

Financial Statements

LOUDOUN HUNGER RELIEF, INC.

June 30, 2017

GENERAL ORGANIZATIONAL DATA

ORGANIZATION AND PURPOSE

Loudoun Hunger Relief, Inc. is a non-profit corporation organized under the laws of the Commonwealth of Virginia on October 24, 1991 for the purpose of collecting and distributing food to needy families and individuals in Loudoun County. Loudoun Hunger Relief, Inc. was granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code in March 1992.

Loudoun Hunger Relief, Inc. was originally organized and named Loudoun Interfaith Relief, Inc. In September 2016 the board adopted a resolution to change the name to Loudoun Hunger Relief, Inc.

OFFICERS

Carol Barbe, President
Thomas Ciolkosz, Vice President
Charles McQuillan, Secretary
Roman Blazauskas, Treasurer

BOARD OF DIRECTORS

Carol Barbe	David D'Onofrio
Roman Blazauskas	Rose Ann Domenici
Maristevie Bradley	William Junda
Thomas Ciolkosz	David McOmber
Lorna Campbell Clark	Charles McQuillan
Michelle Rosati	

STAFF

Jennifer Montgomery, Executive Director
Erika Huddleston, Associate Director
Robinson Villalobos, Operations Manager
Elizabeth Parrilla, Client Services & Program Manager
Carla Fortenberry, Volunteer Manager
Trish McNeal, Development Director

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MITCHELL & Co., P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Loudoun Hunger Relief, Inc.
Leesburg, Virginia

We have audited the accompanying financial statements of Loudoun Hunger Relief, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017, 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.

Auditor's 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. 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 auditor's 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 Loudoun Hunger Relief, Inc. as of June 30, 2017, 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.

Report on Summarized Comparative Information

We have previously audited Loudoun Hunger Relief, Inc. 2016 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated September 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
August 21, 2017

Mitchell & Co., P.C.

LOUDOUN HUNGER RELIEF, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2017

(with June 30, 2016 comparative totals)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Undesignated funds		
Cash and cash equivalents	\$ 119,457	\$ 136,044
Designated funds		
Cash and cash equivalents	316,730	239,564
Certificates of deposit	228,270	225,436
Grants and other receivables	37,017	25,146
Inventory- food products	166,973	165,273
Gift cards	37,083	34,154
Prepaid expenses	28,598	18,916
Total current assets	934,128	844,533
Property and equipment, net of depreciation	120,371	66,160
Deposits	1,425	1,425
Total Assets	\$ 1,055,924	\$ 912,118
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 4,742	\$ 3,542
Accrued payroll and related items	38,454	30,819
Total liabilities	43,196	34,361
Net Assets		
Unrestricted:		
Undesignated	250,820	222,484
Inventory- food products	166,973	165,273
Designated by governing board:		
Operations center relocation	140,000	100,000
Strategic initiatives	125,000	125,000
Working capital	280,000	240,000
	545,000	465,000
Temporarily restricted	49,935	25,000
Total net assets	1,012,728	877,757
Total liabilities and net assets	\$ 1,055,924	\$ 912,118

See Notes to Financial Statements.

LOUDOUN HUNGER RELIEF, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

(with June 30, 2016 comparative totals)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE				
Contributions	\$ 752,254	\$ -	\$ 752,254	\$ 723,107
In-kind contributions (principally food products)	2,467,284	-	2,467,284	2,286,668
Fundraising events (net of expenses of \$19,365)	53,361	-	53,361	20,899
Grants	152,140	97,500	249,640	173,387
Interest and dividend income	3,170	-	3,170	2,085
Gain on asset disposal	3,434	-	3,434	-
Total revenue	3,431,643	97,500	3,529,143	3,206,146
Net assets released from restrictions				
Satisfaction of usage restrictions	72,565	(72,565)	-	-
Total support and revenue	3,504,208	24,935	3,529,143	3,206,146
EXPENSES				
Distribution center- program services	3,246,157	-	3,246,157	2,897,674
Management and general	90,883	-	90,883	83,383
Fundraising	57,132	-	57,132	76,346
Total expenses	3,394,172	-	3,394,172	3,057,403
Change in net assets	110,036	24,935	134,971	148,743
Net assets, beginning of year	852,757	25,000	877,757	729,014
Net assets, end of year	\$ 962,793	49,935	\$ 1,012,728	\$ 877,757

See Notes to Financial Statements.

LOUDOUN HUNGER RELIEF, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

(with June 30, 2016 comparative totals)

	Program Services	Management and General	Fundraising	Totals	
				2017	2016
Salaries and wages	\$ 440,944	\$ 30,133	\$ 36,716	\$ 507,793	\$ 442,547
Employee benefits	61,430	-	-	61,430	57,046
Payroll taxes	34,040	1,982	2,774	38,796	32,401
Total salaries and related expenses	536,414	32,115	39,490	608,019	531,994
Bank charges	-	1,254	-	1,254	568
Depreciation	23,592	2,621	-	26,213	19,893
Education	3,033	-	535	3,568	2,516
Outreach costs	21,178	-	6,939	28,117	23,896
Fees and licenses	-	3,155	-	3,155	1,804
Food distributed	2,362,498	-	-	2,362,498	2,116,774
Food purchased	49,726	-	-	49,726	55,803
Insurance	6,238	4,159	-	10,397	20,042
Maintenance	21,341	680	-	22,021	29,126
Marketing	461	1,844	6,914	9,219	4,982
Miscellaneous	-	303	-	303	1,811
Postage	-	362	3,254	3,616	1,878
Professional fees	73,709	17,335	-	91,044	94,341
Rent	94,765	10,529	-	105,294	105,294
Supplies	4,105	13,290	-	17,395	6,166
Communications	2,547	637	-	3,184	4,095
Utilities	18,253	1,844	-	20,097	14,865
Transportation costs	23,331	-	-	23,331	12,806
Volunteer support	4,966	755	-	5,721	8,749
	2,709,743	58,768	17,642	2,786,153	2,525,409
Total expenses	\$ 3,246,157	\$ 90,883	\$ 57,132	\$ 3,394,172	\$ 3,057,403

See Notes to Financial Statements.

LOUDOUN HUNGER RELIEF, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

(with June 30, 2016 comparative totals)

Cash Flows From Operating Activities	2017	2016
Change in net assets	\$ 134,971	\$ 148,743
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	26,213	19,894
Donated assets		
Inventory	(1,700)	(38,677)
Equipment	-	(22,202)
Gain on sale of equipment	(3,434)	-
Change in assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	(11,871)	(17,646)
Interest receivable	(2,834)	-
Gift cards	(2,929)	(2,790)
Prepaid expenses	(9,682)	14,290
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,200	(2,660)
Payroll liabilities	7,635	5,835
Net cash provided by operating activities	137,569	104,787
Cash Flows From Investing Activities		
Redemption of certificates of deposit	-	123,022
Investment in certificates of deposit	(125,000)	-
Proceeds on disposal of property and equipment	4,500	-
Purchase of property and equipment	(81,490)	(992)
Net cash provided by (used in) investing activities	(201,990)	122,030
Net increase (decrease) in cash	(64,421)	226,817
Cash and Cash Equivalents		
Beginning of year	500,608	273,791
End of year	\$ 436,187	\$ 500,608

See Notes to Financial Statements.

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Loudoun Hunger Relief, Inc. (LHR), previously named Loudoun Interfaith Relief, Inc., is a nonprofit corporation established to serve the community of Loudoun County, Virginia, for the purpose of collecting and distributing food to needy families and individuals. Loudoun Hunger Relief is operated by a volunteer Board of Directors, paid employees and approximately 325 operational volunteers.

Significant Accounting Policies

The financial statements of Loudoun Hunger Relief, Inc. have been prepared in accordance with policies followed by nonprofit organizations. The significant accounting policies that follow are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting: The financial statements of LHR have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) as defined in the FASB Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets based on the absence or existence and type of donor-imposed restrictions; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions: Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value.

Cash and cash equivalents: For purposes of reporting cash flows, the Organization considers all cash on demand deposits, money market deposits, cash management accounts, and certificates of deposit with a maturity of three months or less to be cash equivalents.

Income tax status: Loudoun Hunger Relief, Inc. was granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted the guidance under ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax provisions that would require adjustment to, or disclosure in, the financial statements to comply with the provisions of the guidance. Loudoun Hunger Relief, Inc. annually files the IRS informational filing form 990, return of organizations exempt from income taxes.

Property, plant and equipment: Expenditures for donations of property and equipment exceeding \$2,500 are capitalized at cost or fair market value at the date of gift or purchase. Depreciation of property improvements, furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Inventory: Inventory consists of donated food and related food products. Food inventory is stated at the per pound rate established by the United States Department of Agriculture (USDA).

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Allowance for doubtful accounts receivable: All receivables at year end are expected to be collected within one year. Management of LHR reviews the collectability of the receivables on a monthly basis. No provision for doubtful accounts has been made as management considers all amounts fully collectible.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue recognition: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Other public support, grant funds and revenue are reported as the income is earned or in the period designated. Funds received in advance of participation and for future periods are reported as unearned or deferred.

Donated Noncash Assets: Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Noncash contributions are made up primarily of food and related food products donated by producers, manufactures, retailers, USDA, and the general public.

Functional Allocation of Expense: The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2. Cash and Cash Equivalents

Composition of cash and cash equivalents at June 30 is as follows:

Name	Balances		
	Bank	Account	
	2017	2017	2016
BB&T operating	\$ 86,348	\$ 66,942	\$ 107,512
BB&T money fund	-	-	267,921
Contribution deposit account	101	101	175
Access National Bank operating	186,976	185,870	-
Access National Bank savings	183,275	183,274	-
	<u>\$ 456,700</u>	<u>\$ 436,187</u>	<u>\$ 375,608</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2017, \$120,251 exceeded the FDIC insurance limits at Access National Bank.

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Certificates of Deposit

Certificates of deposit consist of the following bank deposit accounts:

Name	2017	2016
John Marshall Bank	\$ 228,270	\$ 225,436

At June 30, 2017 and 2016 all banking deposits were covered under the FDIC insurance program.

Note 4. Property and Equipment

A summary of property and equipment is as follows:

Description	2017	2016
Computers	\$ 6,610	\$ 6,610
Equipment	96,256	97,636
Leasehold improvements	9,350	9,350
Office Equipment	15,812	15,812
Software	17,431	17,431
Vehicles	179,573	135,446
	<u>325,032</u>	<u>282,285</u>
Less accumulated depreciation	(204,661)	(216,125)
	<u>\$ 120,371</u>	<u>\$ 66,160</u>

Depreciation expense for the year ended June 30, 2017 and 2016 was \$26,213 and \$19,894, respectively.

Note 5. Donated Inventory- Food Products

Noncash contributions of food products are donated by producers, manufacturers, retailers, USDA, and the general public. Contributed food is recorded as in-kind contributions income when donated and placed in inventory at the USDA nationally calculated average per pound. Food products are expensed when distributed. Any purchased supplement food products are distributed in the period purchased.

The established USDA value per pound of food for 2017 is \$1.67.

Note 6. Donated Services

Contributions of services are recognized when they are received if the services (a) create or enhance non-financial assets or (b) require specialized skill provided by individuals possessing those skills, and would typically need to be purchased if not donated. LHR recognized \$41,994 and \$39,816 of specialized services for the years ended June 30, 2017 and 2016, respectively. LHR also receives a substantial amount of services from individuals who assist in food collection and distribution. These services have not been recorded in the financial statements because they did not meet the criteria for recognition under generally accepted accounting principles. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$236,710 and \$224,135 for the years ended June 30, 2017 and 2016, respectively.

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7. Operations and Warehouse Facility Leases

Operations Facility: In February 2013 management renewed a lease with Leesburg Airpark II, LLC for approximately 4,700 square feet of combined warehouse and office space at 750 Miller Drive, Leesburg, Virginia. The term is for five years through February 2018 with annual fixed rent of \$91,200. LHR is responsible for utilities. During 2015, Loudoun County purchase the building and started providing the space by agreement through an in-kind contribution effective December 2015. Rent expense under this lease for fiscal year 2017 is summarized as follows:

Rent	Amount
In-kind donation from Loudoun County	\$ 91,200

Warehouse Facility: On April 29, 2011, the organization entered into a sub-lease arrangement with Rite-Aid of Virginia, Inc. for approximately 3,480 square feet of warehouse space at 452 South King Street, Leesburg, Virginia. The lease commenced upon occupancy in May 2011 and terminates in January 2018. Fixed annual rent of \$14,094 is due in advance on the first day of each lease year.

Minimum office rent lease commitment under this lease is as follows:

Year ending June 30:	Amount
2018	\$ 8,222

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets from grants is summarized as follows:

Year ending June 30:	Unspent 6/30/2016	FY 2017 Activity		Unspent 6/30/2017
		Additions	Uses	
Dominion Foundation	\$ -	\$ 7,500	\$ (421)	\$ 7,079
100 Women Strong	25,000	5,000	(25,000)	5,000
Loudoun Impact Fund	-	10,000	-	10,000
NOVA Health Foundation	-	60,000	(32,144)	27,856
Community Foundation of Loudoun and Northern Fauquier County	-	15,000	(15,000)	-
	\$ 25,000	\$ 97,500	\$ (72,565)	\$ 49,935

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9. Designated Net Assets

The Board of Directors has designated net assets and related cash balances for specific future obligations and projects summarized as follows:

Designated obligation/project	Amount
Operations center relocation	\$ 140,000
Strategic initiatives	125,000
Working capital	280,000
	<u>\$ 545,000</u>

Operations Center Relocation: LHR operations center office lease expires in 2018 with an informal agreement to extend until 2020. There is a likely possibility of having to relocate the operations center at that time.

Strategic initiatives: Several strategic planning and mission critical initiatives have been planned requiring resources for implementation. Net asset funds are designated for these future activities.

Working capital: The level and amount of operations funding varies each year dependent on donations and grants received. To insure continued service and operations, net assets and funds are set aside for a future operating funding shortfall.

Note 10. In-Kind Contributions of Non-Food Products

In-kind contributions of non-food products consist of the following donations:

Donated Item/Service	2017	2016
Marketing	\$ 7,180	\$ 1,096
Gift cards	53,934	56,303
Special events support	2,005	-
Outreach	3,276	-
Utilities	509	124
Donated fixed assets	-	22,202
Rent	91,200	53,200
Professional fees		
Accounting	24,000	24,000
Auditing	2,562	4,857
Information Technology	11,647	10,835
	<u>\$ 196,313</u>	<u>\$ 172,617</u>

Note 11. Pension Plan

Effective for fiscal years beginning July 1, 2016, LHR established an employer sponsored and funded IRA retirement arrangement for eligible employees. The amount contributed to the employee's IRA account is determined annually by the Board of Directors. For the year ended June 30, 2017, the board approved contributions of one and one half percent (1.50%) of eligible employees compensation which amounted to \$8,237.

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 12. Name Change

In September 2016 the board of directors adopted a resolution to change the organization's name from Loudoun Interfaith Relief, Inc. to Loudoun Hunger Relief, Inc. The organization continues to file with the Virginia State Corporation a DBA filing to protect their previous name.

Note 13. Fair Value of Financial Instruments

The Organization's financial instruments are cash and cash equivalents, certificates of deposit, accounts receivable, accounts payable and accrued expenses. The recorded values of these instruments approximate their fair values based on their short-term nature.

Note 14. Prior Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2016 of the prior year, from which the summarized information was derived.

Note 15. Subsequent Events

Loudoun Hunger Relief, Inc. has evaluated subsequent events from June 30, 2017 through August 21, 2017, the date these financial statements were available to be issued, and determined that there were no material subsequent events requiring adjustment to, or disclosure in, the financial statements for the year ended June 30, 2017.