



Financial Statements

Year Ended June 30, 2022 with Comparative Totals for 2021

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Independent Auditor's Report

Board of Directors
Foodbank of Southeastern Virginia
Norfolk, VA

Opinion

We have audited the financial statements of Foodbank of Southeastern Virginia (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Foodbank of Southeastern Virginia as of June 30, 2022, and the results of its operations and its cash flows for the year 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 ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foodbank of Southeastern Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Foodbank of Southeastern Virginia's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS 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

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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 GAAS and *Government Auditing Standards*, we:

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

Other Matters

Report on Supplementary Information

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

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of Foodbank of Southeastern Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foodbank of Southeastern Virginia's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Foodbank of Southeastern Virginia's 2021 financial statements, and our report dated October 13, 2021, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 are consistent, in all material respects, with the audited financial statements from which it has been derived.

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**Norfolk, VA
October 31, 2022**

Foodbank of Southeastern Virginia
Statement of Financial Position
June 30, 2022 with Comparative Totals for 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 6,587,429	\$ 8,782,387
Accounts receivable	898	907
United Way and other receivables	661,208	321,266
Investments	7,284,029	8,204,282
Beneficial interest in assets held by others	85,162	89,763
Inventory:		
USDA food	640,223	1,352,167
Donated food	338,177	1,280,124
Purchased food	440,748	725,490
Prepaid expenses	291,937	304,055
Property and equipment	7,042,569	5,681,967
	<u>7,042,569</u>	<u>5,681,967</u>
Total assets	<u>\$ 23,372,380</u>	<u>\$ 26,742,408</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 197,987	\$ 545,932
Accrued payroll and payroll taxes	276,590	404,257
Capital lease obligations	37,424	69,908
	<u>37,424</u>	<u>69,908</u>
Total liabilities	<u>512,001</u>	<u>1,020,097</u>
Net assets		
Net assets without donor restrictions	21,950,604	23,936,200
Net assets with donor restrictions	909,775	1,786,111
	<u>909,775</u>	<u>1,786,111</u>
Total net assets	<u>22,860,379</u>	<u>25,722,311</u>
Total liabilities and net assets	<u>\$ 23,372,380</u>	<u>\$ 26,742,408</u>

Foodbank of Southeastern Virginia

Statement of Activities

Year Ended June 30, 2022 with Comparative Totals for the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Summarized Information 2021
Revenue, support and other changes:				
Donated food received	\$ 23,199,108	\$ -	\$ 23,199,108	\$ 25,696,467
Contributions	6,582,852	141,813	6,724,665	8,530,521
Grants	4,457,445	173,874	4,631,319	3,557,447
Special events revenue, net of expenses	977,422	-	977,422	1,502,200
USDA handling fees	347,531	-	347,531	339,317
United Way support	173,649	-	173,649	2,129,836
Dividends and interest	95,290	-	95,290	85,643
Program fees	32,517	-	32,517	13,357
Other rental income	28,370	-	28,370	41,950
Gain on disposal of assets	17,000	-	17,000	1,750
Other revenue	15,652	-	15,652	12,080
Sales to agencies	6,444	-	6,444	12,217
Realized and unrealized gains (losses), net	(1,450,065)	-	(1,450,065)	1,500,558
	<u>34,483,215</u>	<u>315,687</u>	<u>34,798,902</u>	<u>43,423,343</u>
Net assets released from restrictions	<u>1,192,023</u>	<u>(1,192,023)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>35,675,238</u>	<u>(876,336)</u>	<u>34,798,902</u>	<u>43,423,343</u>
Expenses:				
Program services	34,386,497	-	34,386,497	35,549,992
Fundraising	2,112,429	-	2,112,429	1,558,040
Management and general	1,161,908	-	1,161,908	984,776
	<u>37,660,834</u>	<u>-</u>	<u>37,660,834</u>	<u>38,092,808</u>
Change in net assets	<u>(1,985,596)</u>	<u>(876,336)</u>	<u>(2,861,932)</u>	<u>5,330,535</u>
Net assets, beginning of year	<u>23,936,200</u>	<u>1,786,111</u>	<u>25,722,311</u>	<u>20,391,776</u>
Net assets, end of year	<u><u>\$ 21,950,604</u></u>	<u><u>\$ 909,775</u></u>	<u><u>\$ 22,860,379</u></u>	<u><u>\$ 25,722,311</u></u>

See accompanying notes.

Foodbank of Southeastern Virginia
Statement of Functional Expenses
Year Ended June 30, 2022 with Comparative Totals for the Year Ended June 30, 2021

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total 2022</u>	<u>Summarized Information 2021</u>
Personnel expense:					
Salaries and wages	\$ 2,149,720	\$ 704,263	\$ 574,846	\$ 3,428,829	\$ 3,455,018
Employee benefits	332,380	89,600	63,219	485,199	661,995
Payroll taxes	155,128	51,578	45,870	252,576	234,098
Total personnel expense	<u>2,637,228</u>	<u>845,441</u>	<u>683,935</u>	<u>4,166,604</u>	<u>4,351,111</u>
Donated products distributed and undistributable	24,855,098	-	-	24,855,098	24,863,659
Food purchases and inventory adjustments	4,621,470	-	-	4,621,470	4,920,932
Fundraising	-	700,094	-	700,094	438,350
Professional fees	27,445	290,253	259,893	577,591	285,671
Transportation and freight	561,172	-	-	561,172	227,968
Program supplies	382,306	610	-	382,916	1,287,206
Office and computer supplies	144,865	97,821	54,756	297,442	213,806
Occupancy	199,639	32,105	33,325	265,069	298,080
Insurance	69,897	17,073	25,375	112,345	89,563
Equipment maintenance	105,786	-	3,915	109,701	62,263
Bank charges	20	82,776	4,192	86,988	117,597
Miscellaneous	42,713	-	9,246	51,959	107,541
Staff development	7,243	5,257	37,145	49,645	59,628
Telephone	36,320	5,732	6,744	48,796	50,026
Membership dues	16,887	8,665	13,039	38,591	16,586
Printing and advertising	4,343	17,392	1,863	23,598	111,076
Travel	3,232	1,063	5,993	10,288	8,254
Interest	-	-	7,984	7,984	8,563
Postage	1,575	2,749	1,990	6,314	8,619
Uniforms	3,731	-	1,702	5,433	13,228
Total expenses before depreciation	<u>33,720,970</u>	<u>2,107,031</u>	<u>1,151,097</u>	<u>36,979,098</u>	<u>37,539,727</u>
Depreciation	665,527	5,398	10,811	681,736	553,081
Total expenses by function	<u>\$ 34,386,497</u>	<u>\$ 2,112,429</u>	<u>\$ 1,161,908</u>	<u>\$ 37,660,834</u>	<u>\$ 38,092,808</u>

See accompanying notes.

Foodbank of Southeastern Virginia
Statement of Cash Flows
Year Ended June 30, 2022 with Comparative Totals for the Year Ended June 30, 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,861,932)	\$ 5,330,535
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated food received, distributed and undistributable, net	1,653,891	(852,700)
Depreciation	681,736	553,081
Net realized and unrealized (gains) losses on investments	1,450,065	(1,500,558)
Gain on disposal of property and equipment	(17,000)	(1,750)
Change in:		
Accounts and grants receivable	(339,933)	105,594
Purchased food inventory	284,742	11,636
Prepaid expenses	12,118	(56,047)
Accounts payable	(347,945)	306,618
Accrued payroll and payroll taxes	(127,667)	193,909
Net cash provided by operating activities	<u>388,075</u>	<u>4,090,318</u>
Cash flows from investing activities:		
Purchase of property and equipment	(2,042,339)	(1,515,920)
Reinvestment of earnings on investments, net of fees	(103,062)	(83,761)
Proceeds from sale of property and equipment	17,000	1,750
Purchase of investments	(422,148)	(876,905)
Net cash used by investing activities	<u>(2,550,549)</u>	<u>(2,474,836)</u>
Cash flows from financing activities:		
Capital lease payments	(32,484)	(30,347)
Net change in cash and cash equivalents	<u>(2,194,958)</u>	<u>1,585,135</u>
Cash and cash equivalents, beginning of year	<u>8,782,387</u>	<u>7,197,252</u>
Cash and cash equivalents, end of year	<u>\$ 6,587,429</u>	<u>\$ 8,782,387</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 7,984</u>	<u>\$ 8,563</u>
Noncash food donations	<u>\$ 23,199,108</u>	<u>\$ 25,696,467</u>

See accompanying notes.

Notes to Financial Statements

1. Organization and Nature of Activities

Foodbank of Southeastern Virginia (Foodbank) was organized and incorporated in March 1981 for the purpose of collecting and distributing food to nonprofit organizations, which provide for the ill, the needy, and infants at no cost, in the South Hampton Roads area of Virginia. Its activities also include the Foodbank on Virginia's Eastern Shore, Justine's Clothes Bank, the Mobile Pantry program, the BackPack Program, and Kids Cafe®, a program of Feeding America. The Foodbank promotes food recovery; acquires and distributes food, clothing and related products; and provides community leadership and education on issues of hunger and poverty. The Foodbank's mission is "Leading the effort to eliminate hunger in our community."

The Foodbank was granted tax-exempt status on March 17, 1981 under Internal Revenue Code (Code) Section 501(c)(3) and, accordingly, does not pay federal or state income taxes on its increase in net assets. For income tax purposes, in-kind as well as monetary donations to the Foodbank are eligible for the charitable contribution deduction by the donor, subject to relevant provisions of the Code.

The Foodbank's operations include the following programs:

Food Distribution Programs - South Hampton Roads and Eastern Shore - The Food Distribution Programs solicit donated food from food producers, retailers, and individuals. The food is sorted and stored until distributed to member agencies of the Foodbank, who then distribute the food, at no charge, to needy individuals and families. A shared maintenance fee may be charged to the member agencies to help offset expenses incurred in the collection, storage, and distribution of the food. The Food Rescue Program is an effort to collect prepared and perishable food from area grocery stores, restaurants, hotels, caterers, country clubs, and hospitals to distribute immediately to the hungry at on-site feeding agencies.

The Emergency Food Assistance Program (TEFAP) - The Foodbank has contracted with the Virginia Department of Agriculture and Consumer Services (VDACS) to participate in The Emergency Food Assistance Program administered by the U.S. Department of Agriculture (USDA). The objective of the TEFAP program is to provide USDA commodities to low-income households for consumption and to provide hot meals prepared from USDA commodities to needy persons in congregated settings. The Foodbank receives USDA commodities from VDACS and has subcontracted with numerous emergency feeding organizations, usually religious organizations and other not-for-profit organizations, to distribute the food. In addition, Foodbank staff conducts mass distributions in some locales based upon need. All recipients of these federal commodities are required to sign self-declaration of income forms to verify eligibility. This program is included in donated food transactions in the accompanying statement of activities.

Trade Mitigation Food Purchase Distribution Program (FPDP) - The Foodbank has contracted with the Virginia Department of Agriculture and Consumer Services (VDACS) to participate in the FPDP administered by the U.S. Department of Agriculture (USDA). FPDP food is distributed through the same channels as TEFAP; however, FPDP funds are separate and distinct from TEFAP administrative funds. These funds may be used for the same types of expenses as regular TEFAP funding, but are limited to those expenses associated with FPDP foods.

**Foodbank of Southeastern Virginia
Notes to Financial Statements**

Temporary Assistance for Needy Families Program (TANF) - The Foodbank has contracted with the Virginia Department of Social Services (VDSS) to participate in The Temporary Assistance Program administered by the U.S. Department of Agriculture (USDA). The objective of the TANF program is to provide child nutrition programs for TANF and others under 200% of the federal poverty level. The Foodbank shall provide child nutrition programs through expanding production and distribution capacity for the Summer Food Service Program (SFSP) and the Child and Adult Care Food Program (CACFP).

The Commodity Supplemental Food Program (CSFP) - This program works to improve the health of low-income elderly persons at least 60 years of age with a gross household income at or below 130% of the established federal poverty income guidelines by supplementing their diets with nutritious USDA Foods. CSFP food boxes are distributed on a monthly basis and include a variety of foods, such as nonfat dry and ultra-high temperature fluid milk, juice, farina, oats, ready-to-eat cereal, rice, pasta, peanut butter, dry beans, canned meat, poultry, or fish, and canned fruits and vegetables. The CSFP is administered at the Federal Level by the USDA – Food and Nutrition Service and the Virginia Department of Agriculture and Consumer Services provide USDA CSFP foods to eligible Virginia Food Banks.

Supplemental Nutrition Assistance Program (SNAP) Outreach - This program is used like cash for eligible individuals and households to buy eligible food items from authorized retailers. SNAP Outreach involves providing clients with information regarding the SNAP program and assistance with applying for SNAP benefits.

Mobile Pantry Program - This new system of distribution serves food to our neediest communities, while coordinating with our partner agencies and other social service organizations to determine delivery locations. This program provides food to individuals who either could not travel to an agency, or their local agency was at capacity.

BackPack Program – The BackPack Program is a nationally-recognized program that distributes nutritious food to children at the end of the school day, before weekends and/or school breaks. Students are identified by school personnel as being food insecure by a variety of criteria.

Kids Cafe® - Kids Cafe® is a national program founded by Feeding America, a national domestic hunger relief organization and food bank network, to solve a nationwide problem of child hunger. The Foodbank and various agencies of South Hampton Roads have joined together to provide children with a free nutritious evening meal in a safe and supportive environment.

Justine's Clothes Bank - The Clothes Bank provides vouchers to needy individuals to be used for the purchase of new clothing and shoes. It is partially supported by the earnings from a perpetually restricted endowment fund established for this purpose.

2. Summary of Significant Accounting Policies

Comparative information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foodbank's financial statements for 2021, from which the summarized information was derived.

Foodbank of Southeastern Virginia
Notes to Financial Statements

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

The Foodbank is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The classes of net assets are described as follows:

Net assets without donor restrictions

Net assets that are currently available at the discretion of the Foodbank's Board of Directors for use in the Foodbank's operations.

Net assets with donor restrictions

Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Net assets with donor restrictions that are temporary in nature, received and consumed in the same period are reflected in operating activities without donor restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a donor restriction expires, restricted assets are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue recognition

Contributions, grants and promises to give

Contributions and grants are recognized at a point in time when the donor makes a promise to give to the Foodbank that is, in substance, unconditional. Contributions are considered available for use without restrictions, unless specifically restricted by the donor. All donor-restricted contributions, grants and time-restricted promises to give that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions and grants and time-restricted promises to give are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

If a promise to give is not expected to be collected within one year, it is discounted. A promise to give is deemed past due if payments are not received in accordance with the payment terms specified by the donor at the time the promise to give was made. In management's opinion, all unconditional promises to give are collectible and no allowance for doubtful accounts is considered necessary.

Contributions of donated noncash assets are recorded at their fair values in the period received.

Special events

Special events revenue includes revenue from contributions including sponsorships and gifts, as well as revenue from exchange transactions, including tickets to the event. Exchange transactions related to special events are recognized at a point in time, when the event is concluded.

**Foodbank of Southeastern Virginia
Notes to Financial Statements**

Cash equivalents

The Foodbank considers all highly liquid debt securities purchased with an original maturity of 90 days or less to be cash equivalents.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Accounts receivable represent amounts due from various agencies under the Foodbank's shared maintenance fee program. Based on management's assessment of the credit history with clients having outstanding balances and current relationships with them, management provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable previously written off are recorded when received. For the years ended June 30, 2022 and 2021, management has established an allowance for uncollectible accounts of \$0.

United Way and other receivables

United Way and other receivables are stated at the amount management expects to collect from balances outstanding at year-end. These receivables represent amounts due from United Way and other agencies, corporations, foundations, and individuals. Management believes that all of these receivables are fully collectible; therefore, no provision for doubtful accounts has been made. Receivables are recorded at their net realizable value, using risk adjusted interest rates applicable to the years in which the amounts are expected to be received to discount the amounts to present value.

Property and equipment

Acquisitions of property and equipment are recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. The Foodbank's policy is to capitalize property and equipment purchased with a cost of \$2,500 or greater. Depreciation is provided by the straight-line method over estimated useful lives of each class of depreciable assets as follows:

Buildings and improvements	5 - 40 years
Office equipment and computer software	3 - 5 years
Warehouse equipment	5 - 10 years
Vehicles	5 years

Investments and beneficial interest in assets held by others

Investments in certificates of deposits with maturities greater than twelve months and marketable securities with readily determinable fair values are recorded at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Beneficial interest in assets held by others are investments that are recorded at their fair value in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Inventory

USDA food inventory and food received, distributed and undistributable are stated at the value determined by the USDA for each commodity item on an annual basis. The commodity values are obtained from the USDA website which is considered to be a reasonable basis upon which to estimate these amounts. Inventory purchased by the Foodbank is recorded at cost and is charged to operations using the first-in, first-out method.

Non-USDA donated food inventory and donated food received, distributed and undistributable are stated at estimated fair value determined by reference to a study commissioned by Feeding America. That study presents the approximate average wholesale value of products donated to the network and is considered to be a reasonable basis upon which to estimate these amounts. For the years ended June 30, 2022 and 2021, the average wholesale value of the products per this study was \$1.92 and \$1.79 per pound, respectively. Undistributable food for the years ended June 30, 2022 and 2021 was \$492,677 and \$1,020,242, respectively, and is recognized in donated products distributed and undistributable in the statement of functional expenses.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services. Those expenses include payroll, depreciation, and other administrative costs. Payroll is allocated based on estimated time and effort, depreciation is allocated based on a square footage basis, and other administrative costs are allocated based on time and costs utilized by department.

Advertising costs

The Foodbank expenses advertising costs as they are incurred. Advertising expense was \$13,293 and \$104,232 for 2022 and 2021, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Donated services

The Foodbank utilizes a substantial amount of volunteer and subsidized labor in its daily operations. The availability of such cost-free and reduced-cost labor has allowed the Foodbank to expand its programs and services beyond what might otherwise have been possible. The Foodbank does not recognize contributed labor as revenue because these services do not meet the accounting standards for recognition.

Concentrations and credit risk

Financial instruments which potentially subject the Foodbank to concentration of credit risk consist principally of cash and cash equivalents, investments, and accounts receivable. The Foodbank places its cash and cash equivalents and investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash and cash equivalents exceeding the federally insured limits were approximately \$5,605,000 and \$7,470,000 at June 30, 2022 and 2021, respectively. In addition, cash equivalents held in the Foodbank's investment accounts are protected by the Securities Investor Protection Corporation (SIPC) up to \$250,000. Cash equivalents exceeding the SIPC protected limits were approximately \$79,500 and \$510,000 at June 30, 2022 and 2021, respectively. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of grantors comprising the Foodbank's grant base. The Foodbank received approximately 59% and 43%

Foodbank of Southeastern Virginia
Notes to Financial Statements

of its food products directly or indirectly from Feeding America for the years ended June 30, 2022 and 2021, respectively.

Income taxes

The Foodbank is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. This reclassification had no effect on previously reported net assets or change in net assets.

Adoption of new accounting standard – Contributed Nonfinancial Assets

During 2022, the Foodbank adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2020-07, Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires the Foodbank to present gifts-in-kind as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires additional disclosures related to contributed nonfinancial assets. The additional disclosure requirements include disclosing the Foodbank’s policy about monetizing rather than utilizing contributed nonfinancial assets, description of any donor-imposed restrictions associated with the contributed nonfinancial asset, description of the valuation techniques and inputs used to arrive at a fair value measure of contributed nonfinancial assets, and to disclose the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

Recently issued accounting standards

Leases

In February 2016, the FASB issued ASU 2016-02, “Leases”. Under the new standards, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For income statement purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. Extensive quantitative and qualitative disclosures will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The new standard will be effective for the Foodbank July 1, 2022, and the Foodbank is currently evaluating the effect this accounting standard may have on its financial statements.

Subsequent events

In preparing these financial statements, the Foodbank has evaluated events and transactions for potential recognition or disclosure through October 31, 2022, the date the financial statements were available to be issued.

Foodbank of Southeastern Virginia
Notes to Financial Statements

3. Liquidity and Availability of Financial Assets

As part of the Foodbank's liquidity management, it invests cash in excess of daily requirements in short-term investments. The Foodbank has a board designated quasi-endowment fund of \$5,702,987. Although the Foodbank does not intend to spend from its quasi-endowment fund, amounts could be made available as needed. Short-term needs are primarily for salaries, the purchase of supplies, facilities and equipment maintenance, fundraising, and general office expenses. Expenses due in the coming year are covered by funds raised by grants from other 501(c)(3) organizations, corporations, or localities, and donations received throughout the year.

The Foodbank's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets	
Cash and cash equivalents	\$ 6,587,429
Accounts receivable	898
United Way and other receivables	<u>661,208</u>
Total financial assets	7,249,535
Donor-imposed restrictions	
Restricted funds	(446,124)
Endowments	<u>(463,651)</u>
Net financial assets after donor-imposed restrictions available to meet cash needs for general expenditure within one year	<u>\$ 6,339,760</u>

4. Investments and Beneficial Interest in Assets Held by Others

The Foodbank has an agency fund held by the United Way of South Hampton Roads Foundation (UWSHRF). The Foodbank retains variance power for these funds and can withdraw them at any time.

Investments, including beneficial interest in assets held by others, are summarized as follows at June 30:

	<u>2022</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Mutual Funds	\$ 5,588,741	\$ 5,764,063	\$ 175,322
Hedge Funds	453,308	455,575	2,267
Real Estate Funds	151,210	188,946	37,736
Government Bonds	452,732	429,432	(23,300)
Corporate Bonds	<u>494,617</u>	<u>446,013</u>	<u>(48,604)</u>
Total investment funds and bonds	7,140,608	7,284,029	143,421
Beneficial interest in assets held by others	<u>35,708</u>	<u>85,162</u>	<u>49,454</u>
Total investments	<u>\$ 7,176,316</u>	<u>\$ 7,369,191</u>	<u>\$ 192,875</u>

Foodbank of Southeastern Virginia
Notes to Financial Statements

The following schedule summarizes the investment return in the statement of activities for 2022:

Interest and dividends	\$ 95,290
Net unrealized and realized gains (losses), net	<u>(1,450,065)</u>
Total investment return	<u>\$ (1,354,775)</u>

	<u>2021</u>		
	<u>Cost</u>	<u>Fair Value</u>	
		<u>Unrealized Gain (Loss)</u>	
Mutual Funds	\$ 4,939,143	\$ 6,557,390	\$ 1,618,247
Hedge Funds	453,307	482,848	29,541
Real Estate Funds	169,657	220,834	51,177
Government Bonds	337,179	353,240	16,061
Corporate Bonds	<u>577,384</u>	<u>589,970</u>	<u>12,586</u>
Total investment funds and bonds	6,476,670	8,204,282	1,727,612
Beneficial interest in assets held by others	<u>35,078</u>	<u>89,763</u>	<u>54,055</u>
Total investments	<u>\$ 6,512,378</u>	<u>\$ 8,294,045</u>	<u>\$ 1,781,667</u>

The following schedule summarizes the investment return in the statement of activities for 2021:

Interest and dividends	\$ 85,643
Net unrealized and realized gains (losses), net	<u>1,500,558</u>
Total investment return	<u>\$ 1,586,201</u>

5. United Way and Other Receivables

United Way and other receivables are as follows at June 30:

	<u>2022</u>	<u>2021</u>
United Way and other receivable	\$ 661,208	\$ 287,933
Other receivable – due in more than one year	<u>-</u>	<u>33,333</u>
United Way and other receivables	<u>\$ 661,208</u>	<u>\$ 321,266</u>

In order to simplify their accounting process for promises to give, the Foodbank has elected to record all promises to give at fair value; the process utilizes the income approach with discounted cash flows, providing a single discounted value for all promises to give. As there were no material long-term promises to give in 2022 and 2021, there was no discount rate applied in 2022 and 2021.

Foodbank of Southeastern Virginia
Notes to Financial Statements

6. Property and Equipment

Major classes of property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 240,640	\$ 240,640
Construction in progress	2,090,310	301,066
Buildings and improvements	7,527,556	7,397,541
Office equipment and computer software	999,234	982,275
Warehouse equipment	1,230,084	1,123,964
Vehicles	<u>2,505,687</u>	<u>2,665,848</u>
	14,593,511	12,711,334
Accumulated depreciation	<u>(7,550,942)</u>	<u>(7,029,367)</u>
Property and equipment, net	<u>\$ 7,042,569</u>	<u>\$ 5,681,967</u>

7. Capital Leases

Capital lease obligations are summarized as follows at June 30:

	<u>2022</u>	<u>2021</u>
Monthly payments of \$3,378 including interest at 4.75% through fiscal year 2024, secured by copy machines.	<u>\$ 37,424</u>	<u>\$ 69,908</u>

Interest expense charged to operations related to these capital leases for 2022 and 2021 was \$7,984 and \$8,428, respectively.

Minimum future lease payments and the present value of minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 40,433
2024	<u>3,378</u>
Total minimum lease payments	43,811
Amount representing interest	<u>(6,387)</u>
Capital lease obligation	37,424
Current portion of capital lease obligation	<u>(34,443)</u>
Long-term portion capital lease obligation	<u>\$ 2,981</u>

8. Lease Income and Operating Lease Obligations

The Foodbank's rental income is received under an operating lease for a portion of its facility on a quarter-to-quarter basis. There are no long term lease agreements resulting in guaranteed future income.

Foodbank of Southeastern Virginia
Notes to Financial Statements

Various items of equipment are leased on an as-needed basis, primarily for use in transporting food. Through June 2023 there are no long-term commitments associated with such leases.

The Foodbank leases warehouse and distribution space under several different lease arrangements through June 2023. Rent expense related to these leased spaces was \$101,830 and \$71,725 in 2022 and 2021, respectively. Future lease commitments of \$29,086 are due in 2023.

9. Net Assets

The detail of the Foodbank's net asset categories at June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions		
Invested in property, plant, and equipment, net of related debt	\$ 7,005,145	\$ 5,612,059
Board designated capital reserves	1,317,799	1,498,701
Board designated quasi-endowment	5,720,987	6,783,692
Undesignated	<u>7,906,673</u>	<u>10,041,748</u>
Total net assets without donor restrictions	<u>21,950,604</u>	<u>23,936,200</u>
Net assets with donor restrictions		
Purpose-restricted net assets:		
Foodbank programs	220,331	458,931
Western Tidewater Building	-	340,000
Justine's Clothes Bank	140,589	213,095
Mobile Pantry	-	135,833
Time-restricted net assets:		
Foodbank programs	225,793	315,190
Perpetually-restricted net assets:		
Justine's Clothes Bank	249,742	249,742
Joanne E. Batson Endowment	<u>73,320</u>	<u>73,320</u>
Total net assets with donor restrictions	<u>909,775</u>	<u>1,786,111</u>
Total net assets	<u>\$ 22,860,379</u>	<u>\$ 25,722,311</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors. Total net assets released from donor restrictions for Foodbank programs was \$1,192,023 and \$510,399 for 2022 and 2021, respectively.

Perpetually restricted net assets consist of contributions to Justine's Clothes Bank fund. Contributions are permanently invested, and the earnings are time-restricted to be used to support the operations of Justine's Clothes Bank. At June 30, 2022 and 2021, these perpetually-restricted net assets were \$249,742.

Perpetually restricted assets also consist of contributions to the Joanne E. Batson Endowment fund. Contributions are permanently invested, and the earnings are unrestricted to be used in support of Foodbank staff and leadership development. At June 30, 2022 and 2021 these perpetually-restricted net assets were \$73,320.

10. Retirement Plan

The Foodbank sponsors a 401(k) plan covering substantially all employees who had attained age 21, been employed for at least one year, and who worked a minimum of 1,000 hours annually. Employee contributions are matched up to the first 5% of their compensation. In addition, a discretionary contribution may be made by the Foodbank at the end of the fiscal year upon approval by the Board of Directors. Total cost under the plan for fiscal years 2022 and 2021 was \$36,624 and \$237,832 respectively, and is included in employee benefits in the statement of functional expenses.

11. Contributed Nonfinancial Assets

For the year ended June 30, 2022, contributed nonfinancial assets and services recognized within revenue in the statements of activities included:

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total 2022</u>
Donated Food	<u>\$ 23,342,858</u>	<u>\$ -</u>	<u>\$ 23,342,858</u>

For the year ended June 30, 2021, contributed nonfinancial assets and services recognized within revenue in the statements of activities included:

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total 2021</u>
Donated Food	<u>\$ 25,696,467</u>	<u>\$ -</u>	<u>\$ 25,696,467</u>

The basis used for valuing donated food is the average wholesale value of one pound of donated food of \$1.92 and \$1.79 as determined by the December 31, 2021 and 2020 Feeding America survey, respectively .

12. Special Events

The Foodbank conducts or is the recipient of several annual fundraising events as follows:

“Legal Food Frenzy” is an event that is sponsored by the Norfolk and Portsmouth Bar Association. Law professionals donate their time to collect cash and nonperishable food donations. The event is held for two weeks in March or April.

“Mayflower Marathon” is an event promoted by local radio stations requesting listeners to donate cash and canned food to the Foodbank. The Foodbank incurs minimal costs associated with this event.

In 2021 and 2020 the nation faced a pandemic known as “COVID-19”. This caused the Foodbank to receive specialized funds from many different organizations.

Foodbank of Southeastern Virginia
Notes to Financial Statements

The results of these and other fundraising events conducted during 2022 and 2021 are summarized as follows:

	2022		
	<u>Gross Revenue</u>	<u>Gross Expenses</u>	<u>Net Profit</u>
Food and Fund Drives	\$ 114,111	\$ -	\$ 114,111
Cause Marketing	529,796	-	529,796
Mayflower Marathon	190,036	10,264	179,772
Legal Food Frenzy	72,956	8,810	64,146
All Other Events	<u>95,149</u>	<u>5,552</u>	<u>89,597</u>
Total special events	<u>\$ 1,002,048</u>	<u>\$ 24,626</u>	<u>\$ 977,422</u>

	2021		
	<u>Gross Revenue</u>	<u>Gross Expenses</u>	<u>Net Profit</u>
Food and Fund Drives	\$ 298,945	\$ -	\$ 298,945
Cause Marketing	627,478	-	627,478
Mayflower Marathon	205,984	8,641	197,343
Legal Food Frenzy	114,041	12,849	101,192
COVID-19	76,008	-	76,008
All Other Events	<u>202,274</u>	<u>1,040</u>	<u>201,234</u>
Total special events	<u>\$ 1,524,730</u>	<u>\$ 22,530</u>	<u>\$ 1,502,200</u>

13. United Way Fundraising Costs

The Foodbank, as part of a requirement of receiving support from the United Way of South Hampton Roads (UWSHR), shares in the costs to acquire the funds in proportion to the amount of support received from the UWSHR. The Foodbank's proportionate share of the fundraising costs in 2022 and 2021 was \$17,908 and \$14,472, respectively, and are shown on the statement of activities as fundraising expenses.

14. Fair Value Measurements

The Foodbank defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. Accounting standards establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Current accounting standards expands disclosures about instruments measured at fair value and applies to the other accounting pronouncements that require or permit fair value measurements.

Foodbank of Southeastern Virginia
Notes to Financial Statements

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1:** Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Foodbank has the ability to access.
- Level 2:** Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of June 30, 2022, by caption on the statement of financial position by the valuation hierarchy defined previously:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income	\$ 1,894,148	\$ -	\$ -	\$ 1,894,148
Equity	3,869,915	-	-	3,869,915
Hedge Funds	-	455,575	-	455,575
Real Estate Funds	188,946	-	-	188,946
Government Bonds	-	429,432	-	429,432
Corporate Bonds	-	446,013	-	446,013
Beneficial interest in assets held by others	-	-	85,162	85,162
	<u>\$ 5,953,009</u>	<u>\$ 1,331,020</u>	<u>\$ 85,162</u>	<u>\$ 7,369,191</u>

The following table presents the financial instruments carried at fair value as of June 30, 2021, by caption on the statement of financial position by the valuation hierarchy defined previously:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income	\$ 1,716,506	\$ -	\$ -	\$ 1,716,506
Equity	4,840,884	-	-	4,840,884
Hedge Funds	-	482,848	-	482,848
Real Estate Funds	220,834	-	-	220,834
Government Bonds	-	353,240	-	353,240
Corporate Bonds	-	589,970	-	589,970
Beneficial interest in assets held by others	-	-	89,763	89,763
	<u>\$ 6,778,224</u>	<u>\$ 1,426,058</u>	<u>\$ 89,763</u>	<u>\$ 8,294,045</u>

Foodbank of Southeastern Virginia
Notes to Financial Statements

Fair value for Level 3 primarily consists of the funds invested in an agency fund managed by the United Way of South Hampton Roads Foundation. The United Way of South Hampton Roads pooled funds consist of equities and other securities that have active markets as well as alternative investments that do not have readily determinable fair values. Collectively however, the Organization's investments in the United Way of South Hampton Roads Foundation cannot be traded on active markets. The fair values of the alternative investments that do not have readily determinable fair values are determined by the investment managers and are based on audited financial statements provided to the investment managers or are based on historical cost, appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. There have been no changes in the methodologies used at June 30, 2022. The Organization recognizes transfers between the levels as of the beginning of the reporting period.

The following table summarizes the changes to Level 3 instruments for the year ending June 31, 2022:

	Beneficial Interest in Assets Held by Others
Fair value, beginning of year	\$ 89,763
Net additions and purchases	1,201
Net withdrawals	(332)
Unrealized gains	<u>(5,470)</u>
Fair value, end of year	<u>\$ 85,162</u>

The following table summarizes the changes to Level 3 instruments for the year ending June 30, 2021:

	Beneficial Interest in Assets Held by Others
Fair value, beginning of year	\$ 74,678
Net additions and purchases	1,296
Net withdrawals	(254)
Unrealized gains	<u>14,043</u>
Fair value, end of year	<u>\$ 89,763</u>

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foodbank believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

15. Endowment

The Foodbank’s perpetually restricted endowment consists of two individual funds. The Justine’s Clothes Bank fund was established for the purpose of offsetting the cost of food for its clients by providing vouchers to needy individuals to be used for the purchase of clothing and shoes. The Joanne E. Batson fund was established to ensure the Foodbank’s staff is adequately trained to meet the delivery of client services. The unrestricted endowment consists of two board-restricted endowment funds. The Joanne E. Batson – Board match represents the match that the Board made for the perpetually restricted donor contributions to the endowment fund and the Joanne E. Batson – earnings represents earnings on both the donor and Board portion of the endowment. The quasi-endowment fund was established by the Board for the purpose of supporting continued operations. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Commonwealth of Virginia adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2008. The Board of Directors of the Foodbank have interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foodbank classifies as perpetually net restricted assets (a) the original value of gifts donated to the perpetually endowment, and (b) the original value of subsequent gifts to the perpetually endowment. The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted net assets is classified as time-restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the state UPMIFA law. In accordance with state UPMIFA law, the Foodbank considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Foodbank and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and appreciation of investments.
- (6) Other resources of the Foodbank.
- (7) The investment policies of the Foodbank.

At June 30, 2022, the endowment net asset consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Justine’s Clothes Bank	\$ -	\$ 390,331	\$ 390,331
Joanne E. Batson Fund	-	73,320	73,320
Joanne E. Batson Fund – Board match	73,320	-	73,320
Joanne E. Batson Fund – earnings	37,764	-	37,764
Quasi-endowment, board designated	<u>5,720,986</u>	-	<u>5,720,986</u>
	<u>\$ 5,832,070</u>	<u>\$ 463,651</u>	<u>\$ 6,295,721</u>

Foodbank of Southeastern Virginia
Notes to Financial Statements

Changes in endowment net assets for the fiscal year ended June 30, 2022, consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,929,030	\$ 536,157	\$ 7,465,187
Investment return:			
Investment income	61,092	4,727	65,819
Net depreciation (realized and unrealized)	<u>(1,158,052)</u>	<u>(77,233)</u>	<u>(1,235,285)</u>
Total investment income	(1,096,960)	(72,506)	(1,169,466)
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ 5,832,070</u>	<u>\$ 463,651</u>	<u>\$ 6,295,721</u>

At June 30, 2021, the endowment net asset consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Justine's Clothes Bank	\$ -	\$ 462,837	\$ 462,837
Joanne E. Batson Fund	-	73,320	73,320
Joanne E. Batson Fund – Board match	73,320	-	73,320
Joanne E. Batson Fund – earnings	72,018	-	72,018
Quasi-endowment, board designated	<u>6,783,692</u>	<u>-</u>	<u>6,783,692</u>
	<u>\$ 6,929,030</u>	<u>\$ 536,157</u>	<u>\$ 7,465,187</u>

Foodbank of Southeastern Virginia
Notes to Financial Statements

Changes in endowment net assets for the fiscal year ended June 30, 2021, consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,577,669	\$ 446,836	\$ 6,024,505
Investment return:			
Investment income	54,105	4,335	58,440
Net appreciation (realized and unrealized)	<u>1,297,256</u>	<u>84,986</u>	<u>1,382,242</u>
Total investment income	1,351,361	89,321	1,440,682
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 6,929,030</u>	<u>\$ 536,157</u>	<u>\$ 7,465,187</u>

The Foodbank has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foodbank must hold in perpetuity as well as board-designated quasi endowment funds. Under the investment policy, the endowment assets are invested in a manner that will build the assets sufficient to support the mission of the Foodbank. The Foodbank's spending policy with respect to the fund is to spend the interest earned on the investment of the funds on expenses related to the fund.

From time-to-time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor and state UPMIFA law requires the Foodbank to retain as a fund of perpetual duration. As of June 30, 2022 and 2021 there are no deficiencies of this nature.

16. Line of Credit

In March 2021 the Foodbank entered into a revolving line of credit in the amount of \$1,000,000, subject to renewal January 2024. The line is secured by assets held for investment by the Lender. The loan bears interest at 2% above daily one-month LIBOR. The interest rate was 3.79% and 2.10% at June 30, 2022 and 2021, respectively. The line is payable on maturity. There was no balance outstanding on the line of credit as of June 30, 2022 and 2021.

17. Commitments

In connection with federal awards received in the year ended June 30, 2022 and 2021, the Foodbank is required to utilize certain purchased vehicles and equipment only in the performance of certain federal programs. In the event the vehicles and equipment are disposed of the Foodbank must do so in accordance with the requirements of the federal awards, which may include remitting any proceeds from sale to the grantor. Management has no intentions of selling these vehicles and equipment, and, accordingly, no liability has been established at June 30, 2022 and 2021.

**Foodbank of Southeastern Virginia
Notes to Financial Statements**

During 2021, with the approval of the governing board, management entered into a design/build contract for the renovation of a building acquired in Franklin, Virginia. This newly acquired property will serve as the Western Tidewater Branch of the Foodbank of Southeastern Virginia and the Eastern Shore. As of June 30, 2022 the construction is substantially complete. The total cost of the project is anticipated to be approximately \$3,000,000. As of June 30, 2022, the balance to finish construction of the facility was \$385,604. Funding for the project will come from grants, donations and operating reserves.

During 2022 the Foodbank executed a contract for a warehouse conversion for the facility in Norfolk, Virginia. The design-builder estimates the cost of construction will be \$206,210. As of June 30, 2022, the balance to finish construction of the facility was \$153,257.

The Foodbank anticipates that both contracts will complete construction and that the Foodbank will pay the remaining commitments during 2022.

18. COVID-19

In March 2020, the World Health Organization declared the outbreak and spread of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak has had far reaching and unpredictable impacts on the global economy, supply chains, financial markets, and global business operations of a variety of industries. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and shuttering of certain nonessential businesses. The COVID-19 pandemic has disrupted the operational and financial performance of the Foodbank and there is significant uncertainty in the nature and degree of its continued effects on our business the Foodbank over time. The extent to which it will impact the Foodbank going forward will depend on a variety of factors including the duration and continued spread of the outbreak, impact on the Foodbank's beneficiaries, partners, employees and vendors, as well as governmental, regulatory and private sector responses. Further, the pandemic may have a significant impact on management's accounting estimates and assumptions.

Supplementary Information

**Foodbank of Southeastern Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Agriculture Pass-Through from State			
Virginia Department of Agriculture and Consumer Services <u>Pass Through Entity ID Number - 67-400</u>			
Food Distribution Cluster			
Emergency Food Assistance Program (Food Commodities)	10.569	\$ 1,159,305	\$ 1,159,305
COVID-19 Emergency Food Assistance Program	10.569	405,289	405,289
Emergency Food Assistance Program (Administrative Funds)	10.568	323,198	-
Commodity Supplemental Food Program (Food Commodities)	10.565	164,891	164,891
Commodity Supplemental Food Program (Administrative Funds)	10.565	<u>24,333</u>	<u>-</u>
Total Food Distribution Cluster Passed Through Virginia			
Department of Agriculture and Consumer Services		<u>2,077,016</u>	<u>1,729,485</u>
Virginia Department of Health <u>Pass Through Entity ID Number - 59351</u>			
Summer Feeding Program	10.559	<u>118,475</u>	<u>83,799</u>
Virginia Department of Health <u>Pass Through Entity ID Number - 59326</u>			
Child and Adult Care Food Program (Kids' Café)	10.558	<u>225,886</u>	<u>178,074</u>
Total U.S. Department of Agriculture		<u>2,421,377</u>	<u>1,991,358</u>
U.S. Department of Health and Human Services Pass-Through from State			
Virginia Department of Social Services <u>Pass Through Entity ID Number - BEN-19-098</u>			
Temporary Assistance for Needy Families	93.558	<u>577,216</u>	<u>483,982</u>

**Foodbank of Southeastern Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

**U.S. Department of Homeland Security Pass-Through
from Various Cities**

Emergency Food and Shelter National Board Program

Norfolk (882400-007)		12,477	-
Virginia Beach (884800-001)		24,144	-
Chesapeake City (878400-004)		3,380	-
Portsmouth (883200-004)		14,113	-
Accomack (858400-002)		19,096	-
Suffolk (884600-004)		7,100	-
Northhampton (870800-002)		9,407	-
Total Emergency Food and Shelter National Board Program	97.024	<u>89,717</u>	<u>-</u>

Total U.S. Department of Homeland Security 89,717 -

**U.S. Department of Housing and Urban Development
Pass-Through from City**

City of Norfolk <u>Pass Through Entity ID Number 32-000011456</u> Community Development Block Grant	14.218	<u>25,000</u>	<u>-</u>
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**U.S. Department of Housing and Urban Development
Pass-Through from State**

Virginia Department of Housing and Community Development <u>Pass Through Grant #20-20-55</u> COVID-19 - Community Development Block Grant	14.228	<u>1,488,000</u>	<u>-</u>
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Total U.S. Department of Housing and Urban Development 1,513,000 -

U.S. Department of Treasury Pass-Through from City

City of Virginia Beach <u>Pass Through Entity ID Number 300165</u> COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>1,008,376</u>	<u>-</u>
		<u>\$ 5,609,686</u>	<u>\$ 2,475,340</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Foodbank of Southeastern Virginia (Foodbank) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CRF) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foodbank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foodbank.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. The food commodities distributed and shown in the schedule on the previous page as expenditures to subrecipients includes all food commodities distributed. At June 30, 2022, the Foodbank had food commodities of \$640,223 in inventory across all warehouse locations.

1. Summary of Auditor’s Results

- A. The auditor’s report expresses an unmodified opinion on whether the financial statements of the Foodbank were prepared in accordance with GAAP.
- B. There were significant deficiencies in internal control over financial reporting. See finding 2022-002. There were no material weaknesses in internal control over financial reporting.
- C. No instances of noncompliance material to the financial statements of the Foodbank, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed in the audit.
- D. There were significant deficiencies and material weaknesses in internal control over major federal award programs. See findings 2022-001 and 2022-003.
- E. The auditor’s report on compliance for the major federal award programs for the Foodbank expresses an unmodified opinion on all major federal programs.
- F. The audit disclosed no compliance findings required to be reported.
- G. The programs tested as major were:
 - Coronavirus State and Local Fiscal Recovery Funds (CFDA Number 21.027)
 - Community Development Block Grant (CFDA Number 14.228)
 - Food Distribution Cluster (CFDA Number 10.569, 10.568, and 10.565)
- H. The threshold used to distinguish between Type A and Type B programs was \$750,000.
- I. The Foodbank qualified as a low-risk auditee.

2. Findings - Financial Statement Audit

Finding 2022-002 – Inventory Valuation

Type of Finding: Significant deficiency in internal controls over financial reporting

Criteria:	An Organization’s internal control over financial reporting is a process designed to provide reasonable assurance that the financial statements are free of material errors.
Condition:	The Organization incorrectly valued USDA donated inventory.
Effect:	Correcting entries were required to properly value USDA inventory.

Cause: The Organization entered the incorrect pricing per case for USDA product resulting in an audit adjustment of \$143,750.

Repeat finding: No

Recommendation: We recommend that the Organization implement additional review procedures on the pricing of inventory.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with comments regarding the significant deficiency in internal controls over financial reporting. See corrective action plan.

3. Findings and Questioned Costs - Major Federal Award Programs Audit

Finding 2022-001 – Inventory Obsolescence

Cluster: Food Distribution Cluster
Grantor: U.S. Department of Agriculture Pass-Through from Virginia Department of Agriculture and Consumer Services
Award Name: Emergency Food Assistance Program
CFDA Numbers: 10.569, 10.568, 10.565

Type of Finding: Material Weakness in internal controls over compliance

Criteria: An Organization’s internal control over compliance is a process designed to provide reasonable assurance that the Federal Award Compliance requirements are met.

Condition: The Organization failed to properly monitor for obsolete inventory, resulting in a loss of USDA goods during 2022.

Effect: Write off obsolete inventory and reporting to Virginia Department of Agriculture and Consumer Services for remedial action.

Cause: Due to impacts of COVID-19, several agency distributions sites and on-site USDA distributions at the Organization had to be cancelled to comply with social distancing measures. As a result, the Organization was not able to distribute USDA commodities prior to expiration date. The Organization did not distribute USDA commodities timely resulting in a write off for expired inventory.

Questioned Costs: None

Recommendation: We recommend that management regularly monitor and review for aged inventory to ensure goods are properly distributed prior to expiration.

**Foodbank of Southeastern Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Views of Responsible
Officials and Planned
Corrective Actions:

Management agrees with comments regarding the material weakness in internal controls over compliance. See corrective action plan.

Finding 2022-003 – Procurement

**Grantor: U.S. Department of Treasury Pass-Through from City of Virginia Beach
Award Name: Coronavirus State and Local Fiscal Recovery Funds
CFDA Numbers: 21.027**

Type of Finding: Significant deficiency in internal controls over compliance

Criteria: Recipient are required to have procurement policies and procedures in place that comply with the procurement standards outlined in the Uniform Guidance.

Condition: Goods were purchased from vendors without going through the proper bid process.

Effect: The Organization procured food commodities without obtaining required quotes from vendors.

Cause: Due to supply chain constraints with COVID-19, certain products were unavailable and therefore the Organization could not obtain three procurement quotes.

Questioned Costs: None

Recommendation: We recommend that management follow the Organization's procurement policy or documents reasons for any exceptions prior to procurement.

Views of Responsible
Officials and Planned
Corrective Actions:

Management agrees with comments regarding significant deficiency in internal controls over compliance. See corrective action plan.

4. Results of Prior Year Findings

No findings noted.

Foodbank of Southeastern Virginia Corrective Action Plan

Material Weakness in Internal Control over Compliance

Finding 2022-001 – Inventory Obsolescence

Name of Contact Person: Dean Wooten

The Foodbank identified a problem in our USDA inventory management after the departure of several employees over the last year. During Covid it had become more difficult to distribute USDA product as many partner agencies no longer participated in the program. In addition, a weekly distribution held at the Foodbank had to be terminated due to social distancing standards. Consequently, some frozen inventory was retained longer than allowed. Once identified, management immediately self-disclosed the error to the Virginia Department of Agriculture and Consumer Services (VDACS) and the USDA. Management immediately began working with both parties to address the issue. Management also disclosed the situation to auditors at the beginning of the 2022 audit engagement.

USDA inventory is now reviewed on a regular basis by the Warehouse Manager to identify any items that are not “moving”. The inventory list is also provided to the Director of Agency & Program Services who works closely with the Warehouse Manager and the USDA partner agencies to make sure product is being utilized in a timely manner. The Foodbank has also enlisted more USDA participating partners which has increased the demand for USDA product. This increased demand will help ensure that product is not remaining in the warehouse beyond the allowed time. The Foodbank is also in the process of a software system upgrade that will add bar code scanning capability to the inventory management system which will enhance inventory control. The Foodbank will also be hiring an inventory position that will report directly to the Finance department and will serve as an internal auditor of the inventory to ensure adherence to accuracy and compliance standards.

VDACS is also working closely with the Foodbank to ensure product is moving and being evaluated on a regular basis. In the first two months (July and August), since implementing these changes, the foodbank has increased its USDA food distribution by 100% compared to the previous year, from 191,664 pounds to 384,590 pounds.

Proposed Completion Date: Prior to fiscal year end, June 30, 2023.

Significant Deficiency in Internal Control over Financial Reporting

Finding 2022-002 – Inventory Valuation

Name of Contact Person: Dean Wooten

The USDA inventory pricing issue that was discovered during the audit has been addressed by management. Beginning in FY 23, the Foodbank will begin valuing the donated USDA product utilizing the price per pound determined by Feeding America instead of using the commodity values from the USDA. By utilizing the standard price per pound methodology, the pricing error noted will no longer be an issue. The Foodbank determined most foodbanks in Virginia use the price per pound method for valuing their USDA donated product. Making this transition to pricing per pound will bring the foodbank more in line with others and will simplify the inventory valuation process.

Proposed Completion Date: Prior to fiscal year end, June 30, 2023.

Significant Deficiency in Internal Control over Compliance

Finding 2022-003 – Procurement

Name of Contact Person: Dean Wooten

The procurement process requires 3 bids for purchases over \$10,000. Due to supply chain issues related to Covid 19 and the related shortages there have been many times where there were not three vendors who were offering products for purchase. Proper documentation was not maintained to show that this was the case. Management has worked with the procurement staff to ensure that the procurement process is properly documented for each purchase over \$10,000 and bids will be obtained when product is available from multiple vendors. When multiple vendors are not available for bids, efforts made to find competitive bids will be documented and attached with the purchase order. Purchase orders will be reviewed and approved by the Director of Finance.

Proposed Completion Date: November 1, 2022

Foodbank of Southeastern Virginia

Compliance Reports

June 30, 2022

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

Board of Directors
Foodbank of Southeastern Virginia
Norfolk, VA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Foodbank of Southeastern Virginia, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-002, that we consider to be a significant deficiency.

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Report on Compliance and Other Matters

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

Management's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

FORVIS, LLP

Norfolk, VA
October 31, 2022

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Foodbank of Southeastern Virginia
Norfolk, VA

Report on Compliance for Each Major Federal Program

Opinion on each Major Federal Program

We have audited Foodbank of Southeastern Virginia's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on Foodbank of Southeastern Virginia's major federal program for the year ended June 30, 2022. Foodbank of Southeastern Virginia's major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Foodbank of Southeastern Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

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 (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States Government Auditing Standards; 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 Foodbank of Southeastern Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Foodbank of Southeastern Virginia'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 Foodbank of Southeastern Virginia'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 Foodbank of Southeastern Virginia'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 GAAS, *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 Foodbank of Southeastern Virginia's compliance with the requirements of the major federal program as a whole. In performing an audit in accordance with GAAS, *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 Foodbank of Southeastern Virginia'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 Foodbank of Southeastern Virginia'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 Foodbank of Southeastern Virginia'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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weaknesses and significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item Finding 2022-001 to be a material weakness.

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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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Foodbank of Southeastern Virginia's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Foodbank of Southeastern Virginia's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. Management is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Foodbank of Southeastern Virginia's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

FORVIS,LLP

Norfolk, VA
October 31, 2022