

Financial Statements

LOUDOUN HUNGER RELIEF, INC.

June 30, 2023

GENERAL ORGANIZATIONAL DATA

ORGANIZATION AND PURPOSE

Loudoun Hunger Relief, Inc. is a non-profit corporation organized under the laws of the Commonwealth of Virginia on October 24, 1991 for the purpose of collecting and distributing food to needy families and individuals in Loudoun County. Loudoun Hunger Relief, Inc. was granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code in March 1992.

Loudoun Hunger Relief, Inc. was originally organized and named Loudoun Interfaith Relief, Inc. In September 2016 the board adopted a resolution to change the name to Loudoun Hunger Relief, Inc.

OFFICERS

Charles McQuillan, Chair
David McOmer, Vice Chair
Lorna Campbell Clarke, Secretary
Roman Blazauskas, Treasurer

BOARD OF DIRECTORS

Carole Barbe	Magdalene Johnson Obaji
Roman Blazauskas	Eric Pearsall
Lorna Campbell Clarke	Michelle Rosati
David McOmer	John Rowell
Charles McQuillan	Andrea Winey

STAFF

Jennifer Montgomery, President/CEO
Trish McNeal, Deputy Director
Justo Castillo, Operations Director
Tannia Perez, Client Services and Community Partnerships Manger
Elizabeth Milkie, Volunteer and Community Engagement Manager

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MITCHELL, BURNS & Co., P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Loudoun Hunger Relief, Inc.
Leesburg, Virginia

Opinion

We have audited the accompanying financial statements of Loudoun Hunger Relief, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of Loudoun Hunger Relief, Inc. as of June 30, 2023, and the changes in its net assets 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. 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 Loudoun Hunger Relief, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Loudoun Hunger Relief, Inc.'s ability to continue as a going concern within 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Loudoun Hunger Relief, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
September 12, 2023

Mitchell, Burns & Co., P.C.

LOUDOUN HUNGER RELIEF, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2023

(with June 30, 2022 comparative totals)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,962,753	\$ 3,089,647
Retail grocer account credit	1,033	56,443
Grants and other receivables	216,298	81,426
Capital campaign pledged receivables, current portion	180,750	-
Inventory - food products	127,497	124,456
Gift cards	46,887	15,431
Prepaid expenses	38,174	36,414
Operating lease right-of-use asset	67,024	-
Total current assets	4,640,416	3,403,817
Capital campaign pledged receivables, net of current portion	410,508	-
Investments	1,542,238	863,752
Property and equipment, net of depreciation	853,857	301,073
Security deposits	1,425	1,425
Total Assets	\$ 7,448,444	\$ 4,570,067
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 124,805	\$ 19,805
Accrued payroll	46,769	43,372
Lease liability, current portion	14,152	-
Total current liabilities	185,726	63,177
Noncurrent liabilities		
Lease liability	52,872	-
Net Assets		
Without donor restriction:		
Undesignated	2,287,423	1,525,354
Designated by governing board	3,205,074	2,686,000
Total without donor restriction	5,492,497	4,211,354
With donor restriction	1,717,349	295,536
Total net assets	7,209,846	4,506,890
Total liabilities and net assets	\$ 7,448,444	\$ 4,570,067

See Notes to Financial Statements.

LOUDOUN HUNGER RELIEF, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

(with June 30, 2022 comparative totals)

	2023			2022
	Without Donor Restriction	With Donor Restriction	Total	
OPERATING ACTIVITIES:				
SUPPORT AND REVENUE				
Contributions	\$ 1,702,103	\$ 97,091	\$ 1,799,194	\$ 1,999,251
Donated food	4,318,434	-	4,318,434	3,516,345
Donated goods and services	351,682	-	351,682	245,396
Special events (net of expenses of \$3,723 and \$639, respectively)	16,277	-	16,277	11,862
Grants	294,485	275,469	569,954	481,003
Loudoun County ARPA funds	-	172,190	172,190	150,000
Bank interest	101,307	-	101,307	3,485
	6,784,288	544,750	7,329,038	6,407,342
Net assets released from restrictions				
Satisfaction of usage restrictions	839,106	(839,106)	-	-
Total support and revenue	7,623,394	(294,356)	7,329,038	6,407,342
EXPENSES				
Program services	6,065,093	-	6,065,093	5,598,487
Supportive services				
Management and general	162,975	-	162,975	219,865
Fundraising	182,080	-	182,080	96,362
Total expenses	6,410,148	-	6,410,148	5,914,714
Change in net assets from operations	1,213,246	(294,356)	918,890	492,628
NON-OPERATING ACTIVITIES:				
Investment income, net	67,897	-	67,897	(136,248)
Capital campaign donations	-	1,861,243	1,861,243	-
Net assets released from restrictions				
Satisfaction of usage restrictions	145,074	(145,074)	-	-
Capital campaign (in-kind \$4,500)	(145,074)	-	(145,074)	-
	67,897	1,716,169	1,784,066	(136,248)
Change in net assets	1,281,143	1,421,813	2,702,956	356,380
Net assets, beginning of year	4,211,354	295,536	4,506,890	4,150,510
Net assets, end of year	\$ 5,492,497	\$ 1,717,349	\$ 7,209,846	\$ 4,506,890

See Notes to Financial Statements.

LOUDOUN HUNGER RELIEF, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

(with June 30, 2022 comparative totals)

	Program Services	Management and General	Fundraising	Totals	
				2023	2022
Salaries and wages	\$ 898,467	\$ 32,620	\$ 131,423	\$ 1,062,510	\$ 925,751
Employee benefits	79,475	1,856	8,834	90,165	75,706
Payroll taxes	68,156	2,328	9,572	80,056	71,183
Total salaries and related expenses	1,046,098	36,804	149,829	1,232,731	1,072,640
Donated food distributed	4,359,628	-	-	4,359,628	3,817,570
Purchased food/items distributed	238,904	-	-	238,904	363,120
Bank charges	-	1,848	-	1,848	788
Depreciation	63,361	640	-	64,001	66,739
Education	4,899	362	478	5,739	6,094
Outreach	16,024	-	5,773	21,797	21,738
Equipment rental	-	-	-	-	5,383
Fees and licenses	2,972	-	-	2,972	2,855
Insurance	18,959	3,893	-	22,852	21,832
Maintenance	15,134	1,062	-	16,196	23,766
Marketing	1,272	-	1,963	3,235	16,064
Miscellaneous	-	367	-	367	860
Postage	957	645	2,426	4,028	4,466
Professional fees (in-kind \$36,961)	52,775	102,685	20,216	175,676	212,690
Rent (in-kind \$91,200)	96,955	10,773	-	107,728	107,730
Supplies	45,721	379	1,395	47,495	68,317
Communications	4,459	495	-	4,954	4,631
Utilities (in-kind \$99)	35,572	3,022	-	38,594	36,352
Transportation & vehicle costs	48,806	-	-	48,806	42,920
Volunteer support	12,597	-	-	12,597	18,159
	5,018,995	126,171	32,251	5,177,417	4,842,074
Total expenses	\$ 6,065,093	\$ 162,975	\$ 182,080	\$ 6,410,148	\$ 5,914,714

See Notes to Financial Statements.

LOUDOUN HUNGER RELIEF, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2023

(with June 30, 2022 comparative totals)

Cash Flows From Operating Activities	2023	2022
Change in net assets	\$ 2,702,956	\$ 356,380
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	64,001	66,739
Unrealized loss on investments	(67,897)	136,248
Donated fixed assets (construction in progress)	(132,254)	-
Donated inventory	(3,041)	235,971
Discount on capital campaign pledges	56,538	-
Change in assets and liabilities:		
(Increase) decrease in assets:		
Grants and other receivables	(134,872)	(43,718)
Capital campaign pledged contributions	(647,796)	-
Gift cards	(31,456)	6,481
Prepaid food debit card	55,410	21,123
Prepaid expenses	(1,760)	(14,022)
Operating lease right-of-use	(67,024)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	105,000	(3,745)
Accrued payroll	3,397	(30,652)
Lease liability	67,024	-
Net cash provided by operating activities	1,968,226	730,805
Cash Flows From Investing Activities		
Purchase of investments	(710,590)	(1,000,000)
Redemption of Treasury Bills	100,000	-
Purchase of property and equipment	(484,530)	(3,474)
Net cash (used in) investing activities	(1,095,120)	(1,003,474)
Net increase (decrease) in cash	873,106	(272,669)
Cash and Cash Equivalents		
Beginning of year	3,089,647	3,362,316
End of year	\$ 3,962,753	\$ 3,089,647

See Notes to Financial Statements.

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Loudoun Hunger Relief, Inc. (LHR), previously named Loudoun Interfaith Relief, Inc., is a nonprofit corporation established to serve the community of Loudoun County, Virginia, for the purpose of collecting and distributing food to needy families and individuals. Loudoun Hunger Relief is operated by a volunteer Board of Directors, paid employees and approximately 604 operational volunteers.

Significant Accounting Policies

The financial statements of Loudoun Hunger Relief, Inc. have been prepared in accordance with policies followed by nonprofit organizations. The significant accounting policies that follow are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting: The financial statements of LHR have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) as defined in the FASB Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations”. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restriction: Net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets With Donor Restriction: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity

Cash and Cash Equivalents: For purposes of reporting cash flows, LHR considers all cash on demand deposits, money market deposits, cash management accounts, and certificates of deposit with a maturity of three months or less to be cash equivalents.

Property, Plant and Equipment: Expenditures for donations of property and equipment exceeding \$5,000 are capitalized at cost or fair market value at the date of gift or purchase. Depreciation of property improvements, furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Inventory: Inventory consists of donated food and related food products. Food inventory is stated at the per pound rate established by the United States Department of Agriculture (USDA).

Investments: Investments in marketable equity securities with readily determinable fair values, real estate investments, and equity securities without readily determinable fair values are stated at fair value.

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Allowance for Doubtful Accounts Receivable: All receivables at year end are expected to be collected within one year. Management of LHR reviews the collectability of the receivables on a monthly basis. No provision for doubtful accounts has been made as management considers all amounts fully collectible.

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

Promises to Give: Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Donated Noncash Assets: Contributions of donated noncash assets are recorded at their fair value in the period received.

Donated Services: Contributions of services are recognized at their fair value when they are received if the services (a) create or enhance non-financial assets or (b) require specialized skill provided by individuals possessing those skills, and would typically need to be purchased if not donated.

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

Income Tax Status: Loudoun Hunger Relief, Inc. was granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. LHR has adopted the guidance under ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the LHR's tax positions and concluded that LHR has taken no uncertain tax provisions that would require adjustment to, or disclosure in, the financial statements to comply with the provisions of the guidance. Loudoun Hunger Relief, Inc. annually files the IRS informational filing form 990, return of organizations exempt from income taxes. Income tax years open for IRS inspection include years ended in 2020, 2021, 2022, and 2023.

Leases: Operating lease right-of use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future minimum payment over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term in the schedule of functional expenses. Lease and non-lease components of lease agreements are combined as the non-lease components are not material to breakout. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

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.

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Measure of Operations: The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to LHR's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature. Non-operating activities are broken out on the statement of activities for the years ended June 30, 2023 and 2022.

Functional Allocation of Expense: The cost of providing the 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 programs and supporting services benefited. The expenses that are allocated include the following:

Description	Method
Personnel costs	Time and effort
Administrative costs	Salaries percentage
Rent and utilities	Building square footage use
Professional fees and other	Direct

Note 2. Cash and Cash Equivalents

Composition of cash and cash equivalents at June 30 is as follows:

Name	Bank	Accounting	
	2023	2023	2022
Truist - checking	\$ -	\$ -	\$ 85,039
Atlantic Union Bank:			
Checking	318,150	310,255	506,444
Savings	364,654	364,654	2,324,231
ICS	3,229,492	3,229,492	
John Marshall - savings	58,352	58,352	57,882
Main Street Bank - checking	-	-	116,051
	<u>\$ 3,970,648</u>	<u>\$ 3,962,753</u>	<u>\$ 3,089,647</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2023, \$432,804 exceeded the FDIC insurance limits at Atlantic Union Bank.

Note 3. Capital Campaign Pledges Receivable

LHR leased and renovated additional space to expand warehouse and storage, create a best-practice client choice food pantry market and offer co-located office and meeting space to human service nonprofits. To fund the renovation costs, the Organization launched a capital campaign in January 2022. Renovation of the facilities began in the spring of 2023. The leased space will grow from 4,700 SF to 13,406 SF and construction is expected to be completed in Fall 2023.

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Campaign Pledges Receivable (Continued)

A summary of pledge activity during the year ended June 30, 2023 is as follows:

Description	Amount
Capital campaign pledges receivable, July 1, 2022	\$ -
Additional pledges	819,575
Collected pledges	(171,779)
	<u>647,796</u>
Less: unamortized discount on long-term pledges	(56,538)
Capital campaign pledges receivable, June 30, 2023	<u>\$ 591,258</u>

Management has evaluated collectability and deemed no allowance is necessary. Due to the long-term nature of pledges, LHR has recorded pledges at the net present value. A discount rate of 4% was used. A summary of expected future cash collections is as follows:

Fiscal year ended June 30,	Amount
2024	\$ 180,750
2025	180,100
2026	171,950
2027	108,471
2028	6,525
	<u>\$ 647,796</u>

Note 4. Investments and Fair Value Measurements

Investments as of June 30, 2023 and 2022 consist of the following:

Description	June 30, 2023		
	Cost	Fair Value	Unrealized Gain/(Loss)
Money market	\$ 107,383	\$ 107,383	\$ -
Exchange traded funds	582,778	565,180	(17,598)
Fixed income	926,631	869,675	(56,956)
	<u>\$ 1,616,792</u>	<u>\$ 1,542,238</u>	<u>\$ (74,554)</u>
Description	June 30, 2022		
	Cost	Fair Value	Unrealized Gain/(Loss)
Money market	\$ 7,052	\$ 7,052	\$ -
Exchange traded funds	557,312	468,064	(89,248)
Fixed income	435,636	388,636	(47,000)
	<u>\$ 1,000,000</u>	<u>\$ 863,752</u>	<u>\$ (136,248)</u>

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Investments and Fair Value Measurements (Continued)

FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that LHR has the ability to access.
- Level 2:* Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.
- Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. Investments are carried at fair value based on quoted market prices in active markets (all Level 1 measurement) with realized and unrealized gains and losses reported in the statement of activities.

The following tables set forth by level, within the fair value hierarchy, LHR's assets measured at fair value:

Description	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Money market	\$ 107,383	\$ -	\$ -	\$ 107,383
Exchange traded funds	565,180	-	-	565,180
Fixed income	869,675	-	-	869,675
	<u>\$ 1,542,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,542,238</u>

Description	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money market	\$ 7,052	\$ -	\$ -	\$ 7,052
Exchange traded funds	468,064	-	-	468,064
Fixed income	388,636	-	-	388,636
	<u>\$ 863,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 863,752</u>

Note 5. Liquidity

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Description	Amount
Cash and cash equivalents	\$ 3,962,753
Less: cash and cash equivalents with donor restriction and BOD designation	(3,738,111)
Current grants and other receivable for use in general operations	216,298
Current bills	(124,805)
	<u>\$ 316,135</u>

LHR invests cash balances in excess of immediate liquidity needs in accordance with its investment policy.

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. Property and Equipment

A summary of property and equipment is as follows:

Description	2023	2022
Furniture and fixtures	\$ 12,279	\$ 12,279
Equipment	136,377	136,376
Leasehold improvements	41,976	45,844
Facility expansion in progress	549,534	-
Office equipment	16,193	16,193
Software	17,431	17,431
Vehicles	518,480	484,055
	1,292,270	712,178
Less accumulated depreciation	(438,413)	(411,105)
	\$ 853,857	\$ 301,073

Depreciation expense for the year ended June 30, 2023 was \$64,001.

Note 7. Net Assets with Donor Restriction

Net assets with donor restriction are summarized as follows:

Year ending June 30:	Unspent	FY 2023 Activity		Unspent
	6/30/2022	Additions	Uses	6/30/2023
Child nutrition program	\$ -	\$ 93,174	\$ (25,353)	\$ 67,821
Retail grocer account credit	56,443	29,537	(84,947)	1,033
Van purchase	73,269	-	(73,269)	-
Capital improvements	50,000	45,000	(60,000)	35,000
Senior nutrition program	1,948	9,000	(8,582)	2,366
Occupancy and program support	-	106,220	(106,220)	-
American Rescue Plan Act funding	-	172,190	(172,190)	-
SWAP inventory and shelving system	47,100	-	(25,155)	21,945
Capital campaign	31,000	1,861,243	(363,411)	1,528,832
Warehouse equipment	-	24,629	(3,200)	21,429
Satellite pantries	12,120	-	(12,120)	-
Volunteer support	-	10,000	(2,500)	7,500
Hygiene items and baby food	23,656	25,000	(26,223)	22,433
Holiday food	-	30,000	(21,010)	8,990
	\$ 295,536	\$ 2,405,993	\$ (984,180)	\$ 1,717,349

All net assets with donor restriction are restricted for a specific purpose.

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8. Designated Net Assets

The Board of Directors has designated net assets and related cash balances for specific future obligations and projects summarized as follows:

Designated obligation/project	Balance	FY23 Activity		Balance
	6/30/2022	Designated	Undesignated	6/30/2023
Strategic initiatives/expansion	\$ 736,000	\$ -	\$ (736,000)	\$ -
Operating working capital	1,250,000	1,955,074	-	3,205,074
Capital reserve	700,000	-	(700,000)	-
	<u>\$ 2,686,000</u>	<u>\$ 1,955,074</u>	<u>\$ (1,436,000)</u>	<u>\$ 3,205,074</u>

Operating working capital: The portion of “unrestricted net assets” that the Board has designated for use in order to sustain financial operations in the event of significant unbudgeted increases in operating expenses and/or losses of operating revenues. Operating reserves help ensure that LHR is positioned to respond to varying economic conditions and changes and allow LHR the ability to continuously carry out its mission.

Note 9. Retirement Plan

Effective for fiscal years beginning July 1, 2016, LHR established an employer sponsored and funded IRA retirement arrangement for eligible employees. The amount contributed to the employee’s IRA account is determined annually by the Board of Directors. For the year ended June 30, 2023 and 2022, the board approved contributions of two percent (2.00%) of eligible employees’ compensation which amounted to \$16,266 and \$15,947, respectively.

Note 10. Prior Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total. 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 organization's financial statements for the year ended June 30, 2022 of the prior year, from which the summarized information was derived.

Note 11. Fair Value of Financial Instruments

LHR’s financial instruments are cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. The recorded values of these instruments approximate their fair values based on their short-term nature.

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 12. In-Kind Contributions

The fair value of in-kind donations included as contributions in the financial statements and the corresponding expenses or fixed assets additions. Contributed goods and services are used for both program and supporting services and are allocated based on the nature of the natural driver of the cost as described in Note 1. For the years ended June 30, 2023 and 2022, in-kind contributions consist of the following:

<u>Donated Item/Service</u>	<u>2023</u>	<u>2022</u>
Donated services:		
Accounting	\$ 12,000	\$ 24,000
Auditing	4,290	867
Consulting	2,499	2,000
Information technology	18,172	14,684
Marketing	4,500	1,514
Waste removal	99	440
Gift cards including retail grocer account credit	86,668	110,691
Donated fixed assets (facility expansion in progress)	132,254	-
Rent	91,200	91,200
	<u>351,682</u>	<u>245,396</u>
Food product	4,318,434	3,516,345
Total in-kind donation revenue	<u>\$ 4,670,116</u>	<u>\$ 3,761,741</u>
Less: amounts capitalized	(132,254)	-
Total in-kind donations expended	<u>\$ 4,537,862</u>	<u>\$ 3,761,741</u>

Donated services: Recorded at the amount it would cost LHR to pay for the services.

Gift cards: LHR receives donations of gift cards to be used to purchase food product. Gift cards are valued at actual the dollar value on the card.

Facility expansion: LHR began renovation and expansion of their current space during the year ended June 30, 2023. The construction company and many subcontractors involved with the project donated materials and labor totaling \$132,254. These were valued at the cost to purchase or provide the service.

Rent: the value of donated facilities are booked based on the fair market value of the space provided, see Note 14.

Food product: Noncash contributions of food products are donated by producers, manufacturers, retailers, USDA, and the general public. Contributed food is recorded as inventory at the USDA nationally calculated average per pound. Food products are recorded as program service expense when distributed. The established USDA value per pound of food for 2023 is \$1.92.

LHR also receives a substantial amount of services from volunteers who assist in food collection and distribution. These services have not been recorded in the financial statements because they did not meet the criteria for recognition under generally accepted accounting principles. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$451,706 for 13,860 hours and \$193,763 for 6,291 hours for the years ended June 30, 2023 and 2022, respectively.

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 13. New Accounting Guidance Implementation

Effective July 1, 2022, LHR changed its accounting method for leases as a result of implementing requirements in the Financial Account Standard's Board Accounting Standard Codification 842, *Leases* (FASB ASC 842).

LHR elected to adopt FASB ASC 842 using the optional transition method that allows the organization to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. LHR elected to adopt the package of practical expedients available under the transition guidance with the new standard. The package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right-of-use assets.

Because of a loan modification that was signed and effective in FY23, the adoption of FASB ASC 842 had no effect on opening net assets.

Note 14. Facility Leases

Operations Facility: LHR occupies space at the Leesburg Airpark complex consisting of approximately 10,541 square feet of combined warehouse and office space at 750 and 751 Miller Drive, Leesburg, Virginia. During 2015, Loudoun County purchased the building and started providing the space by agreement through an in-kind contribution. LHR is responsible for utilities. In-kind rent expense under this lease for fiscal year 2023 amounted to \$91,200.

Warehouse Facility: LHR entered into a sub-lease arrangement with Walgreens of Virginia, Inc. for approximately 3,480 square feet of warehouse space at 452 South King Street, Leesburg, Virginia. The lease commenced in May 2011 and was amended and extended through December 2027 with a fixed annual payment of \$16,530.

Minimum lease commitments under this lease is as follows:

Year ending June 30:	Amount
2023	\$ 16,530
2024	16,530
2025	16,530
2026	16,530
2027	8,265
Total lease payments	<u>74,385</u>
Less: amount representing interest	(7,361)
Present value of lease liability	<u>\$ 67,024</u>

At June 30, 2023, the weighted average lease term was 4.5 years, and the weighted average discount was 4%. There were no variable lease costs, CAM or taxes.

LOUDOUN HUNGER RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 15. Subsequent Events

Loudoun Hunger Relief, Inc. has evaluated subsequent events from June 30, 2023 through September 12, 2023 the date these financial statements were available to be issued, and determined that there were no material subsequent events requiring adjustment to, or disclosure in, the financial statements for the year ended June 30, 2023.