

BEANS AND RICE, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Beans and Rice, Inc.

We have audited the accompanying financial statements of Beans and Rice, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 Beans and Rice, Inc. as of June 30, 2019, 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.

Martin Arthur CPAs

January 14, 2020
Christiansburg, VA

BEANS AND RICE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 8,327
Grants receivable	45,791
Donations receivable (net of allowances)	7,203
Contracts receivable	29,178
Miscellaneous receivables	2,266
Notes receivable, current portion	12,754
Prepaid expenses	5,083

Total current assets	<u>110,602</u>
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Restricted cash and cash equivalents	293,296
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Notes receivable, long-term portion (net of allowances)	2,448
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Property and equipment	385,758
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Security deposits	1,000
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TOTAL ASSETS	<u>\$ 793,104</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 8,859
Accrued payroll	9,121
Payroll taxes payable	3,176
Security deposits	450
Expense reimbursements payable	2,382
Grants payable	9,600
Assets held on behalf of others	210,973
Note payable, current portion	12,766

Total current liabilities	<u>257,327</u>
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Deferred revenue	130,748
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Note payable, long-term portion	173,181
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Total liabilities	<u>561,256</u>
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Net assets:

Without donor restrictions:	
Undesignated	75,336
Board designated	31,469
Total net assets without donor restrictions	<u>106,805</u>

With donor restrictions	<u>125,043</u>
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Total net assets	<u>231,848</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 793,104</u>
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See accompanying notes to financial statements.

BEANS AND RICE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenues and reclassifications			
Donations	\$ 34,512	\$ -	\$ 34,512
Government contracts	186,351	-	186,351
Grants	126,934	23,402	150,336
Special events (net of costs)	1,450	-	1,450
Rent income	15,050	-	15,050
Sales, fees, and other (net of costs)	25,353	50	25,403
Interest income	283	1,196	1,479
In-kind contributions	83,710	-	83,710
Assets released from restrictions:			
Restrictions satisfied by payments	15,361	(15,361)	-
Total public support, revenues, and reclassifications	<u>489,004</u>	<u>9,287</u>	<u>498,291</u>
Expenses			
Program services	431,061	-	431,061
Management and general	71,789	-	71,789
Fundraising	7,505	-	7,505
Total expenses	<u>510,355</u>	<u>-</u>	<u>510,355</u>
Change in net assets	(21,351)	9,287	(12,064)
Net assets as of the beginning of the year	128,156	115,756	243,912
Net assets as of the end of the year	<u>\$ 106,805</u>	<u>\$ 125,043</u>	<u>\$ 231,848</u>

See accompanying notes to financial statements

BEANS AND RICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program	Management and General	Fundraising	Total
Assistance to individuals	\$ 4,388	\$ -	\$ -	\$ 4,388
Bad debts	2,215	-	231	2,446
Business registration fees	700	514	165	1,379
Contracted services	21,415	456	-	21,871
Depreciation	4,056	2,726	1,896	8,678
Donated materials and supplies	80,210	-	-	80,210
Dues and subscriptions	282	59	-	341
Equipment rental	-	2,529	-	2,529
Fines and penalties	-	486	-	486
Information technology	2,175	1,069	-	3,244
Insurance	3,989	6,322	-	10,311
Interest expense	3,467	4,238	-	7,705
Janitorial services	-	1,075	-	1,075
Miscellaneous	1,502	-	17	1,519
Payroll and benefits	265,950	15,863	2,048	283,861
Postage	182	405	282	869
Printing and copying	9	1,563	95	1,667
Professional services	825	14,240	-	15,065
Real estate and personal property taxes	206	298	1,433	1,937
Rent, parking and utilities	10,775	13,270	1,338	25,383
Supplies	17,447	469	-	17,916
Telephone	286	5,557	-	5,843
Travel and staff development	10,243	100	-	10,343
Vehicle expense	739	550	-	1,289
	<u>\$ 431,061</u>	<u>\$ 71,789</u>	<u>\$ 7,505</u>	<u>\$ 510,355</u>

See accompanying notes to financial statements.

BEANS AND RICE, INC
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (12,064)
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation	8,678
(Increase)/decrease in operating assets:	
Grants receivable	(18,135)
Donations receivable	(3,293)
Contracts receivable	(7,959)
Miscellaneous receivable	796
Notes receivables	9,602
Prepaid expenses	(3,720)
Security deposits	(1,000)
Increase/(decrease) in operating liabilities:	
Accounts payable	(3,481)
Accrued payroll	(4,361)
Payroll taxes payable	1,947
Grants payable	(5,775)
Reimbursements payable	1,545
Assets held on behalf of others	210,973
Deferred revenue	(1,714)
Net cash provided by operating activities	<u>172,039</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	(170,102)
Net cash used by investing activities	<u>(170,102)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on new loans	(12,267)
Net cash used by financing activities	<u>(12,267)</u>
NET DECREASE IN CASH	(10,330)
BEGINNING CASH	<u>311,953</u>
ENDING CASH	<u>\$ 301,623</u>
ADDITIONAL CASH FLOW INFORMATION:	
Cash paid for interest during the year	\$ 7,705
Cash paid for income taxes	\$ -

See accompanying notes to financial statements

BEANS AND RICE, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

1. ORGANIZATION AND NATURE OF ACTIVITIES

Beans and Rice, Inc. (The Organization), a nonprofit corporation, was chartered in the state of VA in 1997. The Organization's primary program activities are to improve the well-being of low to moderate income families through hunger relief, after-school programs for children, job creation, and savings programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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.

C. Contributed Goods and Services

Significant donated goods are recorded at their estimated fair values at the date of receipt, and are reflected in the financial statements as both in-kind contributions and either assets or expenses, depending on the nature of the contributions.

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

See Note 12 for more information on contributed goods and services.

D. Property and Equipment

The Organization capitalizes property and equipment over \$500, with lesser amounts being expensed. For the purpose of these financials, property and equipment has been recorded at cost if purchased or at fair market value if donated. The Organization depreciates the assets using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 years
Furniture	7 years
Vehicles	5 years
Buildings	40 years
Building improvements	40 years

E. Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

F. Advertising Expense

All advertising costs are expensed during the period in which they are occurred.

See independent auditor's report

G. Unemployment Tax

Under the Virginia Unemployment Compensation Act, nonprofit organizations under Section 501(c)(3) of the Internal Revenue code may choose to pay unemployment insurance taxes quarterly, or to be reimbursable to the Virginia Employment Commission for benefits paid. The Organization has elected to be reimbursable for unemployment benefits and is liable for its proportionate share of such claims.

3. CASH AND CASH EQUIVALENTS

At June 30, 2019, there are several bank accounts that are restricted in nature and are therefore not reported as current assets. They are still included on the statement of cash flows since they are considered cash and cash equivalents (see note 2). The restricted cash accounts are detailed as follows:

Restricted for grants and youth IDA activity	\$	81,081
Restricted for micro loans (see note 5)		180,746
Designated by board		31,469
	\$	<u>293,296</u>

4. DONATIONS AND GRANTS RECEIVABLE

At June 30, 2019, there were outstanding receivables totaling \$84,437. The funds are expected to be received within one year, and are for general operating expenses of the Organization. They are detailed as follows:

Grants:	OVCS	\$	14,482
	United Way		8,479
	USDA		22,830
		\$	<u>45,791</u>
Donations:	Individuals	\$	6,167
	United Way		3,710
	Other		333
	(Less allowance for doubtful)		(3,007)
		\$	<u>7,203</u>
Contracts:	PCSB	\$	5,839
	ASB		200
	NRVPDC		15,509
	RCPS		7,630
		\$	<u>29,178</u>
Misc.:	Fees receivable	\$	850
	Interest receivable		1,415
		\$	<u>2,265</u>
	Total	\$	<u>84,437</u>

The USDA grant receivable is part of the Price's Fork Project and will not be collected. Instead, it will be transferred to the organization taking over the restaurant operations. See Note 9 for details.

5. NOTES RECEIVABLE

Since 2009, the organization has operated a microenterprise development program in partnership with Pulaski County. The program benefits low-to-moderate income individuals by providing micro entrepreneurs and small businesses with training, technical assistance, mentoring, and access to capital. Beginning in 2014, the County transferred the loan capital and any existing loans to the organization for management.

The loan capital is held in a separate bank account and is restricted for servicing loans and is not available for operations. At June 30, 2019, the account reflected a balance of \$180,746. Any interest, principal and other loan fees are deposited to this account and become restricted for the purpose of servicing future loans.

There are four outstanding small business loans at June 30, 2019, totaling \$31,469. Details of the loan activities for the year is as follows:

Balance, beginning of year	\$	31,934
Net change		(7,387)
Balance, end of year		<u>24,547</u>
Less, allowance		(9,345)
	\$	<u><u>15,202</u></u>

Total interest received from servicing these notes totaled \$1,198 for the year.

Management evaluates the adequacy of the allowance for doubtful collections based on historical performance, borrower repayment history, and risk profile, as well as other factors such as operational efficiency and national and local economic conditions. Management estimates the risk of default at intake and adjusts the allowance according to economic conditions, credit concentrations, and changes in the quality of the portfolio. At June 30, 2019, the organization has established an allowance of \$9,345 based on historical trends of collectability and current available data.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Buildings	\$	229,328
Furniture and equipment		68,361
Vehicles		15,413
Commercial kitchen equipment		169,060
Less accumulated depreciation		(96,404)
Total	\$	<u><u>385,758</u></u>

Depreciation expense for the year was \$8,369.

The commercial kitchen equipment is part of the Price's Fork Project and has not, nor will it be, placed in service by the Organization. Instead, ownership will be transferred to the organization taking over the shared-use kitchen. See Note 9 for details.

7. DEFERRED REVENUE

The Organization reports undeployed loan capital from Pulaski County as deferred revenue. As new loans are disbursed to recipients, the Organization recognizes government grant income, and reduces the deferred revenue balance for the amount of the loans. See note 5 for more information on these loans. The balance of the undeployed loan capital at June 30, 2019 is \$130,748.

8. NOTES PAYABLE

The Organization purchased a building in 2015, located at 246 N Washington Ave in Pulaski, VA. Part of this building serves as the Pulaski office, while the remaining suites are rented to other non-profit organizations. A mortgage was taken against the building at the time of purchase.

The loan proceeds totaled \$225,000 and is to be repaid over 15 years. The note is payable in monthly installments of \$1,664, with an annual interest rate of 4%. The note is secured by the building. The following details the note activity for the year:

Balance at June 30, 2018	\$ 198,214
Principle payments during the year	<u>(12,267)</u>
Balance at June 30, 2019	<u><u>\$ 185,947</u></u>

Future scheduled maturities of long-term debt are as follows:

Years ending June 30:	
2020	12,766
2021	13,286
2022	13,827
2023	14,391
2024	<u>14,977</u>
	<u><u>\$ 69,247</u></u>

Total interest paid on the note totaled \$7,705 for the year.

9. ASSETS HELD ON BEHALF OF OTHERS

Working since 2015 with a group of partners organized by the New River Valley Regional Commission (NRVRC), the Organization has helped develop the Price’s Fork shared-use kitchen project. The original intent was for Beans and Rice, Inc. to operate a shared-use commercial kitchen and provide related food-based business development services. As part of this project Beans and Rice, Inc. was awarded a \$150,000 Rural Business Development Grant (RBDG) to purchase commercial grade kitchen equipment. During the last quarter of 2018-19, a disagreement arose regarding project strategy, leadership and its decision making structure. As a result Beans and Rice, Inc. has agreed to voluntarily exit a related NRVRC Appalachian Regional Commission sub-grant agreement, contingent upon all parties reaching a mutual exit agreement, including but not limited to transfer of the RBDG grant award, management, and fixed assets. As of the date of these financials, no final agreement has been reached.

Currently, a nonprofit entity (Live, Work, Eat, Gather, Inc.) operates the shared-use kitchen as Beans and Rice, Inc. awaits a response and proposed transfer process from USDA Rural Development (RBDG awarding agency). Once a mutually agreed upon entity is affirmed and a transfer process established, the assets will be transferred from Beans and Rice, Inc. to that entity. This will include the following assets that are currently being held:

Cash	\$ 19,083
Grant receivable	22,830
Property	<u>169,060</u>
Total	<u><u>\$ 210,973</u></u>

10. NET ASSETS

Any operating funds restricted by the donor, grantor or other outside party for particular operating purposes are deemed expendable when the Organization has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet expendable are reported as net assets with donor restrictions. The Organization has several donor restricted activities, including youth IDA (Individual Development Account) funds, donations, and grants specified for food and rent. The following summarizes the donor restricted activities for the period:

	Net assets with donor restrictions		
	Youth IDA	Micro Loans	Grants
Balance at June 30, 2018	\$ 16,102	\$ 44,725	\$ 54,929
Income during the year	6,250	8,634	9,765
Expenses during the year	(7,975)	-	(7,387)
Balance at June 30, 2019	<u>\$ 14,377</u>	<u>\$ 53,359</u>	<u>\$ 57,307</u>

The funds in the money market account have been designated by the Board for future activities. These funds consist of various unrestricted contributions over the years and are not designated for any particular purpose. The balance of these funds total \$31,469 at June 30, 2019.

11. FUND-RAISING ACTIVITIES

Proceeds and donations of \$1,450 from fund-raising activities were related to the Empty Bowls and Give Big programs.

12. DONATED GOODS AND SERVICES

Goods donated to the Organization are recorded at fair market value at the date of donation. Included in these donations is food that is distributed as part of the Organization’s programs. The fair market value of donated food is determined using either the retail price when food is donated by consumers, or by using an estimated, depreciated value based on an annual study performed by Feeding America when food that is nearing the end of its shelf life is donated by retailers. During the year ended June 30, 2019 food donations totaled approximately \$80,210.

The Organization relies heavily on volunteers to carry out its programs. Volunteer services are not reflected on the financial statements because they do not meet the definitions for reportable contributed services under generally accepted accounting principles. However, because of the high volume of volunteer services that are given to the Organization each year, much of the Organizations costs are associated with recruiting, training, and managing volunteers. For managerial purposes, including cost allocations, the Organization estimates that the value of volunteer services received during the year ended June 30, 2019 was \$97,733.

Also during the year, the Organization received Microsoft Azure subscriptions, which is a cloud-computing service. These intangible donations have been valued at fair market value and donations for the year ending June 30, 2019 totaled \$3,500.

13. RENT INCOME

The Organization rents several suites to other nonprofit organizations in the building that was purchased during the previous year (see note 8). Total rent income for the year was \$15,050.

14. OPERATING LEASES

The Organization entered into a leasing arrangement for its Radford location in 2010. The lease calls for monthly payments of \$800, and is currently month-to-month.

Future minimum lease payments are as follows:

Years ending June 30:

2020	\$	9,600
2021	\$	9,600
2022	\$	9,600
2023	\$	9,600
2024	\$	9,600

The Organization entered into a leasing arrangement at the Old School Food Center at Price's Fork in May, 2019 with Price's Fork Village II, LLC., a company owned by developer and property owner Joseph Fortier. Mr. Fortier and his wife, Shelley Fortier, are Live, Work, Eat, Gather, Inc. board members. The lease calls for monthly payments of \$400 over the next three years. However, once the related grant and sub-grant contracts are mutually terminated, Beans and Rice should be released from the obligation (see Note 9 for more information). As of the date of these financials, the lease has not been terminated so the future minimum lease payments have been presented below.

Future minimum lease payments are as follows:

Years ending June 30:

2020	\$	4,800
2021	\$	4,800
2022	\$	4,000

Rent expense for the year totaled \$9,200.

15. SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 14, 2019, the date the financial statements were available to be issued.

16. UNINSURED CASH BALANCES

The Organization's cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2019, \$49,803 of the Organization's cash deposits with banks were in excess of FDIC insurance limits.