

ARLINGTON FOOD ASSISTANCE CENTER

FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

KOSITZKA, WICKS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS



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KOSITZKA, WICKS & COMPANY
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Arlington Food Assistance Center
Arlington, Virginia

We have audited the accompanying statements of financial position of **Arlington Food Assistance Center** (a not-for-profit organization) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of **Arlington Food Assistance Center's** management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of **Arlington Food Assistance Center** as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kositzka, Wicks and Company

Alexandria, Virginia
August 2, 2010

Arlington Food Assistance Center

Statements of Financial Position June 30,

2010

2009

Assets

Current assets

Cash	\$ 623,691	\$ 736,981
Certificates of deposits	146,495	59,644
Rent and property taxes receivable	1,924	3,248
Pledges receivable, net of long-term portion	103,108	-
Prepaid expenses	19,078	3,357
Inventory of food available for distribution	37,913	43,238
Gift cards	760	6,020
	<u>932,969</u>	<u>852,488</u>

Other assets

Investments	43,419	13,197
Pledges receivable, long-term portion	14,230	-
	<u>57,649</u>	<u>13,197</u>

Property and equipment

Land	261,901	261,901
Property and equipment, net	646,811	670,213
	<u>908,712</u>	<u>932,114</u>

Total assets

1,899,330 1,797,799

Liabilities and net assets

Current liabilities

Accounts payable	46,426	71,332
Accrued payroll costs	27,283	17,254
Capital lease obligation, net of long-term portion	622	-
Mortgage loan payable, net of long-term portion	41,400	11,641
	<u>115,731</u>	<u>100,227</u>

Long-term liabilities

Security deposits held	2,200	-
Capital lease obligation, long-term portion	2,704	-
Mortgage loan payable, long-term portion	231,714	666,784
	<u>236,618</u>	<u>666,784</u>

Net assets

Unrestricted	1,443,983	737,947
Temporarily restricted	102,998	292,841
Total net assets	<u>1,546,981</u>	<u>1,030,788</u>

Total liabilities and net assets

\$ 1,899,330 \$ 1,797,799

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Statement of Activities for the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Contributions			
Capital campaign	\$ -	\$ 195,365	\$ 195,365
Individuals	809,151	-	809,151
Churches	110,262	-	110,262
Organizations/businesses	86,967	3,300	90,267
Special events, net of \$42,401 expenses	-	107,658	107,658
Federated campaigns	217,214	-	217,214
	<u>1,223,594</u>	<u>306,323</u>	<u>1,529,917</u>
Grants	151,689	15,000	166,689
Arlington County	336,530	-	336,530
Rental income	35,406	-	35,406
In-kind donations	2,249,837	-	2,249,837
Investment income	8,260	-	8,260
Net assets released from restriction	511,166	(511,166)	-
Total revenue	<u>4,516,482</u>	<u>(189,843)</u>	<u>4,326,639</u>
Expenses			
Program services	3,483,389	-	3,483,389
Management and general	121,453	-	121,453
Fundraising	205,604	-	205,604
Total expenses	<u>3,810,446</u>	<u>-</u>	<u>3,810,446</u>
Change in net assets	706,036	(189,843)	516,193
Net assets, beginning of year	<u>737,947</u>	<u>292,841</u>	<u>1,030,788</u>
Net assets, end of year	<u>\$ 1,443,983</u>	<u>\$ 102,998</u>	<u>\$ 1,546,981</u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Statement of Activities for the year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Contributions			
Capital campaign	\$ -	\$ 114,287	\$ 114,287
Individuals	623,865	-	623,865
Churches	76,710	-	76,710
Organizations and businesses	158,801	6,020	164,821
Special events, net of \$25,608 expenses	-	84,034	84,034
Federated campaigns	151,160	-	151,160
	<u>1,010,536</u>	<u>204,341</u>	<u>1,214,877</u>
Grants	152,571	10,000	162,571
Arlington County	308,996	-	308,996
Rental income	34,431	-	34,431
In-kind donations	2,379,646	-	2,379,646
Investment income	1,193	-	1,193
Other income	5,096	-	5,096
Net assets released from restriction	54,000	(54,000)	-
Total revenue	<u>3,946,469</u>	<u>160,341</u>	<u>4,106,810</u>
Expenses			
Program services	3,395,487	-	3,395,487
Management and general	83,619	-	83,619
Fundraising	140,989	-	140,989
Total expenses	<u>3,620,095</u>	<u>-</u>	<u>3,620,095</u>
Change in net assets	326,374	160,341	486,715
Net assets, beginning of year	<u>411,573</u>	<u>132,500</u>	<u>544,073</u>
Net assets, end of year	<u>\$ 737,947</u>	<u>\$ 292,841</u>	<u>\$ 1,030,788</u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Statement of Functional Expenses for the year ended June 30, 2010

	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 474,007	\$ 51,080	\$ 118,807	\$ 643,894
Benefits	11,511	1,975	2,250	15,736
Payroll taxes	36,607	3,862	8,886	49,355
	<u>522,125</u>	<u>56,917</u>	<u>129,943</u>	<u>708,985</u>
Donated goods	2,251,764	-	-	2,251,764
Food purchases	478,244	-	-	478,244
Fundraising and public relations	3,037	8,904	3,053	14,994
Mortgage interest	30,884	1,100	1,861	33,845
Interest expense	1,722	166	320	2,208
Program transportation	35,951	-	-	35,951
Warehouse supplies	28,153	-	-	28,153
Occupancy costs	45,982	717	1,213	47,912
Supplies	6,046	578	1,215	7,839
Professional fees	1,988	15,973	38,113	56,074
Contract labor	3,207	-	-	3,207
Depreciation	27,387	782	1,377	29,546
Equipment rental and maintenance	14,561	941	2,483	17,985
Insurance	4,552	1,254	72	5,878
Printing and publications	4,271	15,892	10,366	30,529
Taxes	6,054	277	491	6,822
Travel and meetings	541	679	414	1,634
Bank charges	596	1,050	2,572	4,218
Telecommunications	8,075	713	1,244	10,032
Postage and shipping	745	5,084	9,599	15,428
Accounting and audit fees	-	9,000	-	9,000
Other expenses	7,504	1,426	1,268	10,198
Total functional expenses	<u><u>\$ 3,483,389</u></u>	<u><u>\$ 121,453</u></u>	<u><u>\$ 205,604</u></u>	<u><u>\$ 3,810,446</u></u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Statement of Functional Expenses for the year ended June 30, 2009

	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 357,347	\$ 35,009	\$ 82,875	\$ 475,231
Benefits	8,250	1,500	2,250	12,000
Payroll taxes	29,313	2,853	6,827	38,993
	<u>394,910</u>	<u>39,362</u>	<u>91,952</u>	<u>526,224</u>
Donated goods	2,323,016	-	-	2,323,016
Food purchases	434,619	-	-	434,619
Fundraising	13,531	28,127	13,940	55,598
Mortgage interest	50,558	-	-	50,558
Travel	34,098	-	545	34,643
Occupancy costs	34,209	-	-	34,209
Supplies	30,928	434	1,009	32,371
Professional fees	1,908	-	29,434	31,342
Depreciation	26,803	-	-	26,803
Equipment rental and maintenance	21,684	-	-	21,684
Insurance	10,038	4,111	-	14,149
Printing and publications	734	2,007	4,109	6,850
Taxes	7,947	-	-	7,947
Bank charges	-	6,393	-	6,393
Telecommunications	5,710	-	-	5,710
Postage and shipping	4,794	-	-	4,794
Accounting and audit fees	-	2,965	-	2,965
Other expenses	-	220	-	220
Total functional expenses	<u><u>\$ 3,395,487</u></u>	<u><u>\$ 83,619</u></u>	<u><u>\$ 140,989</u></u>	<u><u>\$ 3,620,095</u></u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Statements of Cash Flows for the year ended June 30,

2010

2009

Cash flows from operating activities

Change in net assets	\$ 516,193	\$ 486,715
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized and unrealized (gain) loss in investment account	(1,375)	3,742
Donated property and equipment	-	(17,834)
Donated gift cards (received) used	5,260	(6,020)
Donated stock received	(536)	
Depreciation	29,546	26,803
(Increase) decrease in operating assets		
Rent and property taxes receivable	1,324	(3,248)
Pledges receivable	(117,338)	-
Prepaid expenses	(15,721)	(2,701)
Inventory	5,325	(43,238)
Increase (decrease) in operating liabilities		
Accounts payable	(24,906)	56,128
Accrued payroll costs	10,029	(3,443)
Net cash provided by operating activities	<u>407,801</u>	<u>496,904</u>

Cash flows from investing activities

Purchase of certificates of deposit and reinvestments	(147,208)	(26,437)
Purchase of investments and reinvestments	(28,823)	-
Purchase of property and equipment	(2,617)	(15,255)
Proceeds from certificate of deposit maturity	60,357	42,566
Proceeds from donated investments sold	512	-
Proceeds from security deposit reclassified	2,200	-
Net cash provided by investing activities	<u>(115,579)</u>	<u>874</u>

Cash flows from financing activities

Principal repayment of lease obligation	(201)	-
Principal repayment of mortgage payable	(405,311)	(58,521)
Net cash used by financing activities	<u>(405,512)</u>	<u>(58,521)</u>

Net increase (decrease) in cash and cash equivalents

(113,290) 439,257

Cash and cash equivalents, beginning of year

736,981 297,724

Cash and cash equivalents, end of year

\$ 623,691 \$ 736,981

Supplemental cash flow information

Interest paid	<u>\$ 36,053</u>	<u>\$ 50,558</u>
Nonmonetary transactions		
Purchase of equipment under capital lease	<u>\$ 3,527</u>	<u>\$ -</u>

See accompanying notes and independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2010 and 2009

1. Organization

Arlington Food Assistance Center (AFAC) is a not-for-profit organization with a mission to collect, handle and distribute both perishable and non-perishable food products to hungry people in Arlington, Virginia. AFAC assists by relieving the food budget of clients, helps prevent homelessness and allows clients to make other necessary purchases without sacrificing their health, housing and nutritional needs. AFAC fits neatly into the comprehensive system of service delivery that characterizes the work done by the agencies and churches in Arlington. AFAC provides groceries to families and individuals referred by the Arlington County Department of Human Services, other social service agencies, and the churches of Arlington. AFAC obtains surplus food at a minimal cost from the Capital Area Food Bank and at no cost from private donors, local bakeries, supermarkets, farmers' markets and food drives. In addition to the daily food distribution at 2708 South Nelson Street, in 2010 AFAC began distributing food one day a week at the Claridge House, a senior living facility in Arlington.

AFAC is the sole owner of 2708 South Nelson Street LLC. This partnership owns the facility in which AFAC operates. These financial statements include the accounts of 2708 South Nelson Street LLC and all intercompany transactions have been eliminated.

2. Summary of significant accounting policies

Basis of accounting

The financial statements of AFAC are prepared using the accrual method of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred. All revenue and expenses which are applicable to future periods have been presented as deferred revenue or prepaid expenses on the accompanying statements of financial position.

Financial statement presentation

AFAC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2010 and 2009, AFAC had no permanently restricted net assets.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2010 and 2009

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

For purposes of the statements of cash flows, AFAC considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certificates of deposit are not included in cash and cash equivalents. Investor's Deposit Accounts (IDA) are interest bearing checking accounts. AFAC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. AFAC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. On October 3, 2008, the Emergency Economic Stabilization Act of 2008 temporarily increased the basic limit on FDIC insurance coverage from \$100,000 to \$250,000 per depositor through December 31, 2013. For the year ended June 30, 2010, AFAC diversified its bank accounts to ensure all cash was covered by the FDIC. For the year ended June 30, 2009, AFAC had \$215,530 in excess of the FDIC limit.

Inventory

The majority of the food distributed by AFAC is donated. This activity is recorded in the financial statements as a contribution on per-pound values established by Feeding America. AFAC also supplements its donated food supply by purchasing nutritious food items and perishable items not normally donated to AFAC, these items are valued at lower of cost or market.

Property and equipment

Property and equipment is recorded at cost if purchased and at fair value if donated. Depreciation is computed using the straight-line method over the useful lives of three to seven years for furniture and equipment, and fifteen to thirty-nine years for the building and improvements.

Compensated absences

Employees of AFAC are entitled to paid vacation depending on job classification, length of service and other factors. As of June 30, 2010 and 2009, compensated absences of \$9,066 and \$11,827 are included in accrued payroll costs in the accompanying statement of financial position.

Contributions

Contributions received are measured at their fair values and are reported as an increase in net assets. AFAC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2010 and 2009

2. Summary of significant accounting policies (continued)

Pledges receivable

Unconditional promises to give are recognized as revenue in the period pledged. Conditional promises to give are recognized as unrestricted revenue when the donor imposed conditions on which they depend are substantially met. Substantially all pledges receivable consist of promises made to the capital campaign.

Bad debts

For the year ended June 30, 2010, management provided for potential uncollectible amounts through an allowance for doubtful accounts.

In-kind support

A substantial number of volunteers donate time to AFAC's program services. The donated services are not reflected in the financial statements because the services require specialized skills as defined by U.S. generally accepted accounting principles and are an integral part of AFAC's purpose. Donated property is reflected as a revenue or asset at the fair market value of the property on date of donation. In kind support is detailed in Note 11 of these financial statements.

Functional classification of expenses

The costs of providing program services are summarized on a functional basis in the accompanying financial statements. Expenses have been charged to programs and supporting services directly, if applicable, or on the basis of periodic time and expense studies.

Subsequent events

AFAC assessed events occurring subsequent to June 30, 2010 through August 2, 2010 the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

Fair value of financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, certificate of deposits, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable, accrued payroll and all debt instruments. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2010 and 2009

3. Cash and cash equivalents

Cash and cash equivalents as of June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Checking accounts	\$ 115,501	\$ 450,069
IDA accounts	136,939	257,109
Money market accounts	371,251	29,803
	<u>\$ 623,691</u>	<u>\$ 736,981</u>

4. Certificates of deposit

Certificates of deposit at fair market value as of June 30, 2010, were as follows:

Certificate of deposit, interest at 0.50% matures on December 30, 2010	<u>\$ 146,495</u>
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Certificates of deposit at fair market value as of June 30, 2009, were as follows:

Certificate of deposit, interest at 0.25% matured on August 9, 2009	\$ 25,000
Certificate of deposit, interest at 2.48% matured on January 13, 2010	34,644
	<u>\$ 59,644</u>

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2010 and 2009

5. Pledges receivable

Pledges receivable are collectible over a one to four year period and have been discounted at 3.25% respectively, to record the present value of pledges to be received at June 30, 2010. The discount rate is the prime rate as of June 30, 2010. Following is a summary of pledges receivable as of June 30, 2010,

	<u>2010</u>
Pledges due in	
Less than one year	\$ 103,108
One to four years	17,991
	<u>121,099</u>
Allowance for doubtful accounts	(3,459)
Present value discount	<u>(302)</u>
	<u>117,338</u>
Less: current portion	<u>(103,108)</u>
Long-term portion	<u>\$ 14,230</u>

6. Investments

AFAC maintains its investments at fair market value, based on quoted prices in active markets, and accordingly, recognizes the gains or losses that result from market fluctuations for the period in which fluctuations occur. Purchased investments are initially recorded at cost and donated investments at fair value on date of receipt. Unrealized gains and losses are included in the statement of activities and changes in net assets.

Investment income (loss) for the year ended June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Realized and unrealized gains (losses)	\$ 1,375	\$ (3,742)
Interest and dividend income	7,085	5,035
Investment fees	<u>(200)</u>	<u>(100)</u>
	<u>\$ 8,260</u>	<u>\$ 1,193</u>

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2010 and 2009

6. Investments (continued)

In accordance with FASB ASC 820-10, Arlington Food Assistance Center classifies its investment into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Fair value measurements at June 30, 2010 and 2009 consisted of the following:

	2010			Total assets at fair value
	Level 1	Level 2	Level 3	
Certificates of deposit	\$ 146,495	\$ -	\$ -	\$ 146,495
Arlington Community Fund	-	43,419	-	43,419
	<u>\$ 146,495</u>	<u>\$ 43,419</u>	<u>\$ -</u>	<u>\$ 189,914</u>
	2009			
	Level 1	Level 2	Level 3	Total assets at fair value
Certificates of deposit	\$ 59,644	\$ -	\$ -	\$ 59,644
Arlington Community Fund	-	13,197	-	13,197
	<u>\$ 59,644</u>	<u>\$ 13,197</u>	<u>\$ -</u>	<u>\$ 72,841</u>

7. Inventory of food available for distribution

At June 30, 2010 and 2009 inventory consisted of \$37,913 and \$43,238, respectively. Donated food is valued based upon the fair market value of the foods, as published by Feeding America. At June 30, 2010 the approximate wholesale value of one pound of donated food was \$1.49. At June 30, 2009 the approximate wholesale value of one pound of donated food was \$1.59.

8. Rental income

AFAC rents a portion of its warehouse to Arlington Street People's Assistance Network, Inc. (ASPAN). AFAC received \$35,406 and \$34,341 in rental income from ASPAN for the years ended June 30, 2010 and 2009.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2010 and 2009

9. Building, property and equipment

A summary of information relative to property depreciation as of June 30, 2010 is as follows:

	Cost	Accumulated Depreciation	Depreciation Expense	Useful life
Land	\$ 261,901	\$ -	\$ -	
Building	669,660	52,228	17,171	39 years
Vehicles	64,469	46,400	9,129	5 years
Equipment	50,232	38,922	3,246	5-10 years
	<u>\$ 1,046,262</u>	<u>\$ 137,550</u>	<u>\$ 29,546</u>	

A summary of information relative to property depreciation as of June 30, 2009 is as follows:

	Cost	Accumulated Depreciation	Depreciation Expense	Useful life
Land	\$ 261,901	\$ -	\$ -	
Building	669,660	35,057	17,171	39 years
Vehicles	64,469	37,271	7,540	5 years
Equipment	66,970	58,558	2,092	5-10 years
	<u>\$ 1,063,000</u>	<u>\$ 130,886</u>	<u>\$ 26,803</u>	

10. Mortgage loan payable

Mortgage is payable in monthly installments of \$4,923 including interest at 6.95% through June 20, 2017, thereafter, variable rate at the Bank's Prime Rate plus 0% per annum adjusted daily. Thereafter payable in consecutive monthly payments as determined by note terms with balance due on maturity date of June 20, 2022 secured by real estate owned by AFAC. At June 30, 2010 and 2009, the fair value of the mortgage payable appropriates the amounts recorded in the financial statements.

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2010 and 2009

10. Mortgage loan payable (continued)

The following schedule outlines principal payments due on notes:

2011	\$	41,400
2012		44,370
2013		47,554
2014		50,967
2015		54,624
Thereafter		34,199
Total	\$	<u>273,114</u>

11. In-kind support

Donated food and assets

Food donations are received from local groceries, bakeries and food bank distributors. Donated food is valued based upon the fair market value of the foods, as published by Feeding America. At June 30, 2010 the approximate wholesale value of one pound of donated food was \$1.49. During 2010, AFAC collected 1,555,196 pounds of food. At June 30, 2009 the approximate wholesale value of one pound of donated food was \$1.59. During 2009, AFAC collected 1,481,606 pounds of food.

As of June 30, 2010 and 2009, AFAC recorded the following in kind donations:

	<u>2010</u>	<u>2009</u>
Food, net spoilage	\$ 2,245,722	\$ 2,355,754
Gift cards	3,135	6,020
Other in-kind	980	38
Vehicle	-	17,834
	<u>\$ 2,249,837</u>	<u>\$ 2,379,646</u>

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2010 and 2009

11. In kind support (continued)

Donated services

In accordance with financial accounting standards, the financial statements reflect only those donated services requiring specific expertise which AFAC would otherwise need to purchase. In addition, many individuals volunteer their time and perform a variety of tasks that assist AFAC. Volunteers assisted in food collection, distribution and administrative assistance. The hours volunteered have been valued at \$20.25 per hour in 2009 according to a report released by the Independent Sector. In 2010, AFAC reduced the per hour value to \$20. No amounts have been recognized in the financial statements for these volunteer hours because they do not meet the criteria for recognition. For the year ended June 30, 2010 and 2009, volunteer hours and value of hours were as follows:

	2010	
	<u>Hours worked</u>	<u>Value of hours</u>
Program	20,599	\$ 411,980
Administrative	5,149	102,980
	<u>25,748</u>	<u>\$ 514,960</u>
	2009	
	<u>Hours worked</u>	<u>Value of hours</u>
Program	17,739	\$ 359,215
Administrative	2,763	55,951
	<u>20,502</u>	<u>\$ 415,166</u>

12. Temporarily restricted net assets

Net assets are temporarily restricted for specific events or programs as well as for future periods. Restrictions on these assets are removed when expenses are incurred. Temporarily restricted net assets included the following at June 30, 2010:

	<u>2009</u>	<u>Additions</u>	<u>Releases</u>	<u>2010</u>
Capital campaign	\$ 196,787	\$ 195,365	\$ 296,160	\$ 95,992
Organizations and businesses	6,020	3,300	8,560	760
Special events	84,034	107,658	191,692	-
Grants	6,000	15,000	14,754	6,246
	<u>\$ 292,841</u>	<u>\$ 321,323</u>	<u>\$ 511,166</u>	<u>\$ 102,998</u>

See independent auditor's report.

Arlington Food Assistance Center

Notes to Financial Statements June 30, 2010 and 2009

13. Income taxes

FASB ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with FASB ASC 740-10 involves determining whether it is more likely than not that a tax position will be sustained upon examination, based upon the technical merits of the position. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. If a tax position does not meet the more-likely-than-not recognition threshold, the financial statements do not recognize a benefit for that position.

As required, AFAC adopted FASB ASC 740-10 during the year beginning January 1, 2009. The adoption did not result in a material impact to AFAC's results of operations or its financial condition. AFAC is exempt from federal income tax as a non-profit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. For the years ended June 30, 2010 and 2009, AFAC did not have any net "unrelated business income" subject to income taxes. Accordingly, no provision for income taxes has been included in these financial statements.

The material jurisdictions subject to potential examination by taxing authorities include the U.S. and Virginia. The Board does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on AFAC's results of operations. Tax years that remain subject to examination by the IRS are 2006 through 2009.

See independent auditor's report.