
LOAVES & FISHES FOOD PANTRY, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Board of Directors
Loaves & Fishes Food Pantry, Inc.
Charlottesville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Loaves & Fishes Food Pantry (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 Loaves & Fishes Food Pantry as of December 31, 2018, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, Loaves & Fishes Food Pantry adopted new accounting guidance, FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

April 29, 2019

- Financial Statements -

LOAVES & FISHES FOOD PANTRY, INC.

Statement of Financial Position
At December 31, 2018

Assets	
Current assets:	
Cash and cash equivalents	\$ 241,184
Inventory	164,141
Gift cards	547
Total current assets	<u>\$ 405,872</u>
Noncurrent assets:	
Assets restricted to investment in land, buildings, and equipment	\$ 55,000
Land	960,883
Property and equipment, net of accumulated depreciation	352,272
Total noncurrent assets	<u>\$ 1,368,155</u>
Total assets	<u><u>\$ 1,774,027</u></u>
Liabilities and Net Assets	
Liabilities	
Current liabilities:	
Accounts payable, trade	\$ 815
Payroll liabilities	10,247
Total current liabilities	<u>\$ 11,062</u>
Total liabilities	<u>\$ 11,062</u>
Net Assets	
Net assets without donor restrictions	\$ 1,656,136
Net assets with donor restrictions	106,829
Total net assets	<u>\$ 1,762,965</u>
Total liabilities and net assets	<u><u>\$ 1,774,027</u></u>

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

LOAVES & FISHES FOOD PANTRY, INC.

Statement of Activities
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Contributions:			
Individual contributions	\$ 288,916	\$ -	\$ 288,916
Corporate contributions	43,889	-	43,889
Church contributions	25,549	3,000	28,549
Nonprofit contributions	1,598	1,114	2,712
Foundation contributions	47,535	92,715	140,250
In-kind contributions	1,866,322	-	1,866,322
In-kind contributions from USDA	673,697	-	673,697
Investment income	377	-	377
Fundraising revenue	776	-	776
Membership dues	119	-	119
Miscellaneous income	1,800	-	1,800
Net assets released from restriction	81,899	(81,899)	-
	<u>3,032,477</u>	<u>14,930</u>	<u>3,047,407</u>
	\$	\$	\$
Expenses:			
Program services			
Feeding low income individuals	\$ 2,785,833	\$ -	\$ 2,785,833
Supporting services:			
Management and general	92,682	-	92,682
Fundraising	73,007	-	73,007
	<u>2,951,522</u>	<u>-</u>	<u>2,951,522</u>
	\$	\$	\$
Changes in net assets	\$ 80,955	\$ 14,930	\$ 95,885
Net assets at beginning of period	<u>1,575,181</u>	<u>91,899</u>	<u>1,667,080</u>
Net assets at end of period	<u>\$ 1,656,136</u>	<u>\$ 106,829</u>	<u>\$ 1,762,965</u>

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

LOAVES & FISHES FOOD PANTRY, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services		Supporting Services		Total			
	Feeding Low	Income Individuals	Management and General	Fundraising				
Salaries	\$	135,520	\$	65,029	\$	21,022	\$	221,571
Fringe benefit		10,041		4,936		2,024		17,001
Payroll taxes		9,937		4,884		2,021		16,842
Fees for services		3,839		-		6,942		10,781
Occupancy		46,792		-		-		46,792
Insurance		-		8,717		-		8,717
Depreciation		26,140		-		-		26,140
Fundraising expenses		-		-		6,252		6,252
Advertisement		-		-		34,746		34,746
Food distributed		2,540,504		-		-		2,540,504
Office expenses		313		2,820		-		3,133
Repair and maintenance		5,034		-		-		5,034
Food distribution supplies		6,849		-		-		6,849
Memberships, dues, and licenses		-		924		-		924
Miscellaneous		864		5,372		-		6,236
	\$	<u>2,785,833</u>	\$	<u>92,682</u>	\$	<u>73,007</u>	\$	<u>2,951,522</u>

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

LOAVES & FISHES FOOD PANTRY, INC.

Statement of Cash Flows
For the Year Ended December 31, 2018

Cash flows from operating activities	
Change in net assets	\$ 95,885
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	26,140
(Increase) decrease in assets:	
Assets restricted to investment	
in land, buildings, and equipment	(55,000)
Inventory	13,959
Gift cards	(478)
Increase (decrease) in liabilities:	
Accounts payable, trade	(194)
Payroll liabilities	1,644
	<u>81,956</u>
Net cash provided by (used for) operating activities	\$ 81,956
Cash flows from investing activities	
Purchases of property and equipment	\$ (84,142)
	<u>(84,142)</u>
Net cash provided by (used for) investing activities	\$ (84,142)
Net increase (decrease) in cash and cash equivalents	\$ (2,186)
Cash and cash equivalents at beginning of period	243,370
	<u>243,370</u>
Cash and cash equivalents at end of period	\$ 241,184
	<u><u>241,184</u></u>

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

LOAVES & FISHES FOOD PANTRY, INC.

Notes to Financial Statements
At December 31, 2018

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities:

Loaves & Fishes Food Pantry, Inc. is a 501(C)3 nonprofit organization that offers USDA-provided food, food donated from the Blue Ridge Area Food Bank, local retailers, local churches, and other local organizations, and food purchased with monetary donations to families in need within and around the Charlottesville community.

Basis of Accounting:

The Organization's financial statements are prepared on the accrual basis, in accordance with Generally Accepted Accounting Principles. Therefore, revenues are recognized when earned rather than when received and expenditures are recorded when incurred rather than when paid. Expenditures are capitalized as assets when the expenditure in one period can be seen as providing benefit to the Organization in future periods.

Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amount and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation:

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net assets without donor restrictions:* The portion of the net assets of the Organization that can be used subject only to the broad limits resulting from the nature of the Organization, the environment it operates in, the purposes specified in its articles of incorporation or bylaws. In some cases, the use of these resources is also subject to limits resulting from contractual agreements with suppliers, creditors, and others entered into by the Organization in the course of its business. The Organization has the greatest ability to choose when using these resources. At December 31, 2018, the Organization reported net assets without donor restrictions of \$1,656,136.

Net assets without donor restrictions generally result from contributions that are not subject to donor-imposed restrictions.

- *Net assets with donor restrictions:* The portion of the net assets of the Organization that is subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit the Organization's choices when using these resources because the Organization has a fiduciary responsibility to its donors to follow the donor's instructions. At December 31, 2018, the Organization reported net assets with donor restrictions of \$106,829.

Net assets with donor restrictions generally result from donor-restricted contributions.

LOAVES & FISHES FOOD PANTRY, INC.

Notes to Financial Statements
At December 31, 2018 (Continued)

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

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

In-Kind Donations:

Contributions, including unconditional promises to give or contributions receivable, are recognized as support without donor restrictions and support with donor restrictions, depending on the existence and/or nature of any donor restrictions in the period the donor's commitment is received.

Non-cash contributions consist primarily of food donated by producers, manufacturers, the United States Department of Agriculture (USDA), and the general public. Contributed food is recorded as income and placed in inventory at the time of the gift.

Donated food and equipment are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. No amounts have been reflected in the statements for donated services because they did not meet the requirements for recognition in the financial statements. Nevertheless, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and fundraising activities. The Organization received 18,893 hours in volunteer time in 2018. Noncash donations of food in the amount of \$2,540,019 were recognized in the financial statements.

Concentration of Credit Risk:

The Organization maintains its cash in bank deposit accounts at one high credit quality financial institution. The balances is insured by the Federal Deposit Insurance Corporation up to \$250,000.

Inventory:

Purchased inventory is recorded at the lower of cost or market on a first-in-first-out basis. Donated inventories are stated at the nationally calculated average price per pound of \$1.68. This average value per pound is based on an independent study commissioned by Feeding America. At December 31, 2018, inventories consisted of the following:

Food	\$	<u>164,141</u>
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Inventory is recorded using the average cost method.

LOAVES & FISHES FOOD PANTRY, INC.

Notes to Financial Statements
At December 31, 2018 (Continued)

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

Property and Equipment:

Property and equipment are stated at cost when purchased or at fair market value if donated, less accumulated depreciation. The straight-line method of depreciation is used over the following ranges of estimated useful lives.

Buildings and improvements	10-40 years
Furniture and equipment	5-10 years
Vehicles	5 years

Advertising:

Advertising costs are expensed as incurred. Advertising costs for 2018 totaled \$34,746.

New Accounting Pronouncement:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has changed the presentation of its financial statements, accordingly, applying the changes retrospectively to the beginning net assets. The ASU changes the following aspects of the Organization financial statements:

- The temporarily restricted and permanently restricted net asset classes have been reduced to a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been changed to *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 8).
- The financial statements include increased disclosures on functional expenses.

The ASU did not result in any reclassification or restatements of net assets.

NOTE 2 - TAX STATUS:

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and contributions to our programs are deductible for tax purposes.

LOAVES & FISHES FOOD PANTRY, INC.

Notes to Financial Statements
At December 31, 2018 (Continued)

NOTE 3 - PROPERTY AND EQUIPMENT:

At December 31, 2018 property and equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 960,883	\$ -	\$ 960,883
Building	358,982	(42,180)	316,802
Equipment	102,062	(66,592)	35,470
Vehicles	12,500	(12,500)	-
	<u>\$ 1,434,427</u>	<u>\$ (121,272)</u>	<u>\$ 1,313,155</u>

NOTE 4 - CONTRIBUTIONS RECEIVABLE:

Assets restricted to investment in land, buildings, and equipment as of December 31, 2018 are expected to be received as follows:

Due within one year	\$ <u>55,000</u>
Total	\$ <u><u>55,000</u></u>

NOTE 5 - ALLOCATION OF FUNCTIONAL EXPENSES:

Functional expenses are apportioned between program and supporting services based on personnel time for the related activities. Some expense apportionments are estimates because of the overlap of activities and the difficulty of record keeping for usage. Specifically, identifiable expenses are directly allocated.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS:

These net assets are restricted for specific purposes or until specific events occur. Assets restricted to investment in land, buildings, and equipment with donor restriction is for the purpose of purchasing equipment to benefit the program operations. The following schedule summarizes net assets with donor-imposed restrictions for the Organization's operations as of December 31, 2018.

Food	\$ 51,829
Refrigerated truck & electric forklift	<u>55,000</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 106,829</u></u>

LOAVES & FISHES FOOD PANTRY, INC.

Notes to Financial Statements
At December 31, 2018 (Continued)

NOTE 7 - DATE OF MANAGEMENT'S REVIEW:

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through April 29, 2019, the date the financial statements were available to be issued.

NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations:

	<u>2018</u>
Unrestricted cash and cash equivalents	\$ 241,184
	<u>\$ 241,184</u>

In addition to financial assets available to meet general expenditures over the year, the Organization operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient contributions and other revenues and by utilizing donor-restricted resources from current and prior years' donations, as needed. The statement of cash flows identifies the sources and uses of the Organization's cash and shows positive cash generated by operations of \$81,956 for the fiscal year ending December 31, 2018.

The operating budget since 2017 has included a goal to raise a specified amount for an operating reserve, which was opened in 2019 as an investment in the Charlottesville Area Community Foundation. Each year, Loaves & Fishes' annual budget includes additional funds to invest in this cash reserve. This investment is currently in CACF's Money Market funds in order to keep our funds as easily available as possible, a "rainy day" fund for the Organization to access in event of an unexpected expense at the pantry. The Finance Committee is in the process of developing a policy for investments in this operating reserve. The Organization complies with donors' designations for expending gifts and separates donor restricted funds from unrestricted donations in QuickBooks to ensure funds are spent according to donors' specifications. The Organization's goals for maintaining financial assets are as the following:

1. At the beginning of each calendar/fiscal year, the Organization's Executive Director and Development Committee set fundraising goals to support budgeted operating expenses for the year. The Executive Director writes a development plan and works with the Development Committee to raise funds throughout the year. The ED provides monthly updates on the status of fundraising goals, which are separated by specific funding sources (individuals/families; businesses; foundations; churches; nonprofit/civic Organizations).
2. Four months prior to the end of the fiscal year, Organization's staff and Finance Committee develop the operating budget for the next fiscal year. The budget is revised and approved by the full Board of Directors at the November meeting of the Board of Directors.

LOAVES & FISHES FOOD PANTRY, INC.

Notes to Financial Statements
At December 31, 2018 (Continued)

NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS: (CONTINUED)

3. The Organization has established the Builders Circle giving circle, a group of donors who commit to giving \$1,000 or more each year for three years. This important group of donors is crucial to sustaining the Organizations' annual operating budget, providing 37% of 2018's budget. Many Builders Circle donors spread their donations across the year, giving either monthly or quarterly.
4. Non-cash assets (food) are protected in accordance with USDA food safety guidelines and distributed on the First-In, First Out basis. The Organization keeps food supplies at a consistent level in order to provide enough food for all seeking assistance.
5. The Organization does not take on additional financial commitments that are not projected in the annual budget; additionally, capital expenditures above and beyond the operating expenses are also projected annually and separate funds must be raised before making capital acquisitions.

NOTE 9 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS:

Net assets released from donor restrictions by incurring expenses satisfying program restrictions, were reclassified to net assets without donor restrictions as follows:

Food	\$ <u>81,899</u>
Total Net Assets Reclassified to Net Assets without Donor Restrictions	\$ <u><u>81,899</u></u>