FOOD FOR NEIGHBORS

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Food for Neighbors
Reston, VA

Opinion

We have audited the accompanying financial statements of Food for Neighbors (a nonprofit organization) which comprise the statements of financial position as of December 31, 2023 and 2022 the related statements of activities 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 Food for Neighbors as of December 31, 2023 and 2022, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Food for Neighbors and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that 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 Food for Neighbors' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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, 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 Food for Neighbors' 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 Food for Neighbors' 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.

Hozik & Company, P.L.C.

Vienna, Virginia
March 21, 2024

FOOD FOR NEIGHBORS
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash	$ 88,133	$ 156,514
Gift cards	36,886	90,485
Contributions receivable	15,660	27,700
Investments	378,548	146,214
Prepaid expenses	4,792	3,142
TOTAL ASSETS	$ 524,019	$ 424,055
LIABILITIES AND NET ASSETS		
Accrued expenses	$ 7,360	$ 1,042
NET ASSETS		
Without donor restrictions		
Undesignated	461,697	329,058
With donor restrictions	54,962	93,955
TOTAL NET ASSETS	516,659	423,013
TOTAL LIABILITIES AND NET ASSETS	$ 524,019	$ 424,055

See accompanying notes to financial statements

FOOD FOR NEIGHBORS
STATEMENTS OF ACTIVITIES
Years ended December 31, 2023 and 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT						
Contributions and grants	$ 418,201	$ 18,076	$ 436,277	$ 346,814	$ 3,470	$ 350,284
Donated food, services and other	223,712	5,000	228,712	225,702	90,485	316,187
Investment income	12,335	-	12,335	1,214	-	1,214
TOTAL REVENUE AND SUPPORT	654,248	23,076	677,324	573,730	93,955	667,685
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of contribution restrictions	62,069	(62,069)	-	-	-	-
TOTAL REVENUE, SUPPORT, AND NET ASSETS RELEASED FROM RESTRICTIONS	716,317	(38,993)	677,324	573,730	93,955	667,685
EXPENSES						
Program	525,619	-	525,619	426,226	-	426,226
General and administrative	50,074	-	50,074	31,527	-	31,527
Fundraising	7,985	-	7,985	5,310	-	5,310
TOTAL EXPENSES	583,678	-	583,678	463,063	-	463,063
TOTAL INCREASE (DECREASE) IN NET ASSETS	132,639	(38,993)	93,646	110,667	93,955	204,622
NET ASSETS AT BEGINNING OF YEAR	329,058	93,955	423,013	218,391	-	218,391
NET ASSETS AT END OF YEAR	$ 461,697	$ 54,962	$ 516,659	$ 329,058	$ 93,955	$ 423,013

See accompanying notes to financial statements

FOOD FOR NEIGHBORS
STATEMENTS OF CASH FLOWS
Years ended December 31, 2023 and 2022

CASH FLOWS FROM OPERATING ACTIVITIES	2023	2022
Increase in net assets	$ 93,646	$ 204,622
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Gift cards	53,599	(90,485)
Contributions receivable	12,040	(27,700)
Prepaid expenses	(1,650)	711
Accrued expenses	6,318	1,042
CASH PROVIDED BY OPERATING ACTIVITIES	163,953	88,190
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments and reinvested dividends	(232,334)	(146,214)
CASH USED BY INVESTING ACTIVITIES	(232,334)	(146,214)
NET DECREASE IN CASH	(68,381)	(58,024)
CASH AT BEGINNING OF YEAR	156,514	214,538
CASH AT END OF YEAR	$ 88,133	$ 156,514

See accompanying notes to financial statements

NOTE 1 - NATURE OF ACTIVITIES

Food for Neighbors (the "Organization") was incorporated in Virginia on September 1, 2016. The Organization's mission is to end childhood hunger in the Northern Virginia area by raising awareness and community involvement. The Organization funds its programs and supporting services primarily through grants and contributions.

The Organization's primary program is the "Red Bag Program". Periodically, the community can fill a supplied Red Bag with food from the Organization's grocery list. Drivers pick up the filled bags and volunteers sort the food to distribute to local schools on the same day. Donors also make monetary donations, which enable the organization to give grocery gift cards through local schools to the families it serves.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, revenues and expenses are recognized in the period to which they relate.

Basis of Presentation

In accordance with the *Not-For-Profit Entities-Presentation of Financial Statements* sub topic of the FASB Accounting Standards Codification, the Organization reports information regarding its financial position and activities according to the following net asset classifications:

> Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
>
> Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors that will be satisfied by action of the Organization or by the passage of time.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions are accounted for in accordance with the *Not-For-Profit Entities - Revenue Recognition* topic of the FASB Accounting Standards Codification. Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) net assets are reclassified from net assets with donor restrictions to net asset without donor restrictions in the statements of activities as net assets released from restrictions. Contributions with donor restrictions that are received and released in the same year are reported as contributions without donor restrictions in the statements of activities.

Donated Food, Services and Other

The Organization reports the fair value of donated food as donations without donor restrictions and, immediately thereafter, as expense when granted to schools.

The Organization reports the fair value of donated gift cards at the cash value of the gift cards.

In addition, the Organization receives donated services which are comprised of donated professional services. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded as revenue and expense at their fair values in the period. For those services that do not require special expertise, the estimated value of such donated services has not been recorded in the financial statements.

Financial and Credit Risks

The Organization maintains cash balances in financial institutions, which at times may exceed Federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

The Organization invests in a money market mutual fund. Such investments are exposed to various market and credit risks.

Cash

Cash consists of a checking account and funds in a PayPal account.

Contributions Receivable

Unconditional contributions are recognized as revenues in the period received. Contributions are recognized only when the conditions on which they depend are substantially met and the grant becomes unconditional. Payments received for conditional contributions in advance of satisfying the conditions are recorded as refundable advances on the statements of financial position. Contributions receivable are reported in the statements of financial position at the outstanding contributions receivable balance adjusted for any write-offs and an allowance for uncollectible contributions receivable, if applicable. Contributions anticipated to be received beyond one year are discounted to their net present value at a risk adjusted rate. Contributions receivable at December 31, 2023 and 2022 are expected to be collected within one year. No allowance for doubtful contributions receivable was necessary for December 31, 2023 and 2022. During 2023, the

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable (Continued)
Organization was awarded a $12,500 cost reimbursement grant for 2024. No costs under the grant were incurred during 2023 and therefore no revenue was recognized in 2023.

Investments
Investments consist of a money market mutual fund. Investments are recorded in the financial statements at fair market value.

Property and Equipment
Acquisitions of property and equipment over $5,000 are capitalized. The Organization has not had any purchases of property and equipment over this threshold.

Functional Allocation of Expenses
The cost of providing program and other activities has been summarized on a functional basis in the statements of activities. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Officer compensation, contractors, and donated professional services are allocated by the estimated time and effort spent by the employee or professional in each area.

Income Taxes
The Organization is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. As of December 31, 2023, the federal and state statute of limitations remains open for the December 31, 2020 through the December 31, 2023 tax years.

Subsequent Events
In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 21, 2024, the date the financial statements were available to be issued. None were noted.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2023 and 2022:

	2023	2022
Financial assets at year end:		
Cash	$88,133	$156,514
Gift cards	36,886	90,485
Contributions receivable	15,660	27,700
Investments	378,548	146,214
	519,227	420,913
Less amounts not available to be used for general expenditures within one year:		
Net assets with donor restrictions	(54,962)	(93,955)

NOTE 3 - AVAILABILITY AND LIQUIDITY (CONTINUED)

Total financial assets and financial assets available to meet general expenditures over the next twelve months	$464,265	$326,958

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 4 - INVESTMENTS AND INVESTMENT INCOME, NET

Investments at December 31, 2023 and 2022 are summarized as follows:

	2023	2022
Money market mutual fund	$378,548	$146,214

Investment income for the years ended December 31, 2023 and 2022 consists of the following:

Dividend income	$12,335	$1,214

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The *Fair Value Measurements and Disclosures* topic of the FASB Accounting Standards Codification establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

The framework establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are inactive; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs for the asset or liability.

The asset's or liability's fair value measurement level 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 input and minimize the use of unobservable inputs.

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarizes the valuation of the financial instruments by the above pricing levels as of December 31, 2023 and 2022:

	2023 Unadjusted quoted market prices (Level 1)	2022 Unadjusted quoted market prices (Level 1)
Money market mutual fund	$378,548	$146,214

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2023 and 2022 were restricted for the following purposes:

Subject to expenditure for specified purpose:	2023	2022
Arlington County Public Schools food pantries	$31,886	$90,485
Red Bag program	18,076	-
Gift card program	5,000	-
Executive Director salary	-	3,470
	$54,962	$93,955

For the year ended December 31, 2023, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Purpose or period restrictions accomplished:	
Arlington County Public Schools food pantries	$58,599
Executive Director salary	3,470
	$62,069

There were no net assets released from donor restrictions for the year ended December 31, 2022.

NOTE 7 - DONATED FOOD, SERVICES AND OTHER

The Organization receives donated food primarily through its Red Bag program. During 2023 and 2022, the Organization received and distributed approximately 109,000 and 92,000 pounds of donated food, which was recorded at an average of $1.90 and $1.78 per pound for 2023 and 2022, respectively. The fair value per pound of food donations was derived from a study performed by Feeding America, a nationwide network of food banks. Donated food is immediately granted out to local schools for distribution.

NOTE 7 - DONATED FOOD, SERVICES AND OTHER (CONTINUED)

The Organization receives donations of gift cards. The gift cards are used to purchase food given to local schools for distribution to families.

The fair value of donated professional services was based on estimated hours worked and an hourly rate for each position as determined by the Board of Directors of the Organization based on comparable rates for the industry.

The fair value of the in-kind donations as for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Donated food	$207,615	$164,817
Donated gift cards	5,000	131,750
Donated professional services	13,190	19,620
Donated other	2,907	-
	$228,712	$316,187

The fair value of these in-kind donations has been recognized as a contribution and expense by the Organization in the statements of activities.

NOTE 8 - MAJOR CONTRIBUTOR

There were no donors who gave more than 10% of total revenue and support for the year ended December 31, 2023. Approximately 23% of total revenue and support for the year ended December 31, 2022 was provided by one donor.

NOTE 9 - RELATED PARTY TRANSACTIONS

Transactions with related parties for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Contributions from Board members	$1,200	$1,256
Professional services provided by one of the founders of the Organization who is the Treasurer of the Board of Directors and serves as the Vice President of Innovation	$3,000	$2,500

NOTE 10 - FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other services for the year ended December 31, 2023 are as follows:

NOTE 10 - FUNCTIONAL ALLOCATION OF EXPENSES (CONTINUED)

	Program	General and administrative	Fundraising	Total
Grants and other assistance	$400,008	$ -	$ -	$400,008
Officer compensation	51,671	9,689	3,230	64,590
Contractors	15,173	12,510	1,125	28,808
Red Bag supplies	23,746	-	-	23,746
Volunteer uniforms and supplies	16,781	2,907	-	19,688
Donated professional services	6,290	6,650	550	13,490
Software and computer	11,905	646	545	13,096
Professional fees	-	8,920	-	8,920
Office expenses	45	6,322	2,535	8,902
Insurance	-	2,430	-	2,430
	$525,619	$50,074	$7,985	$583,678

The cost of providing the various programs and other services for the year ended December 31, 2022 are as follows:

	Program	General and administrative	Fundraising	Total
Grants and other assistance	$350,342	$ -	$ -	$350,342
Officer compensation	17,225	3,230	1,075	21,530
Red Bag supplies	30,152	-	-	30,152
Volunteer uniforms and supplies	10,127	-	-	10,127
Donated professional services	6,724	11,393	1,503	19,620
Software and computer	11,597	1,370	-	12,967
Professional fees	-	7,856	700	8,556
Office expenses	59	5,105	2,032	7,196
Insurance	-	2,573	-	2,573
	$426,226	$31,527	$5,310	$463,063