

Healthy Harvest Food Bank, Inc.
Financial Statements
June 30, 2020 and 2019



WELLSCOLEMAN

5004 Monument Avenue • Richmond, VA 23230

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Healthy Harvest Food Bank, Inc.
Warsaw, Virginia

We have audited the accompanying financial statements of Healthy Harvest Food Bank, Inc., formerly known as Northern Neck Food Bank (the Food Bank), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Food Bank'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 Food Bank'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthy Harvest Food Bank, Inc., formerly known as Northern Neck Food Bank as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Wells Coleman". The signature is written in a cursive style with a large initial "W".

April 27, 2021

HEALTHY HARVEST FOOD BANK, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 501,332	\$ 172,269
Accounts receivable	40,477	3,169
Pledges receivable	26,000	25,981
Prepaid expenses	16,375	7,220
Inventory	<u>250,351</u>	<u>163,600</u>
Total current assets	<u>834,535</u>	<u>372,239</u>
 Property and Equipment		
Land	108,621	108,621
Building	2,369,400	-
Equipment	407,505	131,842
Leasehold improvements	-	7,766
Vehicles	169,647	186,647
Construction in progress	-	<u>1,005,051</u>
	<u>3,055,173</u>	1,439,927
Accumulated depreciation	<u>(236,768)</u>	<u>(221,394)</u>
Net property and equipment	<u>2,818,405</u>	<u>1,218,533</u>
 Other Assets		
Deposits	-	1,200
Pledges receivable - noncurrent	<u>11,972</u>	<u>37,471</u>
Total other assets	<u>11,972</u>	<u>38,671</u>
 Total Assets	 <u>\$ 3,664,912</u>	 <u>\$ 1,629,443</u>

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
Current Liabilities		
Construction line of credit	\$ 1,469,380	\$ 298,313
Accounts payable and accrued expenses	10,450	113,750
Payroll liabilities	<u>11,652</u>	<u>12,779</u>
Total current liabilities	1,491,482	424,842
Notes Payable - Long-Term	<u>62,700</u>	<u>-</u>
Total liabilities	<u>1,554,182</u>	<u>424,842</u>
Net Assets		
Without donor restrictions	2,043,390	1,107,393
With donor restrictions	<u>67,340</u>	<u>97,208</u>
Total net assets	<u>2,110,730</u>	<u>1,204,601</u>
Total Liabilities and Net Assets	<u>\$ 3,664,912</u>	<u>\$ 1,629,443</u>

HEALTHY HARVEST FOOD BANK, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 632,063	\$ 749,339	\$ 1,381,402
Contributions in-kind	4,149,632	-	4,149,632
Program revenue	214,429	-	214,429
Interest income	1,351	-	1,351
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>779,207</u>	<u>(779,207)</u>	<u>-</u>
Total support and revenue	<u>5,776,682</u>	<u>(29,868)</u>	<u>5,746,814</u>
Expenses			
Program	<u>4,514,062</u>	<u>-</u>	<u>4,514,062</u>
Supporting services expense			
General and administrative	86,511	-	86,511
Fundraising and development	<u>184,151</u>	<u>-</u>	<u>184,151</u>
	<u>270,662</u>	<u>-</u>	<u>270,662</u>
Total expenses	<u>4,784,724</u>	<u>-</u>	<u>4,784,724</u>
Other Income and (Expense)			
Loss on sale of property and equipment	(4,062)	-	(4,062)
Interest expense	<u>(51,899)</u>	<u>-</u>	<u>(51,899)</u>
Total other income (expense)	<u>(55,961)</u>	<u>-</u>	<u>(55,961)</u>
Change in net assets	935,997	(29,868)	906,129
Net Assets, beginning of year	<u>1,107,393</u>	<u>97,208</u>	<u>1,204,601</u>
Net Assets, end of year	<u>\$ 2,043,390</u>	<u>\$ 67,340</u>	<u>\$ 2,110,730</u>

See accompanying notes to financial statements.

HEALTHY HARVEST FOOD BANK, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 318,139	\$ 477,956	\$ 796,095
Contributions in-kind	3,845,968	-	3,845,968
Program revenue	242,909	-	242,909
Interest income	4,071	-	4,071
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>612,315</u>	<u>(612,315)</u>	<u>-</u>
Total support and revenue	<u>5,023,402</u>	<u>(134,359)</u>	<u>4,889,043</u>
Expenses			
Program	<u>4,274,047</u>	<u>-</u>	<u>4,274,047</u>
Supporting services expense			
General and administrative	64,518	-	64,518
Fundraising and development	<u>114,861</u>	<u>-</u>	<u>114,861</u>
	<u>179,379</u>	<u>-</u>	<u>179,379</u>
Total expenses	<u>4,453,426</u>	<u>-</u>	<u>4,453,426</u>
Change in net assets	569,976	(134,359)	435,617
Net Assets, beginning of year	<u>537,417</u>	<u>231,567</u>	<u>768,984</u>
Net Assets, end of year	<u>\$ 1,107,393</u>	<u>\$ 97,208</u>	<u>\$ 1,204,601</u>

See accompanying notes to financial statements.

HEALTHY HARVEST FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total</u>
Payroll and benefits	\$ 255,582	\$ 31,510	\$ 63,020	\$ 350,112
Advertising	-	-	5,217	5,217
Capital campaign expense	257	-	-	257
Depreciation	72,002	17,085	32,950	122,037
Direct program expense	3,299	-	-	3,299
Food	4,079,776	-	-	4,079,776
Information technology	11,856	1,248	2,496	15,600
Insurance	3,445	2,396	1,648	7,489
Meals and entertainment	1,188	317	6,412	7,917
Office	6,400	2,134	62,584	71,118
Professional fees	-	25,450	50	25,500
Rent	4,425	538	1,017	5,980
Repairs and maintenance	24,899	-	-	24,899
Taxes	18,631	3,592	4,509	26,732
Travel	214	52	99	365
Truck	15,199	-	-	15,199
Utilities	9,236	2,189	4,149	15,574
Warehouse	7,653	-	-	7,653
	<u>\$ 4,514,062</u>	<u>\$ 86,511</u>	<u>\$ 184,151</u>	<u>\$ 4,784,724</u>

See accompanying notes to financial statements.

HEALTHY HARVEST FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total</u>
Payroll and benefits	\$ 227,369	\$ 28,031	\$ 56,064	\$ 311,464
Advertising	-	-	4,399	4,399
Capital campaign expense	1,055	-	-	1,055
Depreciation	30,125	7,148	13,786	51,059
Direct program expense	32,396	-	-	32,396
Food	3,896,460	-	-	3,896,460
Insurance	1,455	1,012	695	3,162
Information technology	4,381	461	922	5,764
Meals and entertainment	724	193	3,913	4,830
Office	2,537	846	24,811	28,194
Professional fees	-	20,550	40	20,590
Rent	13,276	1,614	3,050	17,940
Repairs and maintenance	13,588	-	-	13,588
Taxes	13,405	2,586	3,244	19,235
Travel	2,825	689	1,307	4,821
Truck	26,619	-	-	26,619
Utilities	5,855	1,388	2,630	9,873
Warehouse	1,977	-	-	1,977
	<u>\$ 4,274,047</u>	<u>\$ 64,518</u>	<u>\$ 114,861</u>	<u>\$ 4,453,426</u>

See accompanying notes to financial statements.

HEALTHY HARVEST FOOD BANK, INC.

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 906,129	\$ 435,617
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	122,037	51,059
Loss on sale of assets	4,062	-
(Increase) decrease in operating assets		
Accounts receivable	(37,308)	(707)
Pledges receivable	25,480	(63,452)
Inventory	(86,751)	15,225
Deposits	1,200	-
Prepaid expenses	(9,155)	(820)
Increase (decrease) in operating liabilities		
Accounts payable	(109,803)	89,803
Accrued expenses	6,503	-
Payroll liabilities	(1,127)	4,068
	(1,127)	4,068
Net cash and cash equivalents provided by operating activities	821,267	530,793
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	18,000	-
Purchase of property and equipment	(1,743,971)	(996,689)
	(1,725,971)	(996,689)
Net cash and cash equivalents used by investing activities	(1,725,971)	(996,689)
Cash Flows from Financing Activities		
Repayment of loan	(211,620)	(15,608)
Draws on construction line of credit	1,382,687	298,313
PPP funds received	62,700	-
	62,700	-
Net cash and cash equivalents provided by financing activities	1,233,767	282,705

- Continued -

See accompanying notes to financial statements.

HEALTHY HARVEST FOOD BANK, INC.
STATEMENTS OF CASH FLOWS - CONTINUED

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Increase (decrease) in cash and cash equivalents	329,063	(183,191)
Cash and Cash Equivalents, beginning of year	<u>172,269</u>	<u>355,460</u>
Cash and Cash Equivalents, end of year	<u>\$ 501,332</u>	<u>\$ 172,269</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 52,900	\$ 272

Supplemental Disclosures of Noncash Financing Activities

During the year ended June 30, 2020, the Food Bank purchased a new vehicle by way of cash payment and trade-in. The Food Bank received trade-in value of \$10,000 on the exchange of a similar asset.

See accompanying notes to financial statements.

HEALTHY HARVEST FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

1. Nature of Organization

Healthy Harvest Food Bank, Inc., formerly known as Northern Neck Food Bank (the Food Bank), a Virginia non-profit corporation, was established in 2010. The Food Bank advocates for new and existing food banks in the Northern Neck area by providing low-cost nutritional food and logistical support in the way of storage, transportation, and distribution. The Food Bank is supported primarily through contributions.

2. Summary of Significant Accounting Policies

Method of Accounting: The financial statements of the Food Bank have been prepared on the accrual basis of accounting. Under this accounting method, income is recorded as earned and expenses are recorded as incurred.

Cash and Cash Equivalents: Cash and cash equivalents consist of unrestricted demand deposits and all highly liquid debt securities with maturities of three months or less at purchase.

Receivables: Bad debts are written off as the receivables are determined to be uncollectible. No allowance for doubtful accounts is considered necessary.

Promises to Give: Promises to give are recorded at net realizable value if expected to be collected in one year and at present value of their estimated future cash flows if expected to be collected in more than one year. The discounts on amounts to be collected in more than one year are computed using risk-free interest rates.

Inventory: Inventory consists primarily of in-kind donations of food and is valued at estimated fair value based on average value-per-pound of food. The average value-per-pound of food was \$1.74 and \$1.62 at June 30, 2020 and 2019, respectively, and is based upon a study performed by Feeding America to assist food banks in valuing their inventory.

Property and Equipment: Property and equipment are recorded at historical cost. Items are depreciated using the straight-line method over the estimated useful lives of assets, which range from 3 to 40 years. Maintenance and repairs are expensed as incurred.

Net Assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor-imposed restrictions.
- Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that can be filled by actions of the Food Bank pursuant to those restrictions or that expire by the passage of time. Some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period the contribution is received, the contribution is recorded as unrestricted for financial statement purposes.

HEALTHY HARVEST FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

2. Summary of Significant Accounting Policies - Continued

Contributions: The Food Bank adheres to Financial Accounting Standards Board Accounting Standards Codification 958-605, "Revenue Recognition", whereby contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

Advertising: Advertising costs are expensed as incurred.

Functional Allocation of Expenses: The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses are reviewed by management and allocated appropriately based on the type and purpose of the expense. Salaries and other overhead expenses are based on estimated allocation percentages determined by staff time spent between program, administrative, and fundraising tasks.

Income Tax Status: The Food Bank is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, the financial statements do not reflect a provision for income taxes. The Food Bank is required to file annually a Return of Organization Exempt from Income Tax (Form 990). The Food Bank's tax returns are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Adoption of New Accounting Standard: FASB issued an amendment to Accounting Standards Update 2018-08, "Not-for-Profit Entities" (Topic 958), "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." The ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. The Food Bank adopted the new standard effective July 1, 2019, the first day of the Food Bank's fiscal year. The adoption of the ASU resulted in no changes to beginning net assets as of July 1, 2019, or to the financial results for the year ended June 30, 2020.

Evaluation of Subsequent Events: Management has evaluated subsequent events through April 27, 2021, which is the date the financial statements were available to be issued.

HEALTHY HARVEST FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 501,332	\$ 172,269
Accounts receivable	40,477	3,169
Less cash unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	<u>(67,340)</u>	<u>(97,208)</u>
	<u>\$ 474,469</u>	<u>\$ 78,230</u>

As part of the Food Bank's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Promises to Give

Promises to give at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 26,000	\$ 25,981
Due in one to five years	<u>11,972</u>	<u>37,471</u>
	<u>\$ 37,972</u>	<u>\$ 63,452</u>

The current promises to give at June 30, 2020 and 2019 are shown net of an allowance for uncollectible promises of \$0. The noncurrent promises to give are shown net of a discount of \$28 and \$548 at June 30, 2020 and 2019, respectively. The discounts were determined using an interest rate of 0.29%.

5. Concentrations of Credit Risk

Financial instruments that potentially subject the Food Bank to concentrations of credit risk consist principally of cash in excess of FDIC insurance limits and accounts receivable. From time to time, the cash balance may exceed the FDIC insurance limit of \$250,000.

6. Line of Credit

In April 2019, the Food Bank obtained a line of credit with a financial institution that allows it to borrow up to \$1,104,000 to build a new food bank facility. The line is secured by a construction deed of trust on the property, and expires on April 23, 2027. The credit agreement provides for monthly interest payments on the outstanding balance at a fixed rate of 4.950% beginning in May 2019. The outstanding balance on the line was \$1,100,312 and \$298,313 as of June 30, 2020 and 2019, respectively.

HEALTHY HARVEST FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

6. Line of Credit - Continued

In November 2019, the Food Bank obtained a second line of credit with a financial institution that allows it to borrow up to \$453,000 to build a new food bank facility. The line is secured by a construction deed of trust on the property, and expires on April 23, 2027. The credit agreement provides for monthly interest payments on the outstanding balance at a fixed rate of 4.950% beginning in June 2020. The outstanding balance on the line was \$369,068 as of June 30, 2020.

7. Notes Payable

During the year ended June 30, 2020, the Food Bank was granted a loan in the amount of \$62,700, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a note dated April 7, 2020, matures on April 7, 2022, and bears an interest rate of 1.0% per annum, payable monthly. The note may be prepaid by the Food Bank at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. The Food Bank intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expense as described in the CARES Act. The Food Bank applied and received PPP Loan Forgiveness in November 2020.

8. In-Kind Contributions

The Food Bank recognizes contribution revenue for food inventory received at fair value based on the average value-per-pound of food on the date of the contribution. In-kind contributions of food for the years ended June 30, 2020 and 2019 totaled \$4,149,632 and \$3,845,968, respectively.

9. Leases

The Food Bank leased certain commercial property under an operating lease which expired October 2019. Rent expense for the years ended June 30, 2020 and 2019 totaled \$5,980 and \$17,940, respectively.

10. Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to aid the Food Bank in its general activities. The value of this contributed time is not reflected in these statements since it does not meet the recognition criteria as defined in FASB ASC 958-225-45, "Accounting for Contributions Received and Contributions Made".

11. Major Contributors

The Food Bank receives its in-kind contributions primarily from regional food distributors and governmental agencies. In-kind contributions from two organizations totaled 51% of total revenue for the years ended June 30, 2020 and 2019.

HEALTHY HARVEST FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

12. Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2020 and 2019 are as follows:

	Balance 6/30/2019	Receipts	Released from Restrictions	Balance 6/30/2020
Aquaponics	\$ -	\$ 60,000	\$ -	\$ 60,000
Back Pack Buddy	28,756	33,714	58,130	4,340
Gleaning	-	3,000	-	3,000
Technology	5,000	-	5,000	-
Capital Campaign	63,452	652,625	716,077	-
	<u>\$ 97,208</u>	<u>\$ 749,339</u>	<u>\$ 779,207</u>	<u>\$ 67,340</u>

For the year ended June 30, 2019, \$612,315 was released from restriction by meeting the purpose of the restriction.

13. Retirement Plan

The Food Bank offers a Simple IRA plan to all employees earning at least \$5,000 per year. For employees electing to participate, the Food Bank matches their contributions in an amount up to 3% of the participant's compensation with a maximum employer contribution of \$8,000. Employer contributions amounted to \$7,118 and \$6,973 for the years ended June 30, 2020 and 2019, respectively.

14. Impact of COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of Coronavirus ("the COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Food Bank was able to maintain operations during fiscal year 2020 with increases in contributions and demand. In addition, the Food Bank received PPP funds during the year which was used for qualifying expenses. The Food Bank's cash balances are subject to credit risks (see Note 4). As events are rapidly changing, additional impacts may arise that could adversely affect the Food Bank's operations, liquidity, and financial position.

15. Subsequent Events

In November 2020, the Food Bank's PPP loan was fully forgiven.

In January 2021, the Food Bank entered an agreement with a bank converting the first construction line of credit into a term note to be paid over 74 periods with the first payment due February 2021. Monthly payments are \$4,512 with the final payment being a balloon payment of the remaining balance due. The term note carries an interest rate of 4.00%. In March 2021, The Food Bank received \$54,000 from Feed More to be used to cover loan payments for a year.

In January 2021, the Food Bank paid off the remaining outstanding balance of \$121,000 on the second construction line of credit.