
LOAVES & FISHES FOOD PANTRY, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

LOAVES & FISHES FOOD PANTRY, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13



Independent Auditors' Report

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

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Loave & Fishes Food Pantry, Inc. (a nonprofit organization) as of December 31, 2021, and the change 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Loave & Fishes Food Pantry, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Loave & Fishes Food Pantry, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Loave & Fishes Food Pantry, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Loave & Fishes Food Pantry, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

May 24, 2022

- Financial Statements -

LOAVES & FISHES FOOD PANTRY, INC.

Statement of Financial Position
At December 31, 2021

Assets	
Current assets:	
Cash and cash equivalents:	
Cash without donor restrictions	\$ 1,377,479
Cash with donor restrictions	162,187
Total cash and cash equivalents	\$ 1,539,666
Investments	18,049
Contributions receivable	37,549
Beneficial interest in agency fund held by third party	368,861
Inventory	127,460
Gift cards	730
Total current assets	\$ 2,092,315
Noncurrent assets:	
Land	\$ 960,883
Construction in process	8,750
Property and equipment, net of accumulated depreciation	703,385
Total noncurrent assets	\$ 1,673,018
Total assets	\$ 3,765,333
Liabilities and Net Assets	
Liabilities	
Current liabilities:	
Accounts payable, trade	\$ 2,194
Payroll liabilities	11,955
Total liabilities	\$ 14,149
Net Assets	
Net assets without donor restrictions	\$ 3,588,997
Net assets with donor restrictions	162,187
Total net assets	\$ 3,751,184
Total liabilities and net assets	\$ 3,765,333

The accompanying notes are an integral part of these financial statements.

LOAVES & FISHES FOOD PANTRY, INC.

**Statement of Activities
For the Year Ended December 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Support, and Gains:			
Contributions:			
Individual contributions	\$ 780,244	\$ 25,482	\$ 805,726
Corporate contributions	56,160	-	56,160
Church contributions	38,742	2,000	40,742
Local government grants	10,000		10,000
Nonprofit contributions	27,259	-	27,259
Foundation contributions	190,216		190,216
In-kind contributions	2,539,185	-	2,539,185
In-kind contributions from USDA	1,164,075	-	1,164,075
Net investment income (loss)	(2,965)	-	(2,965)
Fundraising revenue	350	-	350
Miscellaneous income	1,804	-	1,804
PPP loan forgiveness	45,979		45,979
Net assets released from restriction	202,278	(202,278)	-
Total revenues, support, and gains	\$ 5,053,327	\$ (174,796)	\$ 4,878,531
Expenses:			
Program services:			
Feeding low-income individuals	\$ 4,181,330	\$ -	\$ 4,181,330
Supporting services:			
Management and general	53,530	-	53,530
Fundraising	65,427	-	65,427
Total expenses	\$ 4,300,287	\$ -	\$ 4,300,287
Changes in net assets	\$ 753,040	\$ (174,796)	\$ 578,244
Net assets at beginning of period	2,835,957	336,983	3,172,940
Net assets at end of period	\$ 3,588,997	\$ 162,187	\$ 3,751,184

The accompanying notes are an integral part of these financial statements.

LOAVES & FISHES FOOD PANTRY, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services		Supporting Services		Total
	Feeding Low Income Individuals	Management and General	Fundraising		
Salaries	\$ 261,415	\$ 28,350	\$ 26,806	\$	316,571
Fringe benefit	17,419	1,889	1,679		20,987
Payroll taxes	20,003	1,858	1,985		23,846
Fees for services	22,290	-	13,185		35,475
Occupancy	44,619	-	-		44,619
Insurance	-	15,509	-		15,509
Depreciation	55,237	-	-		55,237
Fundraising expenses	-	-	15,366		15,366
Advertisement	-	-	6,406		6,406
Food distributed	3,689,727	-	-		3,689,727
Office expenses	7,254	-	-		7,254
Repair and maintenance	8,178	-	-		8,178
Food distribution supplies	23,601	-	-		23,601
Memberships, dues, and licenses	-	987	-		987
Bad debt expense	31,525	-	-		31,525
Miscellaneous	62	4,937	-		4,999
Totals	\$ 4,181,330	\$ 53,530	\$ 65,427	\$	4,300,287

The accompanying notes are an integral part of these financial statements.

LOAVES & FISHES FOOD PANTRY, INC.

Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities	
Change in net assets	\$ 578,244
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	55,237
Donated stock sold that was received in the prior year	14,937
Donated stock received but not sold	(18,049)
PPP loan forgiveness	(45,979)
(Increase) decrease in assets:	
Contributions receivable	232,313
Inventory	(24,695)
Gift cards	(35)
Increase (decrease) in liabilities:	
Accounts payable, trade	1,574
Payroll liabilities	3,314
	<hr/>
Net cash provided by (used for) operating activities	\$ 796,861
	<hr/>
Cash flows from investing activities	
Increase in beneficial interest in agency fund	\$ (790)
Purchases of property and equipment	(355,120)
	<hr/>
Net cash provided by (used for) investing activities	\$ (355,910)
	<hr/>
Net increase (decrease) in cash and cash equivalents	\$ 440,951
Cash and cash equivalents at beginning of period	1,098,715
	<hr/>
Cash and cash equivalents at end of period	\$ 1,539,666
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

LOAVES & FISHES FOOD PANTRY, INC.

Notes to Financial Statements
At December 31, 2021

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, 2021, the Organization reported net assets without donor restrictions of \$3,588,997.

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, 2021, the Organization reported net assets with donor restrictions of \$162,187.

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

LOAVES & FISHES FOOD PANTRY, INC.

Notes to Financial Statements
At December 31, 2021 (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.

Contributions and 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. Unconditional promises to give for future operations are recognized as revenues with donor restrictions unless the donor explicitly stipulates its use to support current period activities.

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. Noncash donations of food in the amount of \$3,703,260 were recognized in the financial statements.

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 7,753 hours in volunteer time in 2021.

Concentration of Credit Risk:

The Organization maintains its cash in bank deposit accounts at two high credit quality financial institutions. As of December 31, 2021, the Organization had a \$1,351,271 uninsured cash balance.

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 \$1.70. This average value per pound is based on an independent study commissioned by Feeding America. At December 31, 2021, inventories consisted of the following:

Food	\$	<u>127,460</u>
------	----	----------------

Inventory is recorded using the average cost method.

LOAVES & FISHES FOOD PANTRY, INC.

Notes to Financial Statements
At December 31, 2021 (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 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 2021 totaled \$6,406.

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.

NOTE 3 - PROPERTY AND EQUIPMENT:

At December 31, 2021 property and equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 960,883	\$ -	\$ 960,883
Construction in process	8,750	-	8,750
Building	639,406	(92,836)	546,570
Equipment	266,901	(124,366)	142,535
Vehicles	48,200	(33,920)	14,280
	<u>\$ 1,924,140</u>	<u>\$ (251,122)</u>	<u>\$ 1,673,018</u>

NOTE 4 - 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.

LOAVES & FISHES FOOD PANTRY, INC.

Notes to Financial Statements
At December 31, 2021 (Continued)

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for specific purposes or until specific events occur. The following schedule summarizes net assets with donor-imposed restrictions for the Organization's operations as of December 31, 2021.

Food	\$	3,224
Fixed Assets		<u>158,963</u>
Total	\$	<u><u>162,187</u></u>

NOTE 6 - 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:

Fixed Assets	\$	<u>202,278</u>
Total Net Assets With Donor Restrictions Reclassified to Net Assets without Donor Restrictions	\$	<u><u>202,278</u></u>

NOTE 7 - 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 statement of financial position to fund expenses without limitations:

		<u>2021</u>
Cash without donor restrictions	\$	1,377,479
Investments		18,049
Contributions receivable		37,549
Beneficial interest in agency fund held by third party		<u>368,861</u>
	\$	<u><u>1,801,938</u></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 \$799,973 for the fiscal year ending December 31, 2021.

LOAVES & FISHES FOOD PANTRY, INC.

Notes to Financial Statements
At December 31, 2021 (Continued)

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS: (Continued)

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 donations without donor restrictions 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.
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 at least three years. This important group of donors is crucial to sustaining the Organization's annual operating budget, providing 17% of 2021'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 contributes excess operating funds that are raised during the fiscal year to their operating reserve investment account in the Charlottesville Area Community Foundation. These funds are set aside for use against possible future unanticipated operating expenses. This operating reserve account, identified as Beneficial interest in agency fund held by third party on the Statement of Financial Position, increased by \$790 in fiscal year 2021.
6. 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.

LOAVES & FISHES FOOD PANTRY, INC.

Notes to Financial Statements
At December 31, 2021 (Continued)

NOTE 8 - BENEFICIAL INTEREST IN AGENCY FUND HELD BY THIRD PARTY:

The Organization is the beneficiary under a Designated Agency Fund Agreement with Charlottesville Area Community Foundation. The agency fund has been recorded in accordance with generally accepted accounting principles which state that if a community foundation receives assets from a nonprofit organization that specifies itself or its affiliate as the beneficiary, those assets are not considered a contribution to the foundation, regardless of the variance power of the foundation. The assets of the fund are included in the Statement of Financial Position of the Organization as a beneficial interest in agency fund held by third party. Distributions are to be paid upon the request of the Organization and the approval of the foundation; the latter not withheld without significant cause. In addition, the fund is charged an annual 1.0% administrative fee on the fund balance, to be paid quarterly.

NOTE 9 - FAIR VALUE MEASUREMENTS:

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or 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 flow methodologies and similar techniques that use significant unobservable inputs.

We measured certain financial instruments at fair value on a recurring basis. Financial assets measured at fair value on a recurring basis are as follows as of December 31, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 18,049	\$ 18,049	\$ -	\$ -
Beneficial interest in agency fund held by third party	<u>368,861</u>	<u>-</u>	<u>-</u>	<u>368,861</u>
Total	<u>\$ 386,910</u>	<u>\$ 18,049</u>	<u>\$ -</u>	<u>\$ 368,861</u>

Equity securities are valued at the closing quoted price in an active market. The level three assets represent a beneficial interest in amounts invested in Charlottesville Area Community Foundation's (CACF) investment pool. The valuation of this investment is based upon the unobservable inputs used by CACF to value the underlying assets. Even though the measurement is based on the unadjusted fair value of trust assets reported by CACF, the Organization considers it to be a level three measurement because the Organization will never receive those assets or have the ability to direct CACF to redeem them.

LOAVES & FISHES FOOD PANTRY, INC.

Notes to Financial Statements
At December 31, 2021 (Continued)

NOTE 10 - PPP LOAN FORGIVENESS:

During the previous fiscal year, the Organization received a Paycheck Protection Program loan from the Small Business Administration as created by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES" Act) in the amount of \$45,979. During fiscal year 2021, the Organization's Paycheck Protection Program loan was fully forgiven, and that amount has been reported as PPP loan forgiveness revenue in the financial statements.

NOTE 11 - 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 May 24, 2022, the date the financial statements were available to be issued.

Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its financial condition or liquidity for fiscal year 2022.