

EMERGENCY FOOD NETWORK, INC.

CHARLOTTESVILLE, VIRGINIA

REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED FEBRUARY 28, 2022

EXHIBIT A

Independent Auditor's Report on Financial Statements – Modified Cash Basis

To the Board of Directors
Emergency Food Network, Inc.

Opinion

We have audited the accompanying financial statements of Emergency Food Network, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of February 28, 2022, and the related statements of support, revenue and expenses – modified cash basis, and cash flows – modified cash basis for the year 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 assets, liabilities, and net assets of Emergency Food Network, Inc. as of February 28, 2022, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in the notes to the financial statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Emergency Food Network, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to the notes to the financial statements which describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in the notes to the financial statements, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

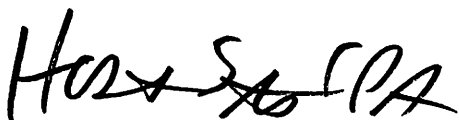
Auditor's Responsibilities for the Audit of the Financial Statements

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 it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 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 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 Emergency Food Network, Inc.'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 Emergency Food Network, Inc.'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 plan scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Hostetler Stott CPA
Charlottesville, Virginia
December 5, 2022

EMERGENCY FOOD NETWORK, INC.

Report on Examination of

Financial Statements – Modified Cash Basis

For the Year Ended February 28, 2022

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EXHIBIT B**EMERGENCY FOOD NETWORK, INC.**

Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
For the Year Ending February 28, 2022

ASSETS**ASSETS**

Cash and cash equivalents	\$	156,593
Investments		732,252
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TOTAL ASSETS		888,845
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LIABILITIES AND NET ASSETS**LIABILITIES**

Payroll liabilities		1,795
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TOTAL LIABILITIES		1,795
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NET ASSETS

Net assets without donor restrictions		861,739
Net assets with donor restrictions		25,311
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Total net assets		887,050
		<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$	888,845
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EXHIBIT C

EMERGENCY FOOD NETWORK, INC.
Statement of Support, Revenues and Expenses - Modified Cash Basis
For the Year Ending February 28, 2022

	Without Donor Restrictions	Donor Restricted	Total
<u>SUPPORT AND REVENUE</u>			
Contributions			
Individuals	\$ 117,912	\$ 1,008	118,920
Commonwealth of Virginia Campaign	1,656	-	1,656
Businesses	14,675	-	14,675
Church	12,992	-	12,992
Foundations	53,214	-	53,214
Organizations	2,238	-	2,238
Gifts in Kind	2,000	-	2,000
Total contributions	<u>204,687</u>	<u>1,008</u>	<u>205,695</u>
Interest and dividend income (net of fees of \$3,408)	10,888	-	10,888
Investment gains	3,465	-	3,465
Miscellaneous revenue	70	-	70
Total support and revenue	<u>219,110</u>	<u>1,008</u>	<u>220,118</u>
Reclassifications			
Net assets released from restrictions	11,407	(11,407)	-
Total reclassifications	<u>11,407</u>	<u>(11,407)</u>	<u>-</u>
Total revenue and reclassifications	230,517	(10,399)	220,118
<u>EXPENSES</u>			
Program services	105,291	-	105,291
Administrative	25,573	-	25,573
Fundraising	2,624	-	2,624
Total expenses	<u>133,488</u>	<u>-</u>	<u>133,488</u>
Net increase (decrease) net assets	97,029	(10,399)	86,630
Net assets at beginning of year	<u>765,210</u>	<u>35,710</u>	<u>800,920</u>
Net assets at end of year	<u>\$ 862,239</u>	<u>\$ 25,311</u>	<u>\$ 887,550</u>

EXHIBIT D

EMERGENCY FOOD NETWORK, INC.
Statement of Functional Expenses - Modified Cash Basis
For the Year Ending February 28, 2022

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	
Food purchases:				
Food purchases - general	\$ 37,109	\$ -	\$ -	\$ 37,109
Bright Stars	3,142	-	-	3,142
Bread purchases	5,003	-	-	5,003
Milk purchases	6,394	-	-	6,394
OOO dinners	572	-	-	572
Haven food purchases	-	-	-	-
Hispanic Ministry	5,400	-	-	5,400
Shelter for Help In Emergency	3,000	-	-	3,000
Hospitality House	-	-	-	-
Boys & Girls Club	9,153	-	-	9,153
Piedmont House	1,600	-	-	1,600
Extras	3,200	-	-	3,200
International Neighbors	2,500	-	-	2,500
Miscellaneous special projects	2,618	-	-	2,618
Restoration Hope House	400	-	-	400
Total food purchases	<u>80,091</u>	<u>-</u>	<u>-</u>	<u>80,091</u>
Personal care purchases	1,067	-	-	1,067
Dues and fees	-	388	1,009	1,397
Insurance	574	465	-	1,039
Miscellaneous	460	-	-	460
Office supplies and expenses	-	2,102	-	2,102
Payroll expense	3,775	10,000	500	14,275
Postage and mailing	770	-	-	770
Professional services	-	12,500	1,615	14,115
Rent expense	16,321	-	-	16,321
Telephone	2,233	118	-	2,351
Total expenses before investment expense	<u>105,291</u>	<u>25,573</u>	<u>2,624</u>	<u>133,988</u>
Investment expense	-	3,408	-	3,408
Total expenses	<u>\$ 105,291</u>	<u>\$ 28,981</u>	<u>\$ 2,624</u>	<u>\$ 137,396</u>

See accompanying notes to the financial statements.

EXHIBIT E

EMERGENCY FOOD NETWORK, INC.
Statement of Cash Flows - Modified Cash Basis
For the Year Ending February 28, 2022

Cash flows from operating activities:	
Change in net assets	\$ 86,130
Cash provided by (used by) operating activities:	
Net investment gains	(64)
Increase (decrease) in payroll liabilities	678
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Net cash provided by (used by) operating activities	86,744
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Cash flows provided by (used by) investing activities	
Purchase of investments	(114,288)
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Total cash flows provided by (used by) investing activities	(114,288)
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Net increase (decrease) in cash and cash equivalents	(27,544)
Cash and cash equivalents at beginning of year	184,137
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Cash and cash equivalents at end of year	\$ 156,593
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<u>Supplemental data:</u>	
Interest paid or capitalized	\$ -
Income taxes paid	\$ -
Non-cash investing activities	\$ -

The organization considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

EMERGENCY FOOD NETWORK, INC.
Notes to the Financial Statements
For the Year Ending February 28, 2022

Nature of the Organization

Emergency Food Network, Inc. (the Organization) is primarily run by volunteers and provides a three-day supply of nutritionally balanced food to underprivileged individuals and families. The primary revenue sources are cash and noncash donations from individuals, foundations, organizations and businesses.

Basis of Accounting

The Organization reports its financial statements using the modified cash method, which is a comprehensive basis of accounting other than generally accepted accounting principles. This method differs from GAAP in that grant income and contributions are recognized when received rather than when earned or promised. Therefore, no pledges or grants receivable are reported in the financial statements. Payroll tax liabilities are recognized in the financial statements, yet noncash donations are not. Additionally, furniture and equipment are expensed in the year they are purchased.

Accounting Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting 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 revenues and expenses during the reporting period. Actual results could differ from the estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Gift cards held are also considered cash equivalents. The carrying amounts reported in the statement of financial position approximate its fair values. At year end, cash and cash equivalents consists of one checking account.

Investments

The Organization reports investments in marketable equity securities and mutual or money market fund securities with readily determinable fair values, and these are recorded at fair value. Fair value is established based on quoted prices from recognized securities exchanges. Dividend income and unrealized gains and losses on investments (net of fees) are reported in the statement of support, revenues, and expenses – modified cash basis.

Inventory

The Organization holds food and other consumables in stock. The costs of these items in stock at year end would be reported under GAAP but are not reported under the modified-cash basis.

EMERGENCY FOOD NETWORK, INC.
Notes to the Financial Statements
For the Year Ending February 28, 2022

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EMERGENCY FOOD NETWORK, INC.
 Notes to the Financial Statements
 For the Year Ending February 28, 2022

Basis of Accounting (continued)

Property and Equipment

Emergency Food Network, Inc. owns furniture and equipment for use in operations including a small freezer, two refrigerators, shelving, and miscellaneous furniture and office equipment. Additionally, building improvements were made to the storage facility at Meadows Presbyterian Church in 1990. The historical cost of these items is not reported in this statement as it would be under GAAP. The items were expensed when incurred, rather than being capitalized and depreciated over their useful lives as they would have been under GAAP.

Net Assets

Net assets without donor restrictions result from unexpended funds received from funding sources that impose no time or usage restrictions. At year end, the Organization had net assets without donor restrictions of \$861,739.

Donor-restricted net assets result from unexpended revenues subject to donor-imposed restrictions as to time and/or purpose of usage. At year end, the Organization had net assets with donor restrictions of \$25,311 as follows:

Summary of net assets with donor restrictions	Balance 2/29/21	Funds received in FY2022	Expended in FY 2022	Balance 2/28/22
Grant for fundraising consultant	\$ -	-	-	-
Grant for extras (non-staple foods)	5,402	-	-	5,402
Concessions for Extras (non-staple foods)	828	1,008	1,541	295
Grant for The Haven	4,907	-	4,907	-
Grant for fresh produce	23,851	-	4,237	19,614
Grant for chicken	722	-	722	-
Grant for milk	-	-	-	-
Total net assets with donor restrictions	\$ 35,710	\$ 1,008	\$ 11,407	\$25,311

Noncash contributions

The Organization received donations of approximately 7,500 pounds of food during the year. They also were given the use of approximately 1,080 square feet of facility space, the value of which is not recorded in this statement as it would be under GAAP. The value of donated labor is also not recognized.

EMERGENCY FOOD NETWORK, INC.
Notes to the Financial Statements
For the Year Ending February 28, 2022

Income Taxes

The Organization is a corporation that is exempt from income taxes on all exempt-purpose earnings under Section 509(a)(1) and 170(b)(A)(vi) of the Internal Revenue Code per letter of November 5, 1975. The Organization is not a private foundation.

Uncertain Tax Positions

The Organization believes that 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. The federal income tax returns for fiscal year 2019 and forward are subject to examination by the Internal Revenue Service

Facility Lease

The Organization has entered into a lease for 900 square feet of commercial space requiring monthly payments of \$1,175 per month through August 31, 2022. Rent expense for 12 months, including related utilities expense, for the fiscal year was \$14,100. Future rent commitments are as follows:

Year ended 2/28/23	\$ 7,050

Functional Allocation of Expenses

The Organization allocates its expenses among program services and supporting services in the Statement of Functional Expenses – Modified Cash Basis. Allocations are made based on the specific purpose of each expense or by the percentage of time spent by employees on each type of service. These allocations involve estimations made by management.

Concentration of Risk

The Federal Deposit Insurance Corporation (FDIC) insures account balances up to \$250,000 at a banking institution. As of February 28, 2022 the balances held at the bank did not exceed this limit. Investment and Beneficial interest balances of the Organization are not FDIC insured.

Fair Value of Financial Instruments

The Financial Accounting Standards Board Codification of Accounting Standards Topics 820 and 825 established a framework for measuring fair value under accounting principles generally accepted in the United States of America. That framework provides a 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

EMERGENCY FOOD NETWORK, INC.
 Notes to the Financial Statements
 For the Year Ending February 28, 2022

Fair Value of Financial Instruments (Cont'd)

Level 1 – Quoted prices in active markets for identical assets the Organization has the ability to access at the measurement date. These types of quoted prices would include publicly traded securities.

Level 2 – Pricing inputs (other than quoted prices included in Level 1) that are observable for the asset, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the Organization. These types of sources would include quoted prices for similar assets, models or other valuation methodologies.

Level 3 – Pricing inputs that are unobservable for the asset. Unobservable inputs are those that reflect management’s assumptions about the assumptions that market participants would use in pricing the asset developed based on the best information available.

The carrying amounts for cash reported in the statement of financial position approximate fair values. The following table sets forth, by level, within the fair value hierarchy, amounts recorded in the Organization’s financial statements at fair value as of February 28, 2022:

	Fair Value	Level 1	Level 2
Checking and Savings	\$ 156,593	\$ 156,593	
Investment- Mutual Fund	425,560	425,560	
Investment-Pooled Fund	306,692		\$306,692
Payroll Liabilities	1,795	1,795	

The Level 2 assets represent a beneficial interest in amounts invested in CACF’s investment pool. The valuation of this investment is based upon the inputs used by CACF to value the underlying assets. The following table provides further details of the Level 2 fair value measurements at February 28, 2021:

Level 2 investments, beginning of year	\$ 208,571
Change in value of investment:	
Contributions/Deposits	100,000
Investment returns (losses)	1,453
Administrative fee	(3,332)
Level 2 investments, end of year	\$ 306,692

EMERGENCY FOOD NETWORK, INC.
Notes to the Financial Statements
For the Year Ending February 28, 2022

Liquidity and Availability to Meet Cash Needs

The following represents Emergency Food Network Inc.'s financial assets as February 28, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets:	
Cash	\$ 156,593
Investments	732,252
Net Financial Assets	888,845
Less: net assets with donor restrictions	(25,311)
Total available to meet general expenditures	\$ 863,534

Commitments

Emergency Food Network, Inc. has entered into several contracts with other charitable organizations in which it promises to provide money on a monthly basis for the purchase of food for their respective clients. As of February 28, 2022, within the coming fiscal year Emergency Food Network, Inc. has a zero committed funds balance.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 5, 2022 which is the date that the financial statements were available to be issued. No other subsequent events have been recognized or disclosed.