

**EMERGENCY FOOD NETWORK, INC.**

CHARLOTTESVILLE, VIRGINIA

REPORT ON AUDIT OF  
FINANCIAL STATEMENTS – MODIFIED CASH BASIS  
FOR THE YEAR ENDED FEBRUARY 28, 2023

**EMERGENCY FOOD NETWORK, INC.**

**Report on audit of**

**Financial Statements – Modified Cash Basis**

**For the Year Ended February 28, 2023**

CONTENTS

|   |           |
|---|-----------|
| Independent Auditor's Report on Financial Statements .....                  | EXHIBIT A |
| Statement of Assets, Liabilities and Net Assets – Modified Cash Basis ..... | EXHIBIT B |
| Statement of Support Revenues, Expenses – Modified Cash Basis .....         | EXHIBIT C |
| Statement of Functional Expenses – Modified Cash Basis .....                | EXHIBIT D |
| Statement of Cash Flows – Modified Cash Basis.....                          | EXHIBIT E |
| Notes to the Financial Statements .....                                     | EXHIBIT F |



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## EXHIBIT A

### Independent Auditor's Report – Modified Cash Basis

Board of Directors  
Emergency Food Network  
P.O. Box 4373  
Charlottesville, VA 22905

#### **Opinion**

We have audited the accompanying financial statements of Emergency Food Network (a nonprofit organization), which comprise the statements of assets, liabilities and net assets – modified cash basis as of February 28, 2023 and the related statement of support, revenue and expenses – 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 financial position of Emergency Food Network as of February 28, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance modified cash basis of accounting.

#### **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 Auditors Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Emergency Food Network 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 the 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 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 from 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 substantial likelihood that, individually or in the aggregate, they would influence the judgment made by 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 risk 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 and circumstances, but not for the purpose of expressing an opinion on the effectiveness of Emergency Food Network'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Emergency Food Network'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.



Hostetler Stott CPA  
Certified Public Accountants  
Charlottesville, VA  
September 28, 2023

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

Statement of Assets, Liabilities and Net Assets - Modified Cash Basis  
For the Year Ending February 28, 2023

**ASSETS****ASSETS**

|                           |    |                       |
|---------------------------|----|-----------------------|
| Cash and cash equivalents | \$ | 61,118                |
| Investments               |    | <u>694,814</u>        |
| TOTAL ASSETS              |    | <u><u>755,932</u></u> |

**LIABILITIES AND NET ASSETS****LIABILITIES**

|                     |  |            |
|---------------------|--|------------|
| Payroll liabilities |  | <u>896</u> |
| TOTAL LIABILITIES   |  | <u>896</u> |

**NET ASSETS**

|                                       |    |                       |
|---------------------------------------|----|-----------------------|
| Net assets without donor restrictions |    | 747,769               |
| Net assets with donor restrictions    |    | <u>7,267</u>          |
| Total net assets                      |    | <u>755,036</u>        |
| TOTAL LIABILITIES AND NET ASSETS      | \$ | <u><u>755,932</u></u> |

**EXHIBIT C****EMERGENCY FOOD NETWORK, INC.**Statement of Support, Revenues and Expenses - Modified Cash Basis  
For the Year Ending February 28, 2023

|   | <b><u>Without Donor</u></b> | <b><u>Donor</u></b>      | <b><u>Total</u></b> |
|---|-----------------------------|--------------------------|---------------------|
|   | <b><u>Restrictions</u></b>  | <b><u>Restricted</u></b> |                     |
| <b><u>SUPPORT AND REVENUE</u></b>                     |                             |                          |                     |
| Contributions   |                             |                          |                     |
| Individuals   | \$ 116,431                  | \$ 16,845                | 133,276             |
| Commonwealth of Virginia Campaign                     | 1,240                       | -                        | 1,240               |
| Businesses  | 6,446                       | -                        | 6,446               |
| Church  | 9,931                       | -                        | 9,931               |
| Foundations   | 72,206                      | -                        | 72,206              |
| Organizations   | 4,863                       | -                        | 4,863               |
| Gifts in Kind   | -                           | -                        | -                   |
| Total contributions                                   | <u>211,117</u>              | <u>16,845</u>            | <u>227,962</u>      |
| Interest and dividend income (net of fees of \$2,768) | 8,126                       | -                        | 8,126               |
| Unrealized loss on investments                        | (70,564)                    | -                        | (70,564)            |
| Miscellaneous revenue                                 | 30                          | -                        | 30                  |
| Total support and revenue                             | <u>148,709</u>              | <u>16,845</u>            | <u>165,554</u>      |
| Reclassifications                                     |                             |                          |                     |
| Net assets released from restrictions                 | <u>34,888</u>               | <u>(34,888)</u>          | <u>-</u>            |
| Total reclassifications                               | <u>34,888</u>               | <u>(34,888)</u>          | <u>-</u>            |
| Total revenue and reclassifications                   | 183,597                     | (18,043)                 | 165,554             |
| <b><u>EXPENSES</u></b>                                |                             |                          |                     |
| Program services                                      | 257,973                     | -                        | 257,973             |
| Administrative  | 34,373                      | -                        | 34,373              |
| Fundraising   | 5,222                       | -                        | 5,222               |
| Total expenses  | <u>297,568</u>              | <u>-</u>                 | <u>297,568</u>      |
| Net increase (decrease) net assets                    | (113,971)                   | (18,043)                 | (132,014)           |
| Net assets at beginning of year                       | <u>861,740</u>              | <u>25,310</u>            | <u>887,050</u>      |
| Net assets at end of year                             | <u>\$ 747,769</u>           | <u>\$ 7,267</u>          | <u>\$ 755,036</u>   |

**EXHIBIT D**

**EMERGENCY FOOD NETWORK, INC.**  
Statement of Functional Expenses - Modified Cash Basis  
For the Year Ending February 28, 2023

|                                | <u>Supporting Services</u> |                       |                    | <u>Total</u>   |
|--------------------------------|----------------------------|-----------------------|--------------------|----------------|
|                                | <u>Program Services</u>    | <u>Administrative</u> | <u>Fundraising</u> |                |
| Food purchases:                |                            |                       |                    |                |
| Food purchases - general       | \$ 111,824                 | \$ -                  | \$ -               | \$ 111,824     |
| Bright Stars                   | 4,164                      | -                     | -                  | 4,164          |
| Bread purchases                | 9,021                      | -                     | -                  | 9,021          |
| Milk purchases                 | 13,942                     | -                     | -                  | 13,942         |
| OOO dinners                    | 894                        | -                     | -                  | 894            |
| City of Promise                | 5,920                      | -                     | -                  | 5,920          |
| Hispanic Ministry              | 5,725                      | -                     | -                  | 5,725          |
| Shelter for Help In Emergency  | 5,357                      | -                     | -                  | 5,357          |
| Hospitality House              | -                          | -                     | -                  | -              |
| Boys & Girls Club              | 17,680                     | -                     | -                  | 17,680         |
| Child Health Partnership       | 7,250                      | -                     | -                  | 7,250          |
| Extras                         | 15,274                     | -                     | -                  | 15,274         |
| International Neighbors        | 7,800                      | -                     | -                  | 7,800          |
| Miscellaneous special projects | 16,732                     | -                     | -                  | 16,732         |
| Restoration Hope House         | 4,050                      | -                     | -                  | 4,050          |
| Total food purchases           | <u>225,633</u>             | <u>-</u>              | <u>-</u>           | <u>225,633</u> |
| Frusits and vegetables         | -                          | -                     | -                  | -              |
| Dues and fees                  | -                          | 766                   | 1,993              | 2,759          |
| Insurance                      | 1,392                      | 1,128                 | -                  | 2,520          |
| Miscellaneous                  | 1,422                      | -                     | -                  | 1,422          |
| Office supplies and expenses   | -                          | 8,415                 | -                  | 8,415          |
| Payroll expense                | 5,765                      | 15,271                | 764                | 21,800         |
| Postage and mailing            | 775                        | -                     | -                  | 775            |
| Professional services          | -                          | 8,650                 | 2,465              | 11,115         |
| Rent expense                   | 20,262                     | -                     | -                  | 20,262         |
| Telephone                      | 2,724                      | 143                   | -                  | 2,867          |
| Total expenses                 | <u>257,973</u>             | <u>34,373</u>         | <u>5,222</u>       | <u>297,568</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, 2023

|   |              |
|---|--------------|
| Cash flows from operating activities:                       |              |
| Change in net assets  | \$ (132,015) |
| Cash provided by (used by) operating activities:            |              |
| Unrealized loss on investemnts                              | 73,332       |
| Increase (decrease) in payroll liabilities                  | (898)        |
|   | <hr/>        |
| Net cash provided by (used by) operating activities         | (59,581)     |
|   | <hr/>        |
| Cash flows provided by (used by) investing activities       |              |
| Purchase of investments                                     | (35,894)     |
|   | <hr/>        |
| Total cash flows provided by (used by) investing activities | (35,894)     |
|   | <hr/>        |
| Net increase (decrease) in cash and cash equivalents        | (95,475)     |
| Cash and cash equivalents at beginning of year              | 156,593      |
|   | <hr/>        |
| Cash and cash equivalents at end of year                    | \$ 61,118    |
|   | <hr/> <hr/>  |
| <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, 2023

**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. Leases are accounted for as expenses when paid, and does not conform to GAAP reporting of a right-of-use asset or lease liability.

***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, 2023

**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 \$747,769.

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 \$7,267 as follows:

| Summary of net assets with donor restrictions   | Balance 2/29/22  | Funds received in FY2023 | Expended in FY 2023 | Balance 2/28/23 |
|---|------------------|--------------------------|---------------------|-----------------|
| Grant for fundraising consultant                | \$ -             | -                        | -                   | -               |
| Grant for extras (non-staple foods)             | 5,696            | 16,845                   | 15,274              | 7,267           |
| Concessions for Extras (non-staple foods)       | -                | -                        | -                   | -               |
| Grant for The Haven                             | -                | -                        | -                   | -               |
| Grant for eggs and produce                      | 19,614           | -                        | 19,614              | -               |
| Grant for chicken                               | -                | -                        | -                   | -               |
| Grant for milk                                  | -                | -                        | -                   | -               |
| <b>Total net assets with donor restrictions</b> | <b>\$ 25,310</b> | <b>\$ 16,845</b>         | <b>\$ 34,888</b>    | <b>\$ 7,267</b> |

***Noncash contributions***

The Organization received donations of approximately 8,260 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, 2023

**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 2020 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 \$1,400 per month through August 31, 2023. Rent expense for 12 months, including related utilities expense, for the fiscal year was \$20,262. Future rent commitments are as follows:

|                    |           |
|--------------------|-----------|
| Year ended 2/28/24 | \$ 16,800 |
| Year ended 2/28/25 | \$ 17,100 |
| Year ended 2/28/26 | \$ 17,400 |
| Year ended 2/28/27 | \$ 18,000 |

**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, 2023 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, 2023

**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, 2023:

|                         | <b>Fair Value</b> | <b>Level 1</b> | <b>Level 2</b> |
|-------------------------|-------------------|----------------|----------------|
| Checking and Savings    | \$ 61,118         | \$ 61,118      |                |
| Investment- Mutual Fund | 397,778           | 397,778        |                |
| Investment-Pooled Fund  | 297,036           |                | \$297,036      |
| Payroll Liabilities     | 896               | 896            |                |

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, 2023:

|  |            |
|--|------------|
| Level 2 investments, beginning of year | \$ 306,692 |
| Change in value of investment:         |            |
| Contributions/Deposits                 | 25,000     |
| Investment returns (losses)            | (31,888)   |
| Administrative fee                     | ( 2,768)   |
| Level 2 investments, end of year       | \$ 297,036 |

**EMERGENCY FOOD NETWORK, INC.**  
Notes to the Financial Statements  
For the Year Ending February 28, 2023

**Liquidity and Availability to Meet Cash Needs**

The following represents Emergency Food Network Inc.'s financial assets as February 28, 2023, 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   | \$ 61,118  |
| Investments                                  | 694,814    |
| Net Financial Assets                         | 755,932    |
| Less: net assets with donor restrictions     | (7,267)    |
| Total available to meet general expenditures | \$ 748,665 |

**Commitments**

Emergency Food Network, Inc. provides monetary and in-kind gifts to other charitable organizations for the purpose of providing food for their respective clients. However, no formal contracts have been entered into as of February 28, 2023, 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 September 28, 2023 which is the date that the financial statements were available to be issued. No other subsequent events have been recognized or disclosed.