and telecommunication	4,372	966	550		5,888	4,179
Postage and shipping	547	162	4,041		4,750	8,854
Printing and copying	3,317	13,621	4,196		21,134	10,504
Books, subscriptions and references	5,139	429	519		6,087	57,283
Utilities	21,788	5,200	2,961		29,949	28,349
Other building rentals	62	-	-		62	250
Mortgage interest	14,930	3,582	2,039		20,551	23,090
Equipment rental and maintenance	69,110	2,018	761		71,889	29,849
Vehicle expense	49,837	-	-		49,837	30,079
Depreciation	152,347	19,098	10,873		182,318	130,313
Travel, conventions and meetings	2,834	340	275		3,449	13,781
Interest	708	2	-		710	941
Insurance	21,260	3,470	2,155		26,885	32,066
Membership dues	3,358	697	586		4,641	4,452
Staff development	3,891	706	-		4,597	123
Outside computer services	10,600	2,483	1,413		14,496	14,173
Advertising expense	6,754	-	139		6,893	14,217
Marketing expense	8,720	-	37,633		46,353	4,078
Bank fees and charges	40	329	-		369	380
Organizational expense	5,440	1,022	870		7,332	517
Miscellaneous expense	265	168	27		460	643
Total	\$ 16,216,741	\$ 439,211	\$ 478,824	\$	17,134,776	\$ 10,942,128

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, 2021
(With Comparative Totals for the Year Ended June 30, 2020)**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 3,519,065	\$ 1,668,362
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	182,318	130,313
Paycheck protection program loan forgiveness	(204,700)	-
Donated commodities received	(14,090,788)	(8,696,557)
Donated commodities distributed	14,040,763	8,650,579
Beneficial interest in lead trust	100,050	91,956
Change in contributions receivable	4,998	23,911
Change in accounts receivable	1,539	(48,097)
Change in inventory	(708,957)	(473,715)
Change in other assets	(39,143)	2,754
Change in accounts payable	51,246	5,050
Change in accrued expenses	(36,764)	27,940
Change in other liabilities	(13,326)	7,652
Net cash provided by (used for) operating activities	\$ 2,806,301	\$ 1,390,148
Cash flows from investing activities:		
Purchase of property and equipment	\$ (814,963)	\$ (100,676)
Redemption (purchase) of investments	(9,054)	(25,939)
Net cash provided by (used for) investing activities	\$ (824,017)	\$ (126,615)
Cash flows from financing activities:		
Principal payments on long-term debt	\$ (686,313)	\$ (49,793)
Proceeds from the issuance of debt	-	204,700
Net cash provided by (used for) financing activities	\$ (686,313)	\$ 154,907
Net increase (decrease) in cash and cash equivalents	\$ 1,295,971	\$ 1,418,440
Cash, cash equivalents, and restricted cash at beginning of year	2,169,951	751,511
Cash, cash equivalents, and restricted cash at end of year	\$ 3,465,922	\$ 2,169,951
Summary of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 3,465,922	\$ 2,162,254
Restricted cash and cash equivalents	-	7,697
Total cash, cash equivalents, and restricted cash	\$ 3,465,922	\$ 2,169,951
Noncash financing activities:		
Paycheck protection program loan forgiveness	\$ 204,700	\$ -
Supplemental Disclosures:		
Interest paid	\$ 21,261	\$ 24,031

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, 2021

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 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, 2021, the Food Bank had \$9,339,601 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, 2021, the Food Bank had \$169,419 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, 2021 (Continued)

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 2021, 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, 2021 (Continued)

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 statement of functional expenses.

Contributions

The Food Bank 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.

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, 2021.

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, 2021 (Continued)

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 2021 and 2020, advertising costs totaled \$53,246 and \$18,295, respectively.

Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Food Bank's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

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>2021</u>	<u>2020</u>
Certificate of deposits	\$ 942,802	\$ 106,847
Total	<u>\$ 942,802</u>	<u>\$ 106,847</u>

Long-Term

	<u>2021</u>	<u>2020</u>
Certificate of deposits	\$ 260,664	\$ 1,092,722
Indexed annuity contract	277,145	271,988
Total	<u>\$ 537,809</u>	<u>\$ 1,364,710</u>

NOTE 3—CONTRIBUTIONS RECEIVABLE:

Contributions receivable consist of the following:

	<u>2021</u>	<u>2020</u>
United Way contributions	\$ 155,097	\$ 145,878
Less allowance for uncollectible contributions	<u>(41,334)</u>	<u>(27,117)</u>
Total	<u>\$ 113,763</u>	<u>\$ 118,761</u>

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements As of June 30, 2021 (Continued)

NOTE 4—ACCOUNTS RECEIVABLE:

Accounts receivable consist of the following:

	<u>2021</u>	<u>2020</u>
Due from member agencies	\$ -	\$ 12,386
Federation of Virginia Food Banks	-	49,284
Commonwealth of Virginia	37,819	-
Other	<u>22,312</u>	<u>-</u>
Total	<u>\$ 60,131</u>	<u>\$ 61,670</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, 2021, the value was established at \$2,007,946 based upon the rate of \$1.74 per pound and for the year ended June 30, 2020, the value was established at \$1,298,989 based upon the rate of \$1.74 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 0.46% and 0.29% discount rate for the years ended June 30, 2021 and 2020, respectively, the present value of future benefits expected to be received by the Food Bank are estimated as follows:

	<u>2021</u>	<u>2020</u>
Current portion, due within one year	\$ 49,667	\$ 49,752
Long-term portion	<u>111,752</u>	<u>161,692</u>
Total	<u>\$ 161,419</u>	<u>\$ 211,444</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 \$33,440 and \$28,436 for the years ended June 30, 2021 and 2020, respectively.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 8—PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Non-depreciable assets:		
Land	\$ 234,168	\$ 234,168
Construction in progress	-	125,809
Total non-depreciable assets	<u>\$ 234,168</u>	<u>\$ 359,977</u>
Depreciable assets:		
Building	\$ 1,502,405	\$ 1,502,405
Building improvements	806,141	297,089
Vehicles	920,857	541,394
Equipment	341,405	296,498
Office furniture and furnishings	39,703	39,703
Total depreciable assets	<u>\$ 3,610,511</u>	<u>\$ 2,677,089</u>
Total assets	\$ 3,844,679	\$ 3,037,066
Accumulated depreciation	(1,439,941)	(1,264,973)
Net property and equipment	<u>\$ 2,404,738</u>	<u>\$ 1,772,093</u>

Depreciation expense for the year ended June 30, 2021 and 2020 totaled \$182,318 and \$130,313, 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, 2021. The inputs and techniques used in measuring fair value were not changed in 2021.

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2021 (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>06/30/2021</u>	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of Deposits	\$ 1,203,466	\$ 1,203,466	\$ -	\$ -
Indexed Annuity Contract	277,145	277,145	-	-
Beneficial interest in lead trust	161,419	-	161,419	-
Total	<u>\$ 1,642,030</u>	<u>\$ 1,480,611</u>	<u>\$ 161,419</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, 2021 and 2020 totals \$73,231 and \$68,716, respectively and is included in accrued expenses as a current liability.

NOTE 11—OPERATING LEASES:

In April 2021, the Food Bank entered into a lease agreement for the use of warehouse space with an initial term of 5 years and the option to renew the lease for one additional two-year lease term. The lease payments for the initial lease year, will begin on the first day of the first full month after the City of Fredericksburg delivers an occupancy permit to the landlord. The initial lease year has not yet been determined. The following is the future minimum lease payments for the initial 5-year lease, including the monthly base rent and the other charges incurred by the landlord and passed through to the Food Bank:

Year 1	\$ 189,800
Year 2	201,840
Year 3	207,031
Year 4	207,031
Year 5	207,031
Total	<u>\$ 1,012,733</u>

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements
As of June 30, 2021 (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>2021</u>	<u>2020</u>
Operating reserves	\$ 1,010,000	\$ 1,010,000
Capital reserves	100,000	100,000
Other	<u>54,004</u>	<u>100,000</u>
Total	\$ <u>1,164,004</u>	\$ <u>1,210,000</u>

NOTE 13—NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consists of the following:

	<u>2021</u>	<u>2020</u>
Beneficial interest in lead trust - Arvel Shannon Trust	\$ 161,419	\$ 211,444
Grants	7,000	-
Donor directed funds	1,000	-
Building fund	<u>-</u>	<u>113,600</u>
Total	\$ <u>169,419</u>	\$ <u>325,044</u>

During fiscal year 2021, net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors in the amount of \$208,286.

NOTE 14—LIQUIDITY AND AVAILABILITY:

As of June 30, 2021, 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:

Assets:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,465,922	\$ 2,162,254
CDs maturing in less than 12 months	942,802	106,847
Accounts receivable expected to be received in less than 12 months	60,131	61,670
Contributions receivable expected to be received in less than 12 months	113,763	118,761
Current portion of beneficial interest in trust	<u>49,667</u>	<u>49,752</u>
Total assets available within one year	\$ <u>4,632,285</u>	\$ <u>2,499,284</u>

FREDERICKSBURG REGIONAL FOOD BANK

Notes to Financial Statements As of June 30, 2021 (Continued)

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 statement of financial position date. These assets are available for general expenditure, without donor restrictions limiting their use, and are comprised of the following:

	<u>2021</u>	<u>2020</u>
CDs maturing in more than 12 months	\$ 260,664	\$ 1,092,722
Indexed Annuity Contract	<u>277,145</u>	<u>271,988</u>
Total	\$ <u>537,809</u>	\$ <u>1,364,710</u>

The Board has imposed restrictions pertaining to the use of net assets without donor restrictions in the amount of \$1,164,004 for the year ended June 30, 2021 as described in Note 12.

NOTE 15—CARES ACT - PAYCHECK PROTECTION PROGRA (PPP) LOAN:

In response to the economic instability caused by COVID-19, the “CARES Act” was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program was a component of the CARES Act and provided for a loan (“PPP loan”) to provide a direct incentive for employers to keep their employees on the payroll. A PPP loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities, as further defined in the CARES Act. On April 14, 2020, the Food Bank received a PPP loan in the amount of \$204,700 with a maturity date of April 14, 2022 and an interest rate of 1%. On December 14, 2020, the Food Bank was granted loan forgiveness for the full PPP loan amount of \$204,700 and all accrued interest and was recorded as income in the year ended June 30, 2021.

NOTE 16—LONG-TERM DEBT:

On March 11, 2019, the Food Bank issued a \$25,000 note payable for a new truck, payable in monthly installments of \$466 including interest at 4.39%, with a maturity date of March 15, 2024. The balance of the note payable at June 30, 2020, was \$19,273. On May 18, 2021, the Food Bank paid the remaining note balance in full.

On September 30, 2015, the Food Bank issued a \$865,154 note payable for a real estate, payable in monthly installments of \$5,696 and one final balloon payment including interest at 3.30%, with a maturity date of October 5, 2020. The balance of the note payable at June 30, 2020, was \$667,040. On October 5, 2020, the Food Bank entered into an agreement to refinance the note in the amount of \$655,552 and on June 7, 2021, the Food Bank paid the remaining note balance in full.

NOTE 17—DATE OF MANagements REVIEW:

In preparing these financial statements, management of the Food Bank has evaluated events and transactions for potential recognition or disclosure through October 25, 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.

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***

**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, 2021 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 October 25, 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
October 25, 2021



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

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, 2021. 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, 2021.

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
October 25, 2021

Fredericksburg Regional Food Bank

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing 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	\$ 1,396,175
Emergency Food Assistance Program - Administrative Costs	10.568	Not Available	149,749
COVID-19 Emergency Food Assistance Program - Administrative Costs	10.568	Not Available	171,883
Total 10.568			321,632
Commodity Supplemental Food Program	10.565	Not Available	488,364
Total Food Distribution Cluster			\$ 2,206,171
Virginia Department of Social Services:			
<u>Child Nutrition Cluster</u>			
Food Distribution - Summer Food Service Program for Children	10.559	Not Available	37,819
<u>SNAP Cluster</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not Available	4,859
Total Department of Agriculture			\$ 2,248,849
<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	\$ 47,095
Total Department of Health and Human Services			\$ 47,095
<u>Department of Housing and Urban Development:</u>			
Pass-through Payments:			
City of Fredericksburg, Virginia:			
<u>CDBG - Entitlement Grants Cluster</u>			
Community Development Block Grants/Entitlement Grants	14.218	Not Available	\$ 27,121
Total Department of Housing and Urban Development			\$ 27,121
<u>Department of the Treasury:</u>			
Pass through payments:			
Federation of Virginia Food Banks:			
COVID-19 Coronavirus Relief Funds	21.019	Not Available	\$ 1,000,000
County of Stafford, Virginia:			
COVID-19 Coronavirus Relief Funds	21.019	Not Available	25,000
Total Coronavirus Relief Funds			\$ 1,025,000
Total expenditures of federal awards			\$ 3,348,065

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, 2021

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, 2021. 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, 2021.

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, 2021, the Food Bank had food commodities totaling \$522,991 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, 2021

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 200.516(a)? No

Identification of major programs:

Federal Assistance Listing # Name of Federal Program or Cluster

10.565/10.568/10.569	Food Distribution Cluster
21.019	COVID-19 Coronavirus Relief Funds

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.