

VIRGINIA PENINSULA FOODBANK

FINANCIAL STATEMENTS AND COMPLIANCE REPORTS

As of and for the Years Ended June 30, 2024 and 2023

And Reports of Independent Auditor

VIRGINIA PENINSULA FOODBANK
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To the Board of Directors
Virginia Peninsula Foodbank
Hampton, Virginia

Opinion

We have audited the accompanying financial statements of Virginia Peninsula Foodbank (the “Foodbank”), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foodbank as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foodbank and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2024, on our consideration of the Foodbank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foodbank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foodbank's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Raleigh, North Carolina
October 29, 2024

VIRGINIA PENINSULA FOODBANK
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,134,241	\$ 6,571,829
Investments	11,677,138	10,552,182
Accounts Receivable:		
Grants	2,168,104	1,031,386
Program service fees	127	5,531
Inventory	2,923,509	874,475
Other current assets	<u>12,780</u>	<u>13,784</u>
Total Current Assets	23,915,899	19,049,187
Property and equipment, net	5,326,596	5,283,561
Other Assets:		
Land held for investment	<u>9,956</u>	<u>9,956</u>
Total Assets	<u><u>\$ 29,252,451</u></u>	<u><u>\$ 24,342,704</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable, trade	\$ 169,274	\$ 122,407
Accrued payroll, vacation, and related expenses	179,267	126,761
Deferred revenue	<u>1,799,874</u>	<u>1,216,018</u>
Total Current Liabilities	<u>2,148,415</u>	<u>1,465,186</u>
Net Assets:		
Without Donor Restrictions:		
General	11,255,279	11,151,437
Invested in property and equipment	5,326,596	5,283,561
Board designated - operating reserve	6,518,200	5,397,550
Board designated - building reserve	3,000,000	-
Board designated - capital reserve	<u>916,745</u>	<u>1,024,970</u>
	27,016,820	22,857,518
With Donor Restrictions	<u>87,216</u>	<u>20,000</u>
Total Net Assets	<u>27,104,036</u>	<u>22,877,518</u>
Total Liabilities and Net Assets	<u><u>\$ 29,252,451</u></u>	<u><u>\$ 24,342,704</u></u>

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

VIRGINIA PENINSULA FOODBANK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support, and Gains:			
Contributions	\$ 3,585,679	\$ 149,279	\$ 3,734,958
In-kind contributions	90,712	-	90,712
Program service fees	31,186	-	31,186
Grants	237,499	3,515,803	3,753,302
Special events	250,228	-	250,228
United Way allocation	206,634	-	206,634
Miscellaneous	58,590	-	58,590
	<u>4,460,528</u>	<u>3,665,082</u>	<u>8,125,610</u>
Net assets released from restrictions	3,597,866	(3,597,866)	-
Total Revenues, Support, and Gains	<u>8,058,394</u>	<u>67,216</u>	<u>8,125,610</u>
Expenses:			
Program Services:			
Food distribution	3,716,048	-	3,716,048
Mobile pantry	699,594	-	699,594
Culinary and Kids Café	928,617	-	928,617
BackPack program	436,001	-	436,001
Supporting Services:			
Fundraising	910,617	-	910,617
Management and general	358,962	-	358,962
Total Expenses	<u>7,049,839</u>	<u>-</u>	<u>7,049,839</u>
Changes in Net Assets Before Donated Food Transactions and Nonoperating Revenue			
	<u>1,008,555</u>	<u>67,216</u>	<u>1,075,771</u>
Donated Food Transactions:			
Donated food - received	18,331,249	-	18,331,249
Donated food - distributed and undistributable	(16,443,099)	-	(16,443,099)
Net Change in Donated Food Transactions	<u>1,888,150</u>	<u>-</u>	<u>1,888,150</u>
Nonoperating Revenue:			
Investment return, net	1,257,597	-	1,257,597
Gain on disposal of property and equipment	5,000	-	5,000
Total Nonoperating Revenue	<u>1,262,597</u>	<u>-</u>	<u>1,262,597</u>
Changes in net assets	4,159,302	67,216	4,226,518
Net assets, beginning of year	<u>22,857,518</u>	<u>20,000</u>	<u>22,877,518</u>
Net assets, end of year	<u>\$ 27,016,820</u>	<u>\$ 87,216</u>	<u>\$ 27,104,036</u>

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

VIRGINIA PENINSULA FOODBANK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support, and Gains:			
Contributions	\$ 3,565,846	\$ 77,097	\$ 3,642,943
Program service fees	53,784	-	53,784
Grants	263,591	3,400,646	3,664,237
Special events	256,767	-	256,767
United Way allocation	-	93,952	93,952
Miscellaneous	76,935	-	76,935
	<u>4,216,923</u>	<u>3,571,695</u>	<u>7,788,618</u>
Net assets released from restrictions	<u>3,913,142</u>	<u>(3,913,142)</u>	<u>-</u>
Total Revenues, Support, and Gains	<u>8,130,065</u>	<u>(341,447)</u>	<u>7,788,618</u>
Expenses:			
Program Services:			
Food distribution	3,386,505	-	3,386,505
Mobile pantry	670,011	-	670,011
Culinary and Kids Café	829,619	-	829,619
BackPack program	439,239	-	439,239
Supporting Services:			
Fundraising	855,906	-	855,906
Management and general	241,323	-	241,323
Total Expenses	<u>6,422,603</u>	<u>-</u>	<u>6,422,603</u>
Changes in Net Assets Before Donated Food Transactions and Nonoperating Revenue			
	<u>1,707,462</u>	<u>(341,447)</u>	<u>1,366,015</u>
Donated Food Transactions:			
Donated food - received	11,965,840	-	11,965,840
Donated food - distributed and undistributable	<u>(13,075,844)</u>	<u>-</u>	<u>(13,075,844)</u>
Net Change in Donated Food Transactions	<u>(1,110,004)</u>	<u>-</u>	<u>(1,110,004)</u>
Nonoperating Revenue:			
Investment return, net	633,403	-	633,403
Gain on disposal of property and equipment	5,000	-	5,000
Total Nonoperating Revenue	<u>638,403</u>	<u>-</u>	<u>638,403</u>
Changes in net assets	1,235,861	(341,447)	894,414
Net assets, beginning of year	<u>21,621,657</u>	<u>361,447</u>	<u>21,983,104</u>
Net assets, end of year	<u>\$ 22,857,518</u>	<u>\$ 20,000</u>	<u>\$ 22,877,518</u>

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

VIRGINIA PENINSULA FOODBANK
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	Program Services					Supporting Services			
	Food Distribution	Mobile Pantry	Culinary and Kids Café	BackPack Program	Total	Fundraising	Management and General	Total	Total
Agency support	\$ 716,102	\$ 1,778	\$ -	\$ -	\$ 717,880	\$ -	\$ -	\$ -	\$ 717,880
Bank charges	-	-	-	-	-	23,298	1,212	24,510	24,510
Computer maintenance and support	26,618	6,227	8,572	1,840	43,257	42,599	3,498	46,097	89,354
Conferences and trainings	12,310	2,317	6,494	1,366	22,487	6,509	13,416	19,925	42,412
Dues and subscriptions	9,105	1,986	3,263	587	14,941	3,670	1,725	5,395	20,336
Employee benefits	131,343	31,293	31,498	6,487	200,621	46,946	22,506	69,452	270,073
Equipment rental and maintenance	26,400	1,399	10,336	1,425	39,560	1,848	1,161	3,009	42,569
Food costs	1,070,499	340,238	370,217	319,548	2,100,502	-	-	-	2,100,502
Freight	55,623	-	-	-	55,623	-	-	-	55,623
Fundraising and marketing	-	-	-	-	-	161,973	-	161,973	161,973
Insurance	68,303	16,979	22,768	5,017	113,067	22,189	7,525	29,714	142,781
Miscellaneous	7	2	31,865	1	31,875	74	1	75	31,950
Occupancy	223,917	2,699	45,498	10,601	282,715	3,712	6,439	10,151	292,866
Payroll taxes	68,245	15,549	21,241	3,995	109,030	26,841	12,270	39,111	148,141
Postage	4,090	1,002	1,344	296	6,732	55,813	444	56,257	62,989
Printing and publications	621	99	272	25	1,017	29,958	130	30,088	31,105
Professional fees	17,433	3,789	5,080	1,119	27,421	1,451	90,165	91,616	119,037
Recognition and awards	3,956	962	1,290	284	6,492	1,666	741	2,407	8,899
Salaries and wages	919,242	210,064	282,571	53,154	1,465,031	353,740	168,079	521,819	1,986,850
Special events	-	-	3,900	-	3,900	59,736	-	59,736	63,636
Supplies	75,437	8,822	5,769	1,167	91,195	14,544	2,053	16,597	107,792
Telephone	7,639	504	1,276	149	9,568	1,259	1,286	2,545	12,113
Temporary services	-	-	-	-	-	-	5,366	5,366	5,366
Transportation services	69,757	14,394	22,145	4,429	110,725	-	-	-	110,725
Travel	1,265	307	1,203	91	2,866	1,787	840	2,627	5,493
Total Expenses Before Depreciation and Donated Food	3,507,912	660,410	876,602	411,581	5,456,505	859,613	338,857	1,198,470	6,654,975
Depreciation	208,136	39,184	52,015	24,420	323,755	51,004	20,105	71,109	394,864
Total Expenses Before Donated Food	3,716,048	699,594	928,617	436,001	5,780,260	910,617	358,962	1,269,579	7,049,839
Donated Food	12,054,713	4,341,817	46,569	-	16,443,099	-	-	-	16,443,099
Total Functional Expenses	\$ 15,770,761	\$ 5,041,411	\$ 975,186	\$ 436,001	\$ 22,223,359	\$ 910,617	\$ 358,962	\$ 1,269,579	\$ 23,492,938

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

VIRGINIA PENINSULA FOODBANK
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services				Supporting Services				
	Food Distribution	Mobile Pantry	Culinary and Kids Café	BackPack Program	Total	Fundraising	Management and General	Total	Total
Agency support	\$ 676,562	\$ -	\$ -	\$ -	\$ 676,562	\$ -	\$ -	\$ -	\$ 676,562
Bank charges	-	-	-	-	-	21,204	(75)	21,129	21,129
Computer maintenance and support	19,552	4,841	5,871	1,760	32,024	40,126	6,036	46,162	78,186
Conferences and trainings	15,204	-	5,790	-	20,994	1,561	7,837	9,398	30,392
Dues and subscriptions	10,016	1,928	3,104	701	15,749	5,453	1,032	6,485	22,234
Employee benefits	148,308	27,755	28,051	7,071	211,185	39,539	23,369	62,908	274,093
Equipment rental and maintenance	32,477	1,353	9,960	1,783	45,573	1,940	1,366	3,306	48,879
Food costs	908,213	346,210	280,762	290,586	1,825,771	-	-	-	1,825,771
Freight	83,408	-	-	1,400	84,808	-	-	-	84,808
Fundraising and marketing	-	-	-	-	-	165,068	-	165,068	165,068
Insurance	39,412	9,758	11,786	3,548	64,504	14,193	4,942	19,135	83,639
Miscellaneous	18,977	-	14,477	-	33,454	25	-	25	33,479
Occupancy	217,667	2,768	46,659	10,872	277,966	3,807	6,604	10,411	288,377
Payroll taxes	62,211	13,999	21,560	5,042	102,812	24,134	10,800	34,934	137,746
Postage	3,914	969	1,170	352	6,405	54,868	491	55,359	61,764
Printing and publications	5,365	1,285	2,700	467	9,817	28,508	705	29,213	39,030
Professional fees	21,938	5,431	6,625	1,975	35,969	9,408	3,271	12,679	48,648
Recognition and awards	2,549	585	807	213	4,154	1,243	951	2,194	6,348
Salaries and wages	813,973	186,990	291,668	81,440	1,374,071	316,558	149,272	465,830	1,839,901
Special events	-	-	-	-	-	53,568	-	53,568	53,568
Supplies	53,229	15,787	30,223	4,352	103,591	27,717	10,409	38,126	141,717
Telephone	5,384	870	1,650	316	8,220	1,865	1,654	3,519	11,739
Transportation services	70,738	14,597	22,507	4,491	112,333	-	-	-	112,333
Travel	1,084	-	1,054	-	2,138	557	94	651	2,789
Total Expenses Before Depreciation and Donated Food	3,210,181	635,126	786,424	416,369	5,048,100	811,342	228,758	1,040,100	6,088,200
Depreciation	176,324	34,885	43,195	22,870	277,274	44,564	12,565	57,129	334,403
Total Expenses Before Donated Food	3,386,505	670,011	829,619	439,239	5,325,374	855,906	241,323	1,097,229	6,422,603
Donated Food	9,585,902	3,453,330	36,612	-	13,075,844	-	-	-	13,075,844
Total Functional Expenses	\$ 12,972,407	\$ 4,123,341	\$ 866,231	\$ 439,239	\$ 18,401,218	\$ 855,906	\$ 241,323	\$ 1,097,229	\$ 19,498,447

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

VIRGINIA PENINSULA FOODBANK
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Changes in net assets	\$ 4,226,518	\$ 894,414
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Donated food transactions, net	(1,888,150)	1,110,004
Depreciation	394,864	334,403
Gain on disposal of property and equipment	(5,000)	(5,000)
Net realized and unrealized gain on investments	(841,923)	(354,135)
Changes in assets and liabilities:		
United Way and Federated Campaign designation receivables	-	112,000
Accounts receivable:		
Grants	(1,136,718)	(352,744)
Program service fees	5,404	4,501
Inventory	(160,884)	(273,002)
Other current assets	1,004	13,042
Accounts payable, trade	46,867	68,189
Accrued payroll, vacation, and related expenses	52,506	16,346
Deferred revenue	583,856	(507,518)
Net cash flows from operating activities	<u>1,278,344</u>	<u>1,060,500</u>
Cash flows from investing activities:		
Proceeds from disposal of property	5,000	-
Purchases of investments	(283,033)	(3,919,201)
Purchases and donations of property and equipment	(437,899)	(344,399)
Net cash flows from investing activities	<u>(715,932)</u>	<u>(4,263,600)</u>
Net change in cash and cash equivalents	562,412	(3,203,100)
Cash and cash equivalents, beginning of year	<u>6,571,829</u>	<u>9,774,929</u>
Cash and cash equivalents, end of year	<u>\$ 7,134,241</u>	<u>\$ 6,571,829</u>

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

VIRGINIA PENINSULA FOODBANK

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 1—Nature of operations and summary of significant accounting policies

Nature of Activities – Virginia Peninsula Foodbank (the “Foodbank”) is a nonprofit Virginia corporation, exempt under 501(c)(3) of the Internal Revenue Code, organized June 22, 1987, which distributes food effectively through collaborative efforts that minimize hunger, promote nutrition, and encourage self-reliance through education. The Foodbank serves Gloucester, Hampton, James City County, Mathews County, Newport News, Poquoson, Surry County, Williamsburg, and York County.

A summary of the Foodbank’s significant accounting policies follows:

Method of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting and, as such, recognize income when earned and expenses when incurred.

Financial Statement Presentation – The Foodbank presents its financial statements in accordance with accounting standards generally accepted in the United States of America (“U.S. GAAP”) for financial statements of nonprofit organizations. Under these accounting standards, the Foodbank is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Foodbank is required to present statements of functional expenses and cash flows.

Classification of Net Assets – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets of the Foodbank and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are free of donor-imposed stipulations and are fully available to utilize for any program or supporting services. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions in accordance with donors’ stipulations results in the release of such restrictions. The Board of Directors (the “Board”) may designate certain amounts to be utilized or invested to meet specific objectives of the Foodbank.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may expire with the passage of time or that may be satisfied by actions of the Foodbank. When donor stipulations expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from donor restrictions. The Foodbank does not have any net assets with donor restrictions to be held in perpetuity.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash on hand or in demand deposit accounts and highly liquid investments purchased with an original maturity of three months or less. Cash and cash equivalents managed by the Foodbank’s investment managers, such as money market funds, are included in investments.

Program Service Fee Receivables – Program service fee receivables are reported at the amount management expects to collect on balances outstanding at year-end, less an allowance for credit losses and discount, if necessary. The Foodbank establishes expected credit losses by evaluating historical levels of credit losses, current economic conditions that may affect a customer’s ability to pay, and creditworthiness of significant customers. These inputs are used to determine a range of expected credit losses and an allowance is recorded within the range. Program service fee receivables are written off when there is no reasonable expectation of recovery. There was no allowance for credit losses deemed necessary as of June 30, 2024 or 2023.

Grants Receivable – Grants receivable consist of federal, state, and private grants. The Foodbank determines the need for an allowance for doubtful accounts based on historical data and management’s opinion of the collectability of receivables. An allowance was not deemed necessary as of June 30, 2024 or 2023.

VIRGINIA PENINSULA FOODBANK
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 1—Nature of operations and summary of significant accounting policies (continued)

Inventory – Purchased food inventory has been valued at the lower of (first-in, first-out) cost or net realizable value. Donated inventory has been valued using approximate average wholesale values of one pound of donated product of \$1.74 and \$1.57 at June 30, 2024 and 2023, respectively, as determined by Feeding America, the Nation’s Foodbank Network Valuation Study performed as of December 31, 2024 and 2023.

Property and Equipment – Property and equipment are stated at cost, if purchased, or at the estimated market value, if donated, less accumulated depreciation. Assets purchased of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The estimated lives of property and equipment are as follows:

Building and improvements	5 – 40 years
Equipment	3 – 40 years
Transportation equipment	5 – 10 years

As of June 30, 2024 and 2023, land held for investment consisted of two donated lots in Gloucester, Virginia and are stated at estimated fair value at the date of donation.

Impairment of Long-Lived Assets – Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted, future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. There was no indication of the need to review assets for impairment as of June 30, 2024 or 2023.

Revenue Recognition – The Foodbank recognizes revenue from exchange transactions in accordance with U.S. GAAP. Revenue from program service fees and special events is recognized when services are rendered or the special event occurs.

Contributions – The Foodbank recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. At June 30, 2024 and 2023, there were no contributions that have not been recognized in the statements of activities because the conditions on which they depend have not yet been met. Contributions are recorded with donor restrictions or without donor restrictions. These contributions are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, amounts with donor restrictions are reclassified to without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. The Foodbank’s policy is to report contributions with donor-imposed restrictions as without donor restrictions when these restrictions are met in the same year the contribution was received.

Grant Revenue – Revenue from cost reimbursement-based grants is recognized when reimbursable costs are incurred under the terms of the agreements. Revenue from performance-based grants is recognized when performance objectives, pursuant to the agreement, have been accomplished. Grant payments received in excess of the qualified costs or performance are accounted for as deferred revenue. Conditional grant revenues are recognized when the conditions or barriers on which they depend are substantially met.

VIRGINIA PENINSULA FOODBANK
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 1—Nature of operations and summary of significant accounting policies (continued)

Deferred Revenue – Deferred revenue results primarily from special events and grant agency payments received in advance, which will be recognized as revenue when the event occurs or when the recipient agency incurs its shared maintenance fee.

In-Kind Contributions and Expenditures – Donated services for work requiring specialized skills and are performed by individuals possessing those skills are valued at rates consistent with regular rates paid for similar work. Donated equipment, supplies, materials, and rent are valued at their estimated fair market value at the date of receipt.

Many individuals volunteer their time to perform a variety of tasks that assist the Foodbank’s program services. Volunteer services neither create nor enhance financial assets nor do they require special skills, and those are not recognized as support in the accompanying statements of activities and changes in net assets.

Advertising – Advertising costs are expensed as incurred. Advertising costs totaled \$174,580 and \$175,198 for the years ended June 30, 2024 and 2023, respectively.

Income Taxes – The Foodbank is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”), except on net income derived from unrelated business activities. IRC Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently, the Foodbank has no obligation for any unrelated business income tax. The Foodbank believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Functional Allocation of Expenses – The statements of functional expenses present the natural classification detail of expenses by function for the Foodbank. The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be specifically identified to a functional area are allocated directly. Expenses that are common to more than one function are allocated by various statistical means and by the use of management’s estimates. Personnel services and other expenses are allocated based on time and effort, full time equivalents, and square footage.

Use of Estimates in the Preparation of Financial Statements – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards Adopted – In June 2016, FASB issued ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, which requires certain financial assets to be measured at amortized cost net of an allowance for estimated credit losses, such that the net receivable represents the present value of expected cash collection. The new rules also require certain financial assets be measured at amortized cost reflecting an allowance for estimated credit losses that are expected to occur over the life of the assets. This estimate must be based on all relevant information, such as historical information, current conditions, and reasonable and supportable forecasts that could impact the collectability of the amounts. The standard is effective for the Foodbank for the calendar year ending June 30, 2024. The Foodbank adopted this accounting standard as of July 1, 2023, which did not have a material impact on the Foodbank’s financial statements.

VIRGINIA PENINSULA FOODBANK
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Investments

Investments are summarized as follows:

	Fair Value Measurements as of June 30, 2024		
	Adjusted Cost Basis	Fair Value	Cumulative Unrealized Gain
Money market funds	\$ 423,619	\$ 423,619	\$ -
Bond and fixed income mutual funds	5,478,993	5,460,323	(18,670)
Equity mutual funds	3,375,031	4,194,438	819,407
Securities	1,100,165	1,598,758	498,593
Total investments	<u>\$ 10,377,808</u>	<u>\$ 11,677,138</u>	<u>\$ 1,299,330</u>

	Fair Value Measurements as of June 30, 2023		
	Adjusted Cost Basis	Fair Value	Cumulative Unrealized Gain (Loss)
Money market funds	\$ 260,259	\$ 260,259	\$ -
Bond and fixed income mutual funds	5,248,421	5,125,517	(122,904)
Equity mutual funds	2,660,019	3,032,577	372,558
Securities	1,860,014	2,133,829	273,815
Total investments	<u>\$ 10,028,713</u>	<u>\$ 10,552,182</u>	<u>\$ 523,469</u>

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The following summarizes investment return, net for the years ended June 30:

	2024	2023
Interest and dividends	\$ 451,540	\$ 320,987
Unrealized gain	841,923	266,410
Realized gain	-	87,725
Investment fees	(35,866)	(41,719)
	<u>\$ 1,257,597</u>	<u>\$ 633,403</u>

VIRGINIA PENINSULA FOODBANK
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 3—Inventory

Inventory consists primarily of USDA commodities and purchased food inventory stated at the lower of (first-in, first-out) cost or net realizable value. Donated foods inventory is stated at the wholesale value per pound of donated product as determined by Feeding America as of June 30, 2024 and 2023 (see Notes 1 and 4). Inventory is summarized as follows:

	2024		2023	
	Poundage	Value	Poundage	Value
Donated food inventory	75,357	\$ 131,121	52,162	\$ 81,894
USDA commodities and FEMA	1,344,353	2,339,174	345,989	543,203
Purchased food inventory	329,386	453,214	168,023	249,378
	<u>1,749,096</u>	<u>\$ 2,923,509</u>	<u>566,174</u>	<u>\$ 874,475</u>

Note 4—Contributed nonfinancial assets

The Foodbank received \$18,331,249 and \$11,965,840 of donated food during the years ended June 30, 2024 and 2023, respectively. Food includes the following main categories: proteins, produce, dairy, bread, and beverages as well as a minimal amount of essential household and personal products. Contributed food was utilized in the following programs: Food Distribution, Mobile Pantry, Culinary and Kids Café, and Backpack program.

The Foodbank received approximately 10.5 million pounds and 5.4 million pounds, and distributed approximately 9.4 million pounds and 5.6 million pounds, of donated food during the years ended June 30, 2024 and 2023, respectively. The donated food is recorded in the financial statements as public support and as expense at the estimated average fair value of one pound of donated food product at the nation level of \$1.74 and \$1.57 for the years ended June 30, 2024 and 2023, respectively. These values were determined based upon calendar years 2024 and 2023 studies performed by Feeding America.

The Foodbank received a donation of computer equipment in the amount \$90,712, which is included in property and equipment, net, on the statement of financial position as of June 30, 2024. This was recorded as an in-kind contribution based on the fair value of the equipment donated. There were no in-kind donations of computer equipment as of June 30, 2023.

Note 5—Property and equipment, net

Property and equipment, net, consisted of the following as of June 30:

	2024	2023
Buildings and improvements	\$ 5,482,896	\$ 5,475,662
Equipment	1,349,571	1,116,165
Transportation equipment	1,300,511	1,234,626
Land and improvements	950,855	949,155
	9,083,833	8,775,608
Less allowance for depreciation	3,757,237	3,492,047
	<u>\$ 5,326,596</u>	<u>\$ 5,283,561</u>

Depreciation expense was \$394,864 and \$334,403 for the years ended June 30, 2024 and 2023, respectively.

VIRGINIA PENINSULA FOODBANK

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 6—Leases

The Foodbank determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration.

The Foodbank's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Foodbank does not have leases where it is involved with the construction or design of an underlying asset. The Foodbank has no material obligation for leases signed but not yet commenced as of June 30, 2024 or 2023. The Foodbank does not have any sublease activities. The Foodbank elected the three transition practical expedients that permit an entity to (a) not reassess whether expired or existing contracts contain leases, (b) not reassess lease classification for existing or expired leases, and (c) not consider whether previously capitalized initial direct costs would be appropriate under the new standard.

The Foodbank has elected the practical expedient not to recognize leases with terms of 12 months or less on the statement of financial position and instead recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Lease expense for such short-term leases was not material for the year ended June 30, 2024. The Foodbank elected to use an applicable risk-free rate on any future leases to be calculated under U.S. GAAP. The Foodbank elected to calculate any leases under U.S. GAAP with a lease term of more than 12 months and total lease payments exceeding \$5,000 at inception.

The Foodbank leases a copy machine from Canon through a noncancelable lease with monthly payments of \$310 plus additional charges per page owed through April 2025, which does not meet the Foodbank capitalization thresholds. Payments related to this leased asset totaled \$9,426 and \$8,497 for the years ended June 30, 2024 and 2023, respectively.

Future minimum payments owed related to this lease is \$3,100 for the year ending June 30, 2025.

Note 7—Program service fees receivable

The Foodbank charges a shared maintenance fee (maximum of 19 cents per pound) to the recipient agency, church, or other charitable organization which takes the donated food and commodities and redistributes such items to the poor, needy, and hungry. This fee offsets a portion of the handling and redistribution costs incurred by the Foodbank. Many donated items, specifically fresh produce and bread are distributed free of a shared maintenance fee. Accounts receivable – program service fees of \$127 and \$5,531 as of June 30, 2024 and 2023, respectively, are for outstanding shared maintenance fees. As of July 1, 2022 program service fees of \$10,032 were outstanding for shared maintenance fees.

Note 8—Retirement plans

The Foodbank had a Comprehensive ERISA Specimen 403(b) Plan effective January 1, 2019. The Foodbank contributes 3% of all participants' compensation upon the participants meeting the eligibility requirements. Annual retirement contributions amounted to \$43,306 and \$64,939 for the years ended June 30, 2024 and 2023, respectively.

Note 9—Public support

The Foodbank received 3% and 1% of its total revenue for the years ended June 30, 2024 and 2023, respectively, through allocations and designations from the United Way of the Virginia Peninsula. The United Way determines allocations annually and funds the Foodbank at their discretion.

VIRGINIA PENINSULA FOODBANK

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 10—Related party transactions

Several Board members are employed by organizations that contribute a significant amount of food to the Foodbank that is included in the donated food transactions. Lastly, as of June 30, 2024 and 2023, a significant amount of the Foodbank's cash and investments were maintained in banks with which Board members were associated.

Note 11—Board-designated funds

The Foodbank's Board agreed to designate a portion of the Foodbank's available cash to serve as a reserve fund for future capital and operational expenses. The operating reserve fund requires 12 months of operations to be designated to ensure the stability of the Foodbank's mission and ongoing operations. The capital reserve fund is designated for future capital needs of the Foodbank. The designated funds are held in short-term, highly liquid investments.

Note 12—Fair value measurements

U.S. GAAP provides the framework for measuring fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy under U.S. GAAP are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets the Foodbank has the ability to access.

Level 2 – Inputs to the valuation methodology include: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; and/or (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2024 or 2023:

Mutual Funds – Valued at the daily close price as reported by the fund. Mutual funds held by the Foodbank are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish a daily net asset value and transact at that price.

Marketable Equity Securities – Investments in marketable equity securities are valued based on quoted market prices.

VIRGINIA PENINSULA FOODBANK
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 12—Fair value measurements (continued)

The following tables set forth by level, within the fair value hierarchy as measured on a recurring basis, the Foodbank's assets at fair value as of June 30:

	June 30, 2024			
	Total	Fair Value Measurements		
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 423,619	\$ 423,619	\$ -	\$ -
Bond and fixed income mutual funds	5,460,323	5,460,323	-	-
Equity mutual funds	4,194,438	4,194,438	-	-
Securities	1,598,758	1,598,758	-	-
Total fair value measurements	<u>\$ 11,677,138</u>	<u>\$ 11,677,138</u>	<u>\$ -</u>	<u>\$ -</u>

	June 30, 2023			
	Total	Fair Value Measurements		
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 260,259	\$ 260,259	\$ -	\$ -
Bond and fixed income mutual funds	5,125,517	5,125,517	-	-
Equity mutual funds	3,032,577	3,032,577	-	-
Securities	2,133,829	2,133,829	-	-
Total fair value measurements	<u>\$ 10,552,182</u>	<u>\$ 10,552,182</u>	<u>\$ -</u>	<u>\$ -</u>

Note 13—Concentrations

The Foodbank is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Foodbank to risk consist principally of cash and investments. The Foodbank places its cash and investments with high quality financial institutions that participate in Federal Deposit Insurance Corporation and Securities Investor Protection Corporation programs. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds.

The Foodbank's potential credit risk in regards to accounts receivable is limited due to the nature of the Foodbank's receivables as well as the Foodbank's collection history. The Foodbank receives substantial donations of food from federal and state governments. If a significant reduction in the amount of donated food were to occur, it would affect the Foodbank's future programs and activities.

Note 14—Donor restrictions on net assets

Net assets with donor restrictions were released from donor restrictions by incurring expenses that satisfy the purpose or time restrictions specified by donors during the year ended June 30 as follows:

	2024	2023
Program and support services	\$ 3,519,143	\$ 3,794,390
Time restrictions released	78,723	118,752
	<u>\$ 3,597,866</u>	<u>\$ 3,913,142</u>

VIRGINIA PENINSULA FOODBANK
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 14—Donor restrictions on net assets (continued)

Net assets with donor restrictions were restricted for the following reasons as of June 30:

	<u>2024</u>	<u>2023</u>
Time restrictions related to other receivables	\$ 63,430	\$ 20,000
Grants	23,786	-
	<u>\$ 87,216</u>	<u>\$ 20,000</u>

Note 15—Liquidity

The following table reflects the Foodbank's financial assets as of June 30 (which exclude inventory, land held for investment, other current assets, and property and equipment), reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 7,134,241	\$ 6,571,829
Investments, at fair value	11,677,138	10,552,182
Accounts receivable:		
Grants	2,168,104	1,031,386
Program service fees	127	5,531
Financial assets at end of year	<u>20,979,610</u>	<u>18,160,928</u>
Less assets unavailable for general expenditures within one year:		
Donor-restricted net assets	87,216	20,000
Assets with Board designations	<u>10,434,945</u>	<u>6,422,520</u>
	<u>10,522,161</u>	<u>6,442,520</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,457,449</u>	<u>\$ 11,718,408</u>

As part of the Foodbank's liquidity management plan, it structures its financial assets to be available as its obligations come due. The Foodbank regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. Board-designated net assets may be made available, if needed, and approved by the Board. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foodbank considers all expenditures related to its ongoing mission related activities as well as the conduct of services undertaken to support those activities to be general expenditures. Management is of the opinion that sufficient liquidity exists to meet its obligations.

Note 16—Subsequent events

The Foodbank evaluated its June 30, 2024 financial statements for subsequent events through October 29, 2024, the date the financial statements were available to be issued.

COMPLIANCE SECTION

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Virginia Peninsula Foodbank
Hampton, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Foodbank (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Foodbank's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foodbank's internal control. Accordingly, we do not express an opinion on the effectiveness of Foodbank's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foodbank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Foodbank's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Foodbank's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Foodbank's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foodbank’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foodbank’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Raleigh, North Carolina
October 29, 2024

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors
Virginia Peninsula Foodbank
Hampton, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Virginia Peninsula Foodbank's (the "Foodbank") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024. The Foodbank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foodbank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Foodbank and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foodbank's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foodbank's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foodbank's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foodbank's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foodbank's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foodbank's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foodbank's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Raleigh, North Carolina
October 29, 2024

VIRGINIA PENINSULA FOODBANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
The Food Distribution Cluster:				
U.S. Department of Agriculture				
Pass-through from Virginia Department of Agriculture and Consumer Services:				
The Emergency Food Assistance Program (Administrative Costs)	10.568	67-350	\$ -	\$ 448,367
The Emergency Food Assistance Program Reach and Resiliency - Round 2 Grant	10.568	N/A	-	21,980
The Emergency Food Assistance Program (Food Commodities)	10.569	67-350	-	4,667,494
			<u>-</u>	<u>5,137,841</u>
Commodity Supplemental Food Program (Administrative Costs)	10.565	67-350	-	109,516
Commodity Supplemental Food Program (Food Commodities)	10.565	67-350	-	778,333
			<u>-</u>	<u>887,849</u>
Total The Food Distribution Cluster Pass-Through from Virginia Department of Agriculture and Consumer Services				<u>-</u> <u>6,025,690</u>
Pass-through from Virginia Department of Health:				
Virginia Child and Adult Care Food Program	10.558	N/A	-	320,381
Summer Food Service Program for Children	10.559	N/A	-	145,584
Total Pass-Through from Virginia Department of Health				<u>-</u> <u>465,965</u>
Total U.S. Department of Agriculture				<u>-</u> <u>6,491,655</u>
U.S. Department of Housing and Urban Development				
Pass-through from VA Department of Housing and Community Development: Community Development Block Grant				
	14.228	N/A	-	1,092,230
Pass-through from The Newport News Redevelopment and Housing Authority: Community Development Block Grant	14.228	N/A	-	125,932
Total U.S. Department of Housing and Urban Development				<u>-</u> <u>1,218,162</u>
U.S. Department of Homeland Security				
Pass-through from the VA Federation of Foodbanks:				
Temporary Assistance for Needy Families	93.558	N/A	234,227	234,227
U.S. Department of Treasury				
Pass-through from VA Department of Agriculture and Consumer Services: State and Local Fiscal Recovery Funds				
	21.027	N/A	-	325,936
U.S. Department of Homeland Security				
Emergency Food and Shelter National Board Program	97.024	N/A	46,272	46,272
Total Federal Awards			<u>\$ 280,499</u>	<u>\$ 8,316,252</u>

VIRGINIA PENINSULA FOODBANK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Foodbank under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Foodbank, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Foodbank.

Note 2—Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3—Indirect cost rate

The Foodbank has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4—Food commodities

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Distributed food is reported in the Schedule under the Commodity Supplemental Food Program and the Emergency Food Assistance Program and is valued at the weighted-average wholesale value of one pound of donated product based on the national per pound price as provided by the Nation’s Foodbank Network Valuation Study (\$1.74 for the year ended June 30, 2024).

Note 5—Pass-through state agencies

Expenditures of federal awards for funds passed through state agencies are based on information provided by the respective agencies. Pass-through entity identifying numbers are presented where available.

VIRGINIA PENINSULA FOODBANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness identified? yes no
- Significant deficiency identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness identified? yes no
- Significant deficiency identified? yes none reported

Noncompliance material to federal awards? yes no

Type of auditor’s report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) yes no

Identification of Major Programs

<i>Assistance Listing</i>	<i>Name of Federal Program</i>
10.565 / 10.568 / 10.569	The Emergency Food Assistance Cluster

The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.

The Foodbank did qualify as a low-risk auditee.

VIRGINIA PENINSULA FOODBANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

Section II—Findings in Relation to the Audit of the Financial Statements

Finding: 2024-001

Significant Deficiency over Revenue Reporting Cutoff

Criteria: A well-defined financial reporting and closing process ensures transactions are recorded timely and all accounts have been properly reconciled with subsidiary ledgers; resulting in financial information and data that is timely, accurate and available to management to aid in decision making processes.

Condition: The year-end closing process for the year ended June 30, 2023 was completed; however, there were some fixed asset purchases during the year related to grants that were not properly recorded as a receivable and revenue during the year ended June 30, 2023. This resulted in an understatement of beginning net assets and an overstatement of revenue for the year ended June 30, 2024.

Context: Community Development Block Grant Newport News & Reach and Resiliency Grant Expenditures were recorded in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2023, but were not recorded as revenue until June 30, 2024. Expenses were properly recorded as expenditures for the year ended June 30, 2023, but the resulting revenue of \$136,367 was not recorded for the year ended June 30, 2023, and instead posted to the following year, thus revenue is overstated as a result for the year ended June 30, 2024. Cumulative net assets are correct for the year ended June 30, 2024; however, net activity is overstated by these additional revenues for the year ended June 30, 2024. The Schedule of Expenditures of Federal Awards was not affected by these matters as expenses were fairly stated for both the years ended June 30, 2023 and 2024.

Effect: Errors could be made and not detected on a timely basis and, therefore, financial statements prepared in accordance with U.S. GAAP or grant reports submitted may contain errors.

Cause: Reconciliations were performed during the financial reporting and closing process for the year ended June 30, 2023; however, due to the nature of activity in new grant streams for Community Development Block Grant – Newport News and Reach & Resiliency Grant these reconciliations did not factor in purchases of fixed assets that should be considered as grant expenditures and offset against grant revenues recorded. As a result, approximately \$136,000 of revenue was recorded during the year ended June 30, 2024, rather than during the year ended June 30, 2023.

Recommendation: We recommend that the Foodbank implement a process to ensure that all purchases of both expenditures and fixed assets are reviewed for and captured for consideration in grant reporting going forward as well as adjustments to current processes to ensure that Finance Department staff are completing grant reports based on purchasing activity noted from the grant staff.

Management's Response: See Corrective action plan.

Proposed Completion Date: September 16, 2024

Section III—Federal Awards Findings and Questioned Costs

None reported.

VIRGINIA PENINSULA FOODBANK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2024

Section IV—Prior Year Findings

None reported.



September 24, 2024

Corrective Action Plan

Finding: 2024-001

Corrective Action:

The Foodbank is improving the process of timely revenue recognition related to federally awarded grants by reconciling all restricted expenditures including applicable fixed asset acquisitions to corresponding revenue accounts.

Reviewing the general and subsidiary ledgers will eliminate any potential timing variances and ensure that the revenues and related expenditures occur within the same accounting cycle.

This corrective action will be implemented no later than September 30, 2024

Lisa Olverson, CFO 9/25/24

Lisa Olverson, Chief Financial Officer