

**FOOD BANK OF CENTRAL &  
EASTERN NORTH CAROLINA, INC.  
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND COMPLIANCE REPORTING**

***As of and for the Year Ended June 30, 2023***

***And Reports of Independent Auditor***

**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
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## Report of Independent Auditor

To the Board of Directors  
Food Bank of Central & Eastern North Carolina  
Raleigh, North Carolina

### Report on the Audit of the Consolidated Financial Statements

#### **Opinion**

We have audited the accompanying consolidated financial statements of Food Bank of Central & Eastern North Carolina, Inc. and affiliate (a nonprofit organization) (the “Organization”), which comprise the consolidated statement of financial position as of June 30, 2023 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the results of their operations and their 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 audit 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 Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

#### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatements, whether due to fraud or error.

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

#### **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 misstatements of the consolidated 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 consolidated 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 Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and state 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* and supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 November 6, 2023, on our consideration of the Organization's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Organization's internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Cherry Bekaert LLP*

Raleigh, North Carolina  
November 6, 2023

**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*JUNE 30, 2023*

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 8,278,768
Accounts receivable, net	315,759
Campaign pledges receivable, current	1,364,103
Grants receivable	1,083,890
Food inventories	3,551,738
Prepaid expenses	230,079
Total Current Assets	<u>14,824,337</u>

Property and Equipment:

Buildings	27,146,568
Land	3,040,776
Fleet	3,012,692
Furniture and equipment	2,269,107
Leasehold improvements	535,940

36,005,083

Less accumulated depreciation	5,438,899
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Net Property and Equipment 30,566,184

Operating lease right-of-use assets, net	475,744
Finance lease right-of-use assets, net	1,000,416
Campaign pledges receivable, net of current portion and allowance	1,002,537
Notes receivable	8,770,000
Beneficial interest in assets held by others	132,134
Investments	59,765,063
Deposits	14,932

**Total Assets** \$ 116,551,347

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable	\$ 972,141
Accrued expenses:	
Accrued retirement payable	131,699
Accrued vacation payable	541,833
Accrued salaries and payroll taxes	377,559
Other accrued expense	368,773
Operating lease liabilities, current	254,264
Finance lease liabilities, current	274,891
Unearned income	18,480
Total Current Liabilities	<u>2,939,640</u>

Note payable, net	11,739,236
Operating lease liabilities, net of current portion	225,519
Finance lease liabilities, net of current portion	730,789
Total Liabilities	<u>15,635,184</u>

Net Assets:

Without donor restrictions	98,730,747
With donor restrictions	2,185,416
Total Net Assets	<u>100,916,163</u>

**Total Liabilities and Net Assets** \$ 116,551,347

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

**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

*YEAR ENDED JUNE 30, 2023*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support and Revenues:			
Food donated	\$ 181,160,955	\$ -	\$ 181,160,955
Food purchase programs	1,539,500	-	1,539,500
Contributions	23,175,708	2,617,695	25,793,403
Campaign pledges	588,217	-	588,217
Governmental grant awards	22,409,252	-	22,409,252
Materials and services donated	505,037	-	505,037
Net investment return	2,085,439	-	2,085,439
Other	3,558	-	3,558
Loss on disposal of property and equipment	(7,294)	-	(7,294)
Total Support and Revenues	231,460,372	2,617,695	234,078,067
Net assets released from restrictions	1,213,157	(1,213,157)	-
Total Support, Revenues, and Reclassifications	232,673,529	1,404,538	234,078,067
Expenses:			
Program Services:			
Community programs	213,239,015	-	213,239,015
Supporting Services:			
Management and general	3,279,734	-	3,279,734
Fundraising	5,323,106	-	5,323,106
Total Expenses	221,841,855	-	221,841,855
Change in net assets	10,831,674	1,404,538	12,236,212
Net assets, beginning of year	87,899,073	780,878	88,679,951
Net assets, end of year	<u>\$ 98,730,747</u>	<u>\$ 2,185,416</u>	<u>\$ 100,916,163</u>

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

**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED JUNE 30, 2023*

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Advertising and marketing	\$ -	\$ -	\$ 44,371	\$ 44,371
Amortization expense	-	273,585	-	273,585
Bad debt expense	35,723	-	-	35,723
Bank and credit card fees	-	38,620	192,022	230,642
Commercial freight	1,195,452	-	-	1,195,452
Communications	93,439	93,014	186,301	372,754
Conferences and meetings	86,273	141,810	18,241	246,324
Contract services	184,443	462,448	140,368	787,259
Depreciation	1,081,187	22,298	24,763	1,128,248
Donated food and supplies distributed	181,195,335	-	-	181,195,335
Employee benefits	1,457,184	292,630	306,613	2,056,427
Fundraising services	-	-	2,297,697	2,297,697
Grants to agencies	4,347,131	-	-	4,347,131
Insurance	228,214	12,679	12,679	253,572
Interest expense	-	28,570	-	28,570
Kitchen expense	29,406	-	-	29,406
Miscellaneous	63,813	3,545	3,545	70,903
Occupancy	407,842	22,658	22,658	453,158
Other	414	2,465	202,224	205,103
Payroll taxes	552,786	111,010	116,315	780,111
Postage	8,398	5,250	46,530	60,178
Professional fees	62,423	62,650	9,362	134,435
Program expenses	1,749,451	-	-	1,749,451
Purchased food and supplies distributed	5,402,813	-	-	5,402,813
Rental and equipment maintenance	376,805	20,934	20,934	418,673
Salaries	7,549,808	1,515,834	1,588,326	10,653,968
Supplies	128,457	25,796	27,029	181,282
Telephone and data	176,248	35,394	37,085	248,727
Temporary help	408,082	75,064	3,279	486,425
Travel	77,095	33,480	22,764	133,339
Trucking expense	975,962	-	-	975,962
Value added processing and packaging	4,194,327	-	-	4,194,327
Warehouse expense	1,170,504	-	-	1,170,504
	<u>\$ 213,239,015</u>	<u>\$ 3,279,734</u>	<u>\$ 5,323,106</u>	<u>\$ 221,841,855</u>

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

# FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

### Cash flows from operating activities:

Change in net assets	\$ 12,236,212
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	1,128,035
Amortization expense related to finance leases	248,049
Loss on disposal of property and equipment	7,294
Donated furniture and equipment	(75,115)
Bad debt expense	35,723
Net realized and unrealized gains on investments	(1,142,083)
In-kind contributions of food and non-food (including USDA)	(181,160,955)
Distribution of food and non-food received in-kind	181,195,335
Amortization of deferred loan costs	25,536
Noncash lease expense	4,039
Changes in operating assets and liabilities:	
Accounts receivable, net	(82,273)
Campaign pledges receivable, net of allowance	873,760
Grants receivable	212,215
Food inventories	(161,892)
Prepaid expenses	273,681
Notes receivable	(8,770,000)
Deposits	10,750
Accounts payable	(405,954)
Accrued expenses	501,266
Unearned income	(240,392)
Total adjustments	(7,522,981)
Net cash flows from operating activities	4,713,231

### Cash flows from investing activities:

Purchases of property and equipment	(16,400,335)
Purchases of investments	(17,593,344)
Proceeds from property and equipment	2,438,844
Net cash flows from investing activities	(31,554,835)

### Cash flows from financing activities:

Payments on obligations under finance leases	(242,785)
Payment of debt issuance costs	(536,300)
Proceeds from issuance of notes payable	12,250,000
Net cash flows from financing activities	11,470,915

Net change in cash and cash equivalents	(15,370,689)
Cash and cash equivalents, beginning of year	23,649,457
Cash and cash equivalents, end of year	\$ 8,278,768

### Supplemental disclosure of cash flow information:

Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 1,248,465
Cash paid for interest	\$ 28,570

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



# FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

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### Note 1—Nature of activities and summary of significant accounting policies

The Food Bank of Central & Eastern North Carolina, Inc. (the "Food Bank") is a nonprofit corporation organized under the laws of the state of North Carolina. The Organization has warehouses in central and eastern North Carolina in Raleigh, Greenville, Southern Pines, New Bern, Durham, and Wilmington.

The Organization's mission is to contribute to the alleviation of hunger and need in 34 counties in central and eastern North Carolina by accumulating high quality and nutritious food and non-food essentials and providing them to non-profit agencies who distribute directly to the needy, the ill, or infants; assisting building capacity of agencies responsible for directly distributing food and nonfood items; extending programs to unserved communities within the service area; and advocating means that will eliminate hunger and the poverty that is its cause.

Feeding Wilmington, Inc. (the "Affiliate") is an organization incorporated in March 2023. It was formed for the exclusive purpose of holding the title to the 32,000 square foot distribution center located in Wilmington, North Carolina as described in Note 14, collecting income therefrom, and turning over the entire amount, thereof, less expenses to the Food Bank.

*Principles of Consolidation* – The consolidated financial statements include the accounts of Food Bank of Central & Eastern North Carolina, Inc. and the Affiliate (collectively, the "Organization") for the year ended June 30, 2023. All significant intercompany transactions and balances have been eliminated in consolidation.

*Basis of Accounting* – The consolidated financial statements of the Organization has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and, accordingly, reflect all significant assets, liabilities, and changes in net assets.

*Basis of Presentation* – Consolidated finance statement presentations follows the recommendations of the Financial Accounting Standards Board ("FASB") in its Accounting Standards Codification ("ASC") 958, *Financial Statements of Not-for-Profit Organizations*. This statement requires that nonprofit organizations provide a statement of financial position, natural classification of expenses, and a statements of cash flows. Also, the statements require classification of an organization's net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions (with or without donor restriction). Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*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. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities and changes in net assets.

*Estimates* – The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

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

*Cash and Cash Equivalents* – The Organization considers all highly-liquid investments with a maturity of three months or less when purchased, to be cash equivalents. For purposes of the consolidated statement of cash flows, contributions of permanently restricted cash and cash equivalents are classified as cash flows from financing activities.

*Accounts Receivable* – The Organization extends credit to various agencies. When an agency picks up food, revenue and a corresponding account receivable are recorded. Once the receivable is older than 30 days, it is considered past due. The Organization periodically evaluates the balances in the various aging categories as well as the status of any significant past due accounts to determine if any balances are uncollectible. As of June 30, 2023, management believed that a portion of accounts receivables are uncollectible and, therefore, an allowance for doubtful accounts of \$21,000 was recorded.

*Campaign Pledges Receivable* – Unconditional promises to give are recorded net of an allowance. An estimated 1% allowance for uncollectible pledges totaling \$10,127 as of June 30, 2023 is included with campaign pledges receivable on the consolidated statement of financial position..

*Inventory and Food Valuation* – Inventory consists of donated food and non-food items, purchased food, and United States Department of Agriculture (“USDA”) commodities received from the government. Donated non-government products were valued at \$1.93 per pound for the year ended June 30, 2023. Donated government food value was valued at \$1.57 per pound for the year ended June 30, 2023. This valuation is based on a cost study conducted by Feeding America, Inc., a national consortium of regional food banks. The value of food donated is recorded as a contribution. Food donated and food distributed appear on the consolidated statement of activities and changes in net assets. Contributed food was utilized for program services.

Purchased food is typically at a discounted rate that is significantly less than the above valuation rates by Feeding America, Inc. Purchased food is valued at the purchase price utilizing a first in, first out method. The cost of purchased food inventories was \$0.89 per pound for the year ended June 30, 2023.

Food commodities were received and distributed as follows, including food not fit for human consumption (in pounds):

Beginning inventory	\$ 2,281,516
Food received	100,423,441
Food distributed	<u>(100,181,654)</u>
Ending inventory	<u>\$ 2,523,303</u>

**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*JUNE 30, 2023*

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

*Property and Equipment* – Property and equipment is stated at cost or, if acquired by gift, the fair market value at the date of the gift. Depreciation is provided on the accelerated and straight-line methods, using estimated useful lives of 3 to 40 years. The cost of equipment retired or disposed of, and the related depreciation are eliminated from the accounts with the resulting gains and losses included in operations. The Organization capitalizes all property and equipment with a cost greater than \$5,000. Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. Depreciation expense for property and equipment was \$1,128,035 for the year ended June 30, 2023.

*Support and Revenues* – Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their estimated fair market value, less an appropriate allowance for uncollectible amounts. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions are substantially met.

Certain grant programs are recognized in revenues immediately in the period received while others are recognized in stages or as requests for reimbursements are approved by granting agencies with qualifying expenditures. These grants contain certain barriers that must be overcome by the grantee prior to disbursing the funds. Grant expenses and the associated payable are recognized as the barriers are overcome by the grantee.

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

*Contributed Services* – Numerous volunteers have contributed significant amounts of time to the Organization which have not been reflected in the accompanying consolidated statement of financial position as they did not meet the criteria for recognition as required by U.S. GAAP. The Organization estimates total volunteer hours to be 162,168 for the year ended June 30, 2023.

**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2023

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

*Functional Expense* – The costs of providing program and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Accordingly, certain costs have been allocated among program services, management and general, and fundraising. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<b>Expense</b>	<b>Method of Allocation</b>
Advertising and marketing	Direct costs to fundraising
Amortization	Based on asset type and location
Bad debt expense	Direct costs to program
Bank and credit card fees	Based on credit card payments received
Commercial freight	Direct costs to programs
Communications	Time and effort
Conferences and meetings	Actual costs allocated
Contract services	Time and effort
Depreciation	Based on asset type and location
Donated food and supplies distributed	Direct costs to programs
Employee benefits	Time and effort
Fundraising services	Direct costs to fundraising
Grants to agencies	Direct costs to programs
Insurance	Based on estimated liability
Interest expense	Direct costs to management and general
Kitchen expense	Direct costs to programs
Miscellaneous	Time and effort
Occupancy	Direct costs to programs
Other	Direct costs to fundraising
Payroll taxes	Time and effort
Postage	Actual costs allocated
Professional fees	Direct costs to programs, remainder to management and general
Program expenses	Direct costs to programs
Purchased food and supplies distributed	Direct costs to programs
Rental and equipment maintenance	Use/type of rental
Salaries	Time and effort
Supplies	Time and effort
Telephone and data	Time and effort
Temporary help	Time and effort
Travel	Time and effort
Trucking expense	Direct costs to programs
Value added processing and packaging	Direct costs to programs
Warehouse expense	Direct costs to programs

# FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

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### **Note 1—Nature of activities and summary of significant accounting policies (continued)**

*Advertising Costs* – The Organization expenses advertising costs as incurred. Advertising costs were \$44,371 for the year ended June 30, 2023.

*Income Taxes* – The Organization formed in June 1980 for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken any uncertain position that more likely than not would be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for tax years prior to 2017.

*Adopted Pronouncement* – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. FASB also subsequently issued additional ASUs which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (“ROU”) assets and lease liabilities for operating leases on the balance sheet.

The Organization adopted this ASU effective July 1, 2022 using the modified retrospective approach. As a result of adopting this ASU, the Organization recorded operating ROU assets and lease liabilities of approximately \$728,000. Adoption of the new standard did not materially impact the Organization’s net income or cash flows.

### **Note 2—Concentrations of credit risk**

The Organization maintains cash balances at several financial institutions located in Raleigh, North Carolina. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the fiscal year, the Organization’s cash balances have exceeded the federally insured limit. Uninsured cash balances as of June 30, 2023 totaled \$7,589,255.

The Organization has been a member of the Feeding America, Inc. national network of food banks since the 1980s and it is currently a member in good standing. It has contracted to serve 34 counties in central and eastern North Carolina by Feeding America, Inc. The Organization received 49% of its donated food for the year ended June 30, 2023 through its relationship with Feeding America, Inc. Feeding America, Inc. also provides technical assistance and performs periodic audits of the food distribution operations of food banks.

**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2023

**Note 2—Concentrations of credit risk (continued)**

Campaign pledges receivable from significant donors for the year ended June 30, 2023 included the following:

	<b>Pledges Receivable</b>	<b>Percentage of Pledges Receivable</b>
Donor A	\$ 337,500	14%
Donor B	566,000	24%
Donor C	700,000	29%
	<u>\$ 1,603,500</u>	<u>67%</u>

A significant reduction in the level of this support or conditions causing the donor to be unable to fulfill the pledge may have a material and adverse effect on the Organization.

**Note 3—Liquidity and availability of resources**

As of June 30, 2023, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one-year of the balance sheet date to meet general expenditures:

Total assets at year-end	<u>\$ 116,551,347</u>
Less amounts not available to be used within one year	
due to illiquidity:	
Food inventories	(3,551,738)
Prepaid expenses	(230,079)
Property and equipment, net	(30,566,184)
Campaign pledges receivable, net of current portion and discount	(1,002,537)
Notes receivable	(8,770,000)
Operating lease right-of-use assets	(475,744)
Finance lease right-of-use assets	(1,000,416)
Deposits	(14,932)
	<u>(45,611,630)</u>
Less amounts not available to be used within one year:	
Contractual or donor imposed restrictions:	
Net assets with donor restrictions	(2,185,416)
Board/donor designations:	
Beneficial interest in assets held by others	(132,134)
Financial assets available to meet cash needs for	
general expenditures within one year	<u>\$ 68,622,167</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of the Organization as well as the services undertaken to support those activities to be general expenditures.

# FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

### Note 4—Fair value measurements

The U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

*Level 1* – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2* – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in active markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

*Level 3* – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Following a description of the valuation methodologies used for assets measure at fair value:

*Fixed Income Securities* – Value is based on quoted market prices, when available. Such investments consist primarily of government obligations. These instruments are classified as Level 1 in the fair value hierarchy.

*Mutual Funds* – Valued at the daily closing prices as reported by the fund. Mutual funds held by the Organization are open-ended mutual funds that are registered with the Securities Exchange Commission. These funds are required to publish their daily net asset value (“NAV”) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of June 30, 2023.

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ 51,551,955	\$ -	\$ -	\$ 51,551,955
Mutual funds	8,213,108	-	-	8,213,108
Total assets in fair value hierarchy	<u>\$ 59,765,063</u>	<u>\$ -</u>	<u>\$ -</u>	59,765,063
Investments measured at NAV <sup>(a)</sup>				132,134
				<u>\$ 59,897,197</u>

- (a) In accordance with U.S. GAAP, certain investments that are measured at fair value using NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*JUNE 30, 2023*

**Note 4—Fair value measurements (continued)**

The following table sets forth a summary of the Organization's investments reported at NAV as a practical expedient to estimate fair value as of June 30, 2023:

	June 30, 2023			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled investment funds	\$ 132,134	\$ -	Quarterly	None

**Note 5—Accounts and grants receivable**

Accounts receivable is summarized as follows as of June 30, 2023:

Agency receivable	\$ 157,610
Prepaid health plans receivable	67,578
Allowance for doubtful accounts	(21,000)
Sales tax refund receivable	105,781
Other receivable	5,790
	<u>\$ 315,759</u>

Grants receivable is summarized as follows as of June 30, 2023:

Emergency Food Assistance receivable	\$ 305,768
Commodity credit corporation funds	120,807
Food Nutrition Services receivable	21,205
Kids Summer Meals receivable	42,705
Grants	387,454
Other grants receivable	2,122
State allocated money	73,671
Commodity supplemental food receivable	130,158
	<u>\$ 1,083,890</u>



**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*JUNE 30, 2023*

**Note 6—Campaign pledges receivable**

Campaign pledge contributions, net of 1% allowance for uncollectible pledges, are scheduled to be received as follows:

2024	\$ 1,364,103
2025	629,664
2026	383,000
Less allowance	(10,127)
	<u>\$ 2,366,640</u>

**Note 7—Contributed nonfinancial assets**

The Organization received the following contributions of nonfinancial assets during the year ended June 30, 2023:

Furniture and equipment	\$ 75,115
Donated event supplies and services	429,922
	<u>\$ 505,037</u>

The Organization receives donated furniture and equipment. The estimated fair value of donated furniture and equipment is based on information provided by third parties and independent agencies. Donated furniture and equipment are used for both program and supporting services. The Organization also receives various supplies and services to assist in events held. The estimated fair value of these donated supplies and services is based on information provided by third parties and independent agencies. Donated event supplies and services were utilized for program services.

The majority of food distributed by the Organization is received by contributions from the general public and USDA. The estimated value of these contributions is recognized in the consolidated financial statements as food donated and program expenses if distributed during the year. The pounds collected are recorded by the Organization at the time of receipt based on actual weight.

The total value of contributed food for the year ended June 30, 2023 are as follows:

	<u>Pounds</u>	<u>Value Per Pound</u>	<u>Amount</u>
General donations	82,850,073	\$ 1.91	\$ 158,503,532
USDA	14,431,480	1.57	22,657,423
	<u>97,281,553</u>		<u>\$ 181,160,955</u>

# FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

### Note 8—Triangle Community Foundation

The Organization established an endowed agency fund at the Triangle Community Foundation in October 2014 and specified itself as the beneficiary of the funds. Annually, distributions from the funds were paid to the Organization according to the Triangle Community Foundation's distribution policy. Triangle Community Foundation maintains variance power over these assets. Variance power assures donors that if the charitable purpose of their contribution becomes impractical, impossible, or inconsistent with the charitable needs of the community served, the distributions will be directed to similar purposes in the community. Despite the variance power, the Organization believes Triangle Community Foundation will continue to make annual distributions to the Organization. There were no changes in the fair value of the Organization's beneficial interest in assets held by others during the year ended June 30, 2023.

The investment is directed by Triangle Community Foundation and the portfolio is designed to achieve returns consistent with Triangle Community Foundation's adopted investment policies. Investments cannot be redeemed at the current net asset value per share; The Organization is only the beneficiary of the investment earnings, which are distributed in accordance with Triangle Community Foundation's spending policy. Based on the valuation method and nonredeemable nature of the assets, the measures of the fair value of the beneficial interest are at NAV (see Note 4).

### Note 9—Net assets

Net assets with donor restrictions as of June 30, 2023 are as follows:

Beneficial interest in Community Fund	\$ 132,134
Community Health and Engagement	249,031
Food and Nutrition Service	11,103
General operations	1,475,499
Technology	99,060
Kids Meals and More and Summer Meals	41,108
Programs	150,364
Communications	27,116
	<u>\$ 2,185,416</u>

Net assets without donor restrictions for the year ended June 30, 2023 is \$98,730,747.

Net assets released from net assets with donor restrictions as of June 30, 2023 are as follows:

Community Health and Engagement	\$ 81,993
Food and Nutrition Service	217,079
General operations	562,490
Kid's Meals and More and Summer Meals	90,265
Programs	162,186
Technology	25,940
Communications	73,204
	<u>\$ 1,213,157</u>

# FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

### Note 10—Retirement plan

The Organization has a defined contribution retirement plan covering all employees who meet minimum age and service requirements. Retirement plan expense is included in employee benefits on the consolidated statement of functional expenses. The expense related to this plan was \$511,046 for the year ended June 30, 2023.

### Note 11—Leases

The right-of-use ("ROU") assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses that are factored into the determination of the lease term if it is reasonably certain these options would be exercised by the Organization. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. Certain lease agreements include variable payments. Variable lease payments not dependent on an index or rate primarily consist of common area maintenance charges and are not included in the calculation of the ROU asset and lease liability and are expensed as incurred. In order to determine the present value of lease payments, the Organization uses the implicit rate when it is readily determinable. The Organization has elected to utilize the risk-free discount rate to calculate lease assets and liabilities when the leases do not provide an implicit interest rate.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Organization does not have leases where it is involved with the construction or design of an underlying asset. The Organization has no material obligation for leases signed but not yet commenced as of June 30, 2023. The Organization does not have any material sublease activities.

The Organization has elected the practical expedient not to recognize leases with terms of 12 months or less on the consolidated 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. Therefore, the Organization's short-term lease expense for the period does not reflect the ongoing short-term lease commitments. Lease expense for such short-term leases was not significant for the year ended June 30, 2023.

The Organization 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 Organization has elected to utilize the risk-free discount rate to calculate lease assets and liabilities.

Classification of ROU assets as of June 30, 2023 is as follows:

Operating right-of-use assets:	
Operating lease assets, net	\$ 475,744
Finance right-of-use assets:	
Property and equipment, net	1,000,416
Total lease assets	<u>\$ 1,476,160</u>

**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*JUNE 30, 2023*

**Note 11—Leases (continued)**

Lease expense for the year ended June 30, 2023 is as follows:

Finance lease expense:	
Amortization of ROU assets	\$ 248,065
Interest on lease liabilities	29,694
Operating lease expense	266,860
Variable lease expense	15,840
	<u>\$ 560,459</u>

Operating lease

The Organization leases certain buildings with unrelated parties, with maturity dates beginning in 2024 through 2026. The leases are payable in monthly payments ranging from \$3,750 to \$8,343. The Organization 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.

Future minimum lease payments as of December 31, 2023 is as follows:

**Years Ending June 30,**

2024	\$ 264,713
2025	185,783
2026	<u>44,095</u>
Total undiscounted cash flows	494,591
Less present value discount	<u>(14,808)</u>
Present value of operating leases	<u>\$ 479,783</u>

Required supplemental information relating to the Organization's operating leases for the year ended June 30, 2023 is as follows:

**Lease term and discount rate:**

Weighted average remaining lease term (in years) - operating leases	1.97
Weighted average discount rate - operating leases	3.10%

Cash paid for amounts included in the measurement of operating lease liabilities was \$278,662 during the year ended June 30, 2023.

# FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

### Note 11—Leases (continued)

#### Finance lease

The Organization has finance leases for equipment and vehicles with maturity dates beginning in 2024 through 2028. The leases are payable in monthly payments ranging from \$153 to \$9,253, including principal and interest.

Future minimum lease payments as of June 30, 2023 is as follows:

#### Years Ending June 30,

2024	\$	302,854
2025		274,134
2026		228,098
2027		142,753
2028		86,204
Thereafter		41,244
Total undiscounted cash flows		1,075,287
Less present value discount		(69,607)
Present value of finance leases	\$	1,005,680

Required supplemental information relating to the Organization's finance leases for the year ended June 30, 2023 is as follows:

#### **Lease term and discount rate:**

Weighted average remaining lease term (in years) - financing leases	4.12
Weighted average discount rate - finance leases	3.39%

### Note 12—Notes payable

On March 8, 2023, the Organization entered into two loan agreements with Rural Development Partners, LLC (Loans A & B) totaling \$12,250,000 to finance the construction of 32,000 square foot food distribution center. The loans bear an interest rate of 1.330% with a maturity date of December 31, 2061. The Organization will make interest-only payments quarterly through June 5, 2030. After this period, the Organization will make quarterly principal and interest payments of \$95,856 from September 5, 2030 to June 5, 2045. From September 5, 2045 to December 5, 2061, the Organization will make payments of \$145,275 quarterly. The debt arrangements contain customary representations, warranties, covenants, and other terms and conditions. Notes payable are shown net of unamortized debt issuance costs of \$510,764 as of June 30, 2023. See Note 14 for additional information.

### Note 13—Notes receivable

On March 8, 2023, the Organization entered into a note receivable agreement with Rural Development Partners, totaling \$8,770,000 to finance the construction of 32,000 square foot food distribution center. The loan bears an interest rate of 1.330% with a maturity date of December 31, 2061. The Organization is due interest-only payments quarterly through June 5, 2030. After this period, the Organization is due quarterly principal and interest payments of \$68,625 from September 5, 2030 to June 5, 2045. From September 5, 2045 to December 5, 2061, the Organization is due payments of \$104,005 quarterly. See Note 14 for additional information.

# FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

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### Note 14—New Markets Tax Credit

In March 2023, the Organization and affiliate entered into a New Markets Tax Credit (“NMTC”) financing transaction to fund a portion of the cost of construction of the aforementioned 32,000 square foot addition to construct a new food distribution facility in Wilmington, North Carolina. The NMTC program was provided for in the Community Renewal Tax Relief Act of 2000 (the “Act”) and is intended to induce capital investment in qualified low-income communities. The Act permits taxpayers to claim credits against their Federal income taxes for up to 39% of qualified investments in the equity of Community Development Entities (“CDE”). A CDE is a privately managed investment institution that is certified to make qualified low-income community investments (“QLICI”) loans. The NMTC structure includes the Organization and affiliate (through the Food Bank of Central & Eastern North Carolina, Inc.) as a leverage lender, and the tax credit investor is Regions Community Investments, LLC, an entity formed for purposes of this transaction by Regions Bank, N.A.

In March 2023, Regions Community Investments, LLC made a \$3,948,750 capital contribution to CENC Rural Development Partners, LLC, a qualified equity investment fund. At the same time, the Food Bank of Central and Eastern North Carolina, Inc. made a \$8,770,000 leverage loan to the same investment fund. In turn Rural Development Partners, LLC made a \$12,250,000 capital contribution to CENC Wilmington Investment Fund (Sub-CDE I), recognized as a qualified community development entity (noted above), or Sub-CDE in this structure. After deducting certain fees associated with the transaction, each made with two QLICI loans to Feeding Wilmington, Inc. for a combined total of \$12,250,000. In this structure, Feeding Wilmington, Inc. is designated as a qualified active low-income community benefit entity.

The NMTC is subject to 100% recapture for a period of seven years as provided in the Internal Revenue Code. The Organization and affiliate are required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangement. Non-compliance with applicable requirements could result in projected tax benefits not being realized and, therefore, could require the Organization and affiliate to indemnify the investors for any loss or recapture of NMTCs related to the financing until such time as the Organization and affiliate obligation to deliver tax benefits is relieved. The Organization and affiliate do not anticipate any credit recaptures in connection with this arrangement. This transaction includes a put/call provision that becomes effective at the end of the seven-year compliance/recapture period. Under the put/call provision, the Organization and affiliate may be obligated or entitled to purchase the investor’s interest in CENC Wilmington Investment Fund, LLC. The Organization and affiliate believe the investors will exercise the put option in April 2022 at the end of the compliance/recapture period. The value attributed to the put/call provision is de minimis.

### Note 15—Subsequent events

The Organization has evaluated subsequent events occurring after the consolidated statement of financial position date of June 30, 2023 through November 6, 2023, which is the date the consolidated financial statements were available to be issued and has determined that no subsequent events have occurred which require disclosure in the consolidated financial statements.

## **SUPPLEMENTARY INFORMATION**

**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

*JUNE 30, 2023*

	<b>Food Bank</b>	<b>Feeding Wilmington</b>	<b>Eliminations</b>	<b>Total</b>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 6,390,254	\$ 1,888,514	\$ -	\$ 8,278,768
Accounts receivable, net	315,759	-	-	315,759
Campaign pledges receivable, current	1,384,943	-	(20,840)	1,364,103
Grants receivable	1,083,890	-	-	1,083,890
Food inventories	3,551,738	-	-	3,551,738
Prepaid expenses	230,079	-	-	230,079
Total Current Assets	12,956,663	1,888,514	(20,840)	14,824,337
Property and Equipment:				
Buildings	16,971,846	10,174,722	-	27,146,568
Land	2,662,415	378,361	-	3,040,776
Fleet	3,012,692	-	-	3,012,692
Furniture and equipment	2,269,107	-	-	2,269,107
Leasehold improvements	535,940	-	-	535,940
	25,452,000	10,553,083	-	36,005,083
Less accumulated depreciation	5,396,717	42,182	-	5,438,899
Net Property and Equipment	20,055,283	10,510,901	-	30,566,184
Operating lease right-of-use assets, net	475,744	-	-	475,744
Finance lease right-of-use assets, net	1,000,416	-	-	1,000,416
Campaign pledges receivable, net of current portion and allowance	1,002,537	-	-	1,002,537
Notes receivable	8,770,000	-	-	8,770,000
Beneficial interest in assets held by others	132,134	-	-	132,134
Investments	59,765,063	-	-	59,765,063
Investment in affiliate	642,435	-	(642,435)	-
Deposits	14,932	-	-	14,932
<b>Total Assets</b>	<b>\$ 104,815,207</b>	<b>\$ 12,399,415</b>	<b>\$ (663,275)</b>	<b>\$ 116,551,347</b>

See report of independent auditor.



**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)**

*JUNE 30, 2023*

	<b>Food Bank</b>	<b>Feeding Wilmington</b>	<b>Eliminations</b>	<b>Total</b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable	\$ 972,141	\$ -	\$ -	\$ 972,141
Accrued expenses:				
Accrued retirement payable	131,699	-	-	131,699
Accrued vacation payable	541,833	-	-	541,833
Accrued salaries and payroll taxes	377,559	-	-	377,559
Other accrued expense	305,060	84,553	(20,840)	368,773
Operating lease liabilities, current	254,264	-	-	254,264
Finance lease liabilities, current	274,891	-	-	274,891
Unearned income	18,480	-	-	18,480
Total Current Liabilities	2,875,927	84,553	(20,840)	2,939,640
Note payable, net	-	11,739,236	-	11,739,236
Operating lease liabilities, net of current portion	225,519	-	-	225,519
Finance lease liabilities, net of current portion	730,789	-	-	730,789
Total Liabilities	3,832,235	11,823,789	(20,840)	15,635,184
Net Assets:				
Without donor restrictions	98,797,556	575,626	(642,435)	98,730,747
With donor restrictions	2,185,416	-	-	2,185,416
Total Net Assets	100,982,972	575,626	(642,435)	100,916,163
<b>Total Liabilities and Net Assets</b>	<b>\$ 104,815,207</b>	<b>\$ 12,399,415</b>	<b>\$ (663,275)</b>	<b>\$ 116,551,347</b>

See report of independent auditor.

**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

*YEAR ENDED JUNE 30, 2023*

	Food Bank			Feeding Wilmington			Eliminations	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:										
Food donated	\$ 181,160,955	\$ -	\$ 181,160,955	\$ -	\$ -	\$ -	\$ -	\$ 181,160,955	\$ -	\$ 181,160,955
Food purchase programs	1,539,500	-	1,539,500	-	-	-	-	1,539,500	-	1,539,500
Contributions	23,175,708	2,617,695	25,793,403	642,435	-	642,435	(642,435)	23,175,708	2,617,695	25,793,403
Campaign pledges	588,217	-	588,217	-	-	-	-	588,217	-	588,217
Governmental grant awards	22,409,252	-	22,409,252	-	-	-	-	22,409,252	-	22,409,252
Materials and services donated	505,037	-	505,037	-	-	-	-	505,037	-	505,037
Net investment return	2,085,439	-	2,085,439	-	-	-	-	2,085,439	-	2,085,439
Other	2,649	-	2,649	909	-	909	-	3,558	-	3,558
Loss on disposal of property and equipment	(7,294)	-	(7,294)	-	-	-	-	(7,294)	-	(7,294)
Other	-	-	-	-	-	-	-	-	-	-
Total Support and Revenues	231,459,463	2,617,695	234,077,158	643,344	-	643,344	(642,435)	231,460,372	2,617,695	234,078,067
Net assets released from restrictions	1,213,157	(1,213,157)	-	-	-	-	-	1,213,157	(1,213,157)	-
Total Support, Revenues, and Reclassifications	232,672,620	1,404,538	234,077,158	643,344	-	643,344	(642,435)	232,673,529	1,404,538	234,078,067
Expenses:										
Program Services:										
Community programs	213,197,539	-	213,197,539	41,476	-	41,476	-	213,239,015	-	213,239,015
Supporting Services:										
Management and general	3,254,411	-	3,254,411	25,323	-	25,323	-	3,279,734	-	3,279,734
Fundraising	5,322,187	-	5,322,187	919	-	919	-	5,323,106	-	5,323,106
Total Expenses	221,774,137	-	221,774,137	67,718	-	67,718	-	221,841,855	-	221,841,855
Change in net assets	10,898,483	1,404,538	12,303,021	575,626	-	575,626	(642,435)	10,831,674	1,404,538	12,236,212
Net assets, beginning of year	87,899,073	780,878	88,679,951	-	-	-	-	87,899,073	780,878	88,679,951
Net assets, end of year	\$ 98,797,556	\$ 2,185,416	\$ 100,982,972	\$ 575,626	\$ -	\$ 575,626	\$ (642,435)	\$ 98,730,747	\$ 2,185,416	\$ 100,916,163

See report of independent auditor.

## **COMPLIANCE REPORTING**

# FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2023

	Assistance Listing Number	Pass-through Entity Identifying Number	Pass-through to Subrecipients	Expenditures
<b>Federal Awards:</b>				
<u>U.S. Department of the Treasury</u>				
Pass-through from Wake County, North Carolina				
Triangle J Council of Governments, North Carolina				
Coronavirus State and Local Fiscal Recovery	21.027	N/A	\$ -	\$ 12,500
Pass-through from City of Wilmington, North Carolina				
Coronavirus State and Local Fiscal Recovery	21.027	N/A	25,000	25,000
Pass-through from North Carolina Department of Agriculture and Consumer Services				
Coronavirus Relief Funds	21.019	N/A	3,216,531	14,157,476
Coronavirus State and Local Fiscal Recovery	21.027	N/A	762,186	2,872,603
Total U.S. Department of Treasury			<u>\$ 4,003,717</u>	<u>\$ 17,067,579</u>
<u>U.S. Department of Agriculture</u>				
Pass-through from North Carolina Department of Agriculture:				
<u>Food Distribution Division:</u>				
Emergency Food Assistance Program (TEFAP):				
Administrative Costs	10.568	0-092-01-000-EFO	\$ -	\$ 2,427,088
Commodity Credit Corporation USDA Foods				
Operational Funds	10.187	0-092-01-000-CCCTE	-	120,807
Emergency Food Assistance Program:				
Food Commodities	10.569	0-092-01-000-EFO	16,460,849	16,460,849
Commodity Supplemental Food Program (CSFP):				
Administrative Costs	10.565	N/A	-	744,998
Food Commodities	10.565	N/A	4,325,498	5,585,310
Child and Adult Care Food Program (CACFP)	10.558	N/A	-	50,076
Pass-through from North Carolina				
N. C. Department of Public Instruction:				
Summer Food Service Program (KSM)	10.559	N/A	-	195,128
Total U.S. Department of Agriculture			<u>\$ 20,786,347</u>	<u>\$ 25,584,256</u>
<u>U.S. Department of Health and Human Services</u>				
Pass-through from North Carolina				
Department of Health and Human Services:				
Division of Social Services:				
Food & Nutrition Services Outreach (FNS)	10.561	N/A	\$ -	\$ 217,691
Total U.S. Department of Health and Human Services			<u>\$ -</u>	<u>\$ 217,691</u>
Total Federal Awards			<u>\$ 24,790,064</u>	<u>\$ 42,869,526</u>
<b>State Awards:</b>				
<u>N. C. Department of Health and Human Services</u>				
State Funded Food Purchases (SAM)		N/A	\$ 99,984	\$ 526,043
Total State Awards			<u>\$ 99,984</u>	<u>\$ 526,043</u>
Total Awards			<u>\$ 24,890,048</u>	<u>\$ 43,395,569</u>

At June 30, 2023, inventory included USDA food commodities valued at \$1,526,793.

**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

*YEAR ENDED JUNE 30, 2023*

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**Note 1—Basis of presentation**

The accompanying schedule of expenditures of federal and state awards ("SEFSA" or "Schedule") includes the federal and state grant activity of the Food Bank of Central & Eastern North Carolina, Inc. and Affiliate (the "Organization"), under the programs of the federal and state government for the year ended June 30, 2023. The information in this SEFSA 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*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

**Note 2—Summary of significant accounting policies**

Expenditures reported in the SEFSA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3—Indirect cost rate**

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 4—Food commodities**

Food commodities are expended when distributed to agencies. Distributed food is reported in the SEFSA 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 (\$1.57) as provided by the most recent Feeding America Product Valuation Survey for the calendar year 2022.

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

To the Board of Directors  
Food Bank of Central & Eastern North Carolina, Inc. and Affiliate  
Raleigh, North Carolina

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 accompanying consolidated financial statements of the Food Bank of Central & Eastern North Carolina, Inc. and Affiliate (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 6, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, significant deficiencies or material weaknesses may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatements, 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 determination of consolidated financial statements amounts. 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*.

**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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cherry Bekaert LLP*

Raleigh, North Carolina  
November 6, 2023

## **Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance in Accordance with the *Uniform Guidance***

To the Board of Directors  
Food Bank of Central & Eastern North Carolina, Inc.  
Raleigh, North Carolina

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Food Bank of Central & Eastern North Carolina and Affiliate's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization'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 Organization 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, 2023.

#### ***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 Organization 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 Organization'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 Organization'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 Organization'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 Organization'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 Organization'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 Organization'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 Organization'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  
November 6, 2023

# FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

### Section I—Summary of Auditor's Results

#### Consolidated Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to consolidated financial statements noted ☐ yes ☒ no

#### Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ 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 200.516(a)? ☐ yes ☒ no

Identification of major programs:

#### Assistance Listing #

21.019  
21.027

#### Program Name

Coronavirus Relief Funds  
Coronavirus State and Local Fiscal Recovery

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 1,286,086

Auditee qualified as low-risk auditee? ☒ yes ☐ no

### Section II—Consolidated Financial Statements Findings

None noted.

### Section III—Federal Award Findings and Questioned Costs

None noted.

**FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

*YEAR ENDED JUNE 30, 2023*

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**Section IV—Status of Prior Year Findings and Questioned Costs**

None noted.