



**FOOD & FRIENDS, INC.**

**AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2024**

FOOD & FRIENDS, INC.

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SEPTEMBER 30, 2024

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## **Independent Auditor's Report**

To the Board of Directors  
Food & Friends, Inc.  
Washington, D.C.

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

#### ***Opinion***

We have audited the accompanying financial statements of Food & Friends, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, 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 present fairly, in all material respects, the financial position of Food & Friends, Inc. as of September 30, 2024, 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 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 Food & Friends, 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 Food & Friends, 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 and *Government Auditing Standards* will always detect a material misstatement when it exists.

***Auditor's Responsibilities for the Audit of the Financial Statements (Continued)***

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Food & Friends, 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 Food & Friends, 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.

***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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors  
Food & Friends, Inc.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2025, on our consideration of Food & Friends, Inc.'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 the effectiveness of Food & Friends, Inc.'s 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 Food & Friends, Inc.'s internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

We have previously audited Food & Friends, Inc.'s financial statements as of September 30, 2023, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Councilor, Buchanan + Mitchell, P.C.*

Bethesda, Maryland  
March 26, 2025

Certified Public Accountants

**FOOD & FRIENDS, INC.**

**STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2024  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF SEPTEMBER 30, 2023)**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 3,917,557	\$ 2,279,520
Government Grants Receivable	1,703,528	1,083,357
Partnership Contracts Receivable, Net of Allowance for Credit Losses	293,614	331,364
Contributions Receivable, Net of Allowance for Doubtful Accounts	3,091,762	1,899,228
Prepaid Expenses	<u>349,455</u>	<u>273,979</u>
Total Current Assets	9,355,916	5,867,448
<b>Investments</b>	10,415,770	10,717,292
<b>Fixed Assets, Net</b>	6,820,818	6,705,079
<b>Finance Right-of-Use Assets, Net</b>	9,623	18,768
<b>Other Assets</b>		
Contributions Receivable, Less Current Portion	8,213,530	2,590,483
Cash Surrender Value - Key Man Life Insurance Policy	294,688	286,989
Deposits	<u>113,543</u>	<u>41,213</u>
Total Other Assets	<u>8,621,761</u>	<u>2,918,685</u>
<b>Total Assets</b>	<u><u>\$ 35,223,888</u></u>	<u><u>\$ 26,227,272</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 764,494	\$ 853,744
Refundable Advance - Other	5,405	26,697
Finance Lease Liabilities, Current	<u>9,877</u>	<u>9,283</u>
Total Current Liabilities	779,776	889,724
<b>Finance Lease Liabilities, Long-Term</b>	<u>322</u>	<u>10,198</u>
Total Liabilities	780,098	899,922
<b>Net Assets</b>		
Without Donor Restrictions		
Undesignated	17,194,327	16,617,313
Board Designated - Greatest Needs	<u>2,914,160</u>	<u>2,483,976</u>
Total Without Donor Restrictions	20,108,487	19,101,289
With Donor Restrictions		
Purpose and Timing Restricted - Operations	4,089,513	3,145,124
Purpose and Timing Restricted - Building Expansion	8,707,606	1,541,841
Endowment Funds - Held in Perpetuity	<u>1,538,184</u>	<u>1,539,096</u>
Total With Donor Restrictions	<u>14,335,303</u>	<u>6,226,061</u>
Total Net Assets	<u>34,443,790</u>	<u>25,327,350</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 35,223,888</u></u>	<u><u>\$ 26,227,272</u></u>

*See accompanying Notes to Financial Statements.*

**FOOD & FRIENDS, INC.**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2023)**

	Without Donor Restrictions	With Donor Restrictions	2024	2023
<b>Revenue</b>				
Individual Contributions	\$ 1,879,343	\$ 3,688,182	\$ 5,567,525	\$ 5,137,321
Corporation and Foundation Contributions	733,551	146,211	879,762	800,908
Partnership Contracts	2,706,692	-	2,706,692	2,631,096
Combined Federal Campaign	154,255	-	154,255	87,566
Building Expansion Contributions	-	7,394,901	7,394,901	1,541,841
In-Kind Contributions	1,759,364	-	1,759,364	1,107,814
Government Grants	-	5,166,874	5,166,874	4,627,792
Special Events	1,387,225	-	1,387,225	1,144,334
Interest and Dividend Income	405,968	58,998	464,966	354,030
Net Gain on Investments	574,346	212,180	786,526	292,647
Other Revenue	-	-	-	9,303
Loss on Disposal of Fixed Assets	(4,254)	-	(4,254)	-
Net Assets Released from Restrictions	8,558,104	(8,558,104)	-	-
<b>Total Revenue</b>	18,154,594	8,109,242	26,263,836	17,734,652
<b>Expenses</b>				
Programs	13,099,710	-	13,099,710	12,266,778
Special Events	433,302	-	433,302	431,292
Management and General	727,582	-	727,582	816,031
Building Expansion	203,378	-	203,378	190,116
Fundraising	2,683,424	-	2,683,424	2,466,819
<b>Total Expenses</b>	17,147,396	-	17,147,396	16,171,036
<b>Change in Net Assets</b>	1,007,198	8,109,242	9,116,440	1,563,616
<b>Net Assets, Beginning of Year</b>	19,101,289	6,226,061	25,327,350	23,763,734
<b>Net Assets, End of Year</b>	<u>\$ 20,108,487</u>	<u>\$ 14,335,303</u>	<u>\$ 34,443,790</u>	<u>\$ 25,327,350</u>

*See accompanying Notes to Financial Statements.*

**FOOD & FRIENDS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2024  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2023)**

	Programs									
	Home Delivered Meals	Groceries to Go	Nutrition	Total Programs	Special Events	Management and General	Building Expansion	Fundraising	2024	2023
Salaries	\$ 2,298,379	\$ 2,675,193	\$ 632,171	\$ 5,605,743	\$ 13,499	\$ 421,471	\$ 96,536	\$ 1,169,601	\$ 7,306,850	\$ 6,392,302
Payroll Taxes and Benefits	391,779	456,011	107,759	955,549	-	71,865	12,053	202,991	1,242,458	1,091,646
Advertising	12,255	14,264	75	26,594	26,922	549	2,875	294	57,234	60,178
Bank and Payroll Fees	11,127	12,951	2,931	27,009	5,347	3,603	333	136,598	172,890	111,125
Community Relations	6,751	7,858	1,875	16,484	3,699	3,543	604	4,497	28,827	23,783
Depreciation and Amortization	184,049	214,224	40,031	438,304	-	41,698	-	41,229	521,231	458,455
Dues and Subscriptions	5,730	6,670	2,491	14,891	-	9,958	-	10,194	35,043	22,641
Education and Development	1,669	1,942	7,596	11,207	-	4,387	-	13,099	28,693	23,543
Equipment Purchase and Rental	73,653	85,728	2,207	161,588	16,235	1,543	2,840	12,763	194,969	120,561
Events	-	-	-	-	238,628	-	6,026	57,418	302,072	337,189
Food and Disposables	1,561,935	1,818,011	33	3,379,979	2,469	13,422	-	1,578	3,397,448	3,657,030
Direct Mail and Major Donor	8,113	9,444	-	17,557	14,814	-	10,200	108,574	151,145	155,861
Insurance	185,477	215,885	14,287	415,649	-	13,679	-	22,936	452,264	483,899
Interest	187	218	52	457	-	34	-	103	594	7,545
Professional Fees	130,460	151,849	35,287	317,596	1,439	39,321	-	70,584	428,940	371,597
Miscellaneous	5,432	6,323	1,821	13,576	75	492	-	12,756	26,899	32,384
Meetings	2,924	3,403	1,998	8,325	1,214	2,214	1,172	3,217	16,142	12,315
Office Expenses	14,124	16,439	2,875	33,438	3,972	4,414	91	5,997	47,912	34,999
Postage	7,804	9,083	813	17,700	1,175	866	123	98,171	118,035	170,352
Printing	24,154	28,114	(158)	52,110	12,504	(822)	677	223,439	287,908	309,850
Consulting Fees and Services	230,659	268,475	43,479	542,613	81,077	56,155	68,383	438,675	1,186,903	1,343,175
Promotional Merchandise	441	514	-	955	512	-	-	4,254	5,721	22,364
Rent	5,614	6,535	1,544	13,693	-	1,033	-	3,081	17,807	14,665
Repairs and Maintenance	232,840	271,014	19,166	523,020	-	19,964	-	19,739	562,723	422,702
Telephone	33,970	39,540	4,493	78,003	-	6,313	-	9,491	93,807	94,041
Travel	1,231	1,433	1,123	3,787	9,701	437	1,465	748	16,138	7,833
Utilities	126,597	147,353	10,886	284,836	-	11,340	-	11,212	307,388	252,208
Vehicle Expense	44,886	52,245	93	97,224	20	103	-	185	97,532	111,085
Volunteer Activities	19,327	22,496	-	41,823	-	-	-	-	41,823	25,708
<b>Total</b>	<b>\$ 5,621,567</b>	<b>\$ 6,543,215</b>	<b>\$ 934,928</b>	<b>\$ 13,099,710</b>	<b>\$ 433,302</b>	<b>\$ 727,582</b>	<b>\$ 203,378</b>	<b>\$ 2,683,424</b>	<b>\$ 17,147,396</b>	<b>\$ 16,171,036</b>

*See accompanying Notes to Financial Statements.*



**FOOD & FRIENDS, INC.**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2023)**

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 9,116,440	\$ 1,563,616
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	521,231	458,455
Net Gain on Investments	(786,526)	(292,647)
Loss on Disposal of Fixed Assets	4,254	-
<u>(Increase) Decrease in Assets</u>		
Government Grants Receivable	(620,171)	(144,169)
Partnership Contracts Receivable	37,750	67,805
Contributions Receivable	(6,815,581)	(1,722,285)
Prepaid Expenses	(75,476)	(49,935)
Deposits	(72,330)	(40,473)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	(89,250)	(84,973)
Refundable Advance - Other	(21,292)	(59,341)
Net Cash Provided by (Used in) Operating Activities	<u>1,199,049</u>	<u>(303,947)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Fixed Assets	(645,453)	(540,829)
Proceeds from Sale of Fixed Assets	13,375	-
Increase in Cash Surrender Value - Key		
Man Life Insurance Policy	(7,699)	(8,672)
Purchases of Investments	(6,309,826)	(8,351,936)
Proceeds from Sales of Investments	<u>7,397,874</u>	<u>4,396,584</u>
Net Cash Provided by (Used in) Investing Activities	448,271	(4,504,853)
<b>Cash Flows from Financing Activities</b>		
Principal Payments on Finance Lease Liability	<u>(9,283)</u>	<u>(8,915)</u>
Net Cash Used in Financing Activities	<u>(9,283)</u>	<u>(8,915)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,638,037	(4,817,715)
Cash and Cash Equivalents, Beginning of Year	<u>2,279,520</u>	<u>7,097,235</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 3,917,557</u></u>	<u><u>\$ 2,279,520</u></u>
<b>Supplementary Disclosure of Cash Flow Information</b>		
Interest Paid	\$ 594	\$ 7,545
<b>Noncash Transactions from Investing and Financing Activities</b>		
Establishment of Finance Right-of-Use Assets	\$ -	\$ 27,914
Establishment of Finance Lease Liabilities	-	28,396

*See accompanying Notes to Financial Statements.*

**FOOD & FRIENDS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Organization***

Food & Friends, Inc. (the Organization) is a nonprofit organization located in the District of Columbia. The mission of Food & Friends, Inc. is to improve the lives and health of people with HIV/AIDS, cancer, and other serious illnesses by preparing and delivering medically tailored meals and groceries, providing medical nutritional therapy, and reducing social isolation. The Organization's service area includes the District of Columbia, nine counties in Maryland, and seven counties and six independent cities in Virginia.

The operations of the Organization are primarily funded by contributions, government grants, and special events.

***Basis of Accounting***

The financial statements of Food & Friends, Inc. have been prepared on the accrual basis of accounting.

***Financial Statement Presentation***

The Organization has presented its financial statements in accordance with U.S. Generally Accepted Accounting Principles. Under those principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

*Net Assets Without Donor Restrictions* - resources that are available for general operations and resources designated by the Organization's Board of Directors for approved expenditures.

*Net Assets With Donor Restrictions* - net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity (endowment).

***Cash and Cash Equivalents***

All highly liquid investments, excluding amounts included in investments, with a maturity of less than 90 days at the date of acquisition are considered cash equivalents.

***Investments***

Investments are recorded at fair market value.

***Fixed Assets***

The Organization capitalizes all computer equipment of \$750 and above and all other fixed assets acquisitions of \$1,000 and above. Fixed assets are recorded at cost, if purchased, or fair market value at date of donation, if contributed. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. Expenditures for maintenance and repairs, including planned major maintenance activities, are charged to expense as incurred.

**FOOD & FRIENDS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Contributions and Grants***

The Organization reports unconditional contributions and grants as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor imposed restrictions and reported in the statement of activities as net assets released from restrictions.

***Conditional Grants and Contributions***

Conditional grants and contributions are not recorded as revenue until the related conditions have been satisfied. Amounts received for conditional grants and contributions are recorded as refundable advances until the conditions have been met. Grants and contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

***Other Revenue and Special Event Revenue***

Other revenue is recognized at the point in time that the service is provided. Revenue from special events is recognized when the event is held.

***Partnership Contracts***

The Organization has entered into funding agreements with managed care organizations (MCOs). Revenues from these contracts are recorded as revenue when services are provided to MCOs' clients. The Organization uses the loss-rate method to estimate expected credit losses based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Historical credit loss experience provides the basis for the estimation of expected credit losses and adjustments are made for differences in current and forecasted risk characteristics and economic conditions. In addition, the allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Partnership contracts receivable that do not share risk characteristics are evaluated on an individual basis. Partnership contracts receivable are considered overdue based on management's determination and are written off based on management's case-by-case determination that they are uncollectible. As of September 30, 2024, the Organization's management has established an allowance for credit losses of approximately \$99,000 related to partnership contracts receivable.

***Government Grants Receivable***

Government grants receivable are stated at the amount management expects to collect on the outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of accounts. It is the Organization's policy to charge off uncollectible government grants receivable when management determines the receivable will not be collected. As of September 30, 2024, the Organization has not deemed it necessary to establish an allowance for doubtful accounts for this funding stream.

FOOD & FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Contributions Receivable*

Unconditional promises to give that have not been collected as of the statement of financial position date, are recorded as contributions receivable. Management estimates the allowance for doubtful accounts based on historical experience updated for current economic conditions. If actual experience changes, revisions to the allowance may be necessary. As of September 30, 2024, the Organization's management has established an allowance for doubtful accounts of approximately \$5,000 related to contributions receivable.

*Right-of-Use Assets and Lease Liabilities*

The determination of whether an arrangement is a lease is made at the lease's inception. Under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Lease liabilities are initially measured at the present value of minimum lease payments using a risk-free rate that approximates the remaining term of the lease. The right-of-use asset is the lease liability adjusted for other lease-related accounts. Management considers the likelihood of exercising renewal or termination clauses (if any) in measuring the Organization's right-of-use assets and lease liabilities. Finance lease amortization expense is allocated over the remaining lease term on a straight-line basis. Finance lease interest expense is calculated using a risk-free rate that approximates the remaining term of the lease multiplied by the outstanding finance lease liability.

The Organization considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability. In addition, the Organization does not separate non-lease components from lease components (if any) when determining the payments for leases of office equipment.

*Adoption of Accounting Standards Codification Topic 326*

During the year ended September 30, 2024, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. All assets that fall within the scope of ASU 2016-13 were evaluated to determine if the measurement of expected credit losses is material. The Organization adopted ASU 2016-13 and the effect of the adoption was not material to the financial statements.

FOOD & FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Donated Services*

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization receives donated services for professional legal services and from a variety of unpaid volunteers assisting in preparing and delivering meals. In 2024, volunteers donated approximately 71,000 hours to the Organization. Volunteers are crucial to the Organization in fulfilling its tax-exempt purpose.

*Income Taxes*

The Organization is exempt from income taxes under Code Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The Organization requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to tax positions taken in a tax return. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions. The Organization’s Form 990, *Return of Organization Exempt from Income Tax*, Form 990-T, *Exempt Organization Business Income Tax Return*, and the District of Columbia Form D-20, *Corporation Franchise Tax Return*, are subject to examination by the taxing authorities, generally for three years after filing.

*Functional Expense Allocation*

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include most operating costs such as office expense, telephone, utilities, repairs and maintenance, depreciation and amortization, and interest that support various programs and functions. The basis of the allocations is direct salary costs which have been allocated to program and supporting functions based on documentation of employee time and effort and square footage for occupancy expenses.

*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.

*Prior Year Information*

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended September 30, 2023, from which the summarized information was derived.

**FOOD & FRIENDS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Reclassification*

Certain 2023 amounts have been reclassified for comparative purposes.

**2. CONTRIBUTIONS RECEIVABLE**

Contributions receivable due in more than one year are discounted at a rate of approximately 5.5%. Contributions receivable as of September 30, 2024, are as follows:

Description	Amount
Contributions Receivable in Less Than One Year	\$ 3,096,762
Contributions Receivable in One to Five Years	9,446,539
Contributions Receivable	12,543,301
Less Discount to Net Present Value	(1,233,009)
Less Allowance for Uncollectible Amounts	(5,000)
Contributions Receivable, Net of Allowance and Discount	<u>\$ 11,305,292</u>

**3. LIQUIDITY AND AVAILABLE RESOURCES**

The Organization's cash flows have seasonal variations due to the timing of grants, contributions, special events, and vendor payments. The Organization manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due.

As of September 30, 2024, the following financial assets and liquidity resources were available for general operating expenditures for the year ending September 30, 2025:

*Financial Assets*

Cash and Cash Equivalents	\$ 3,917,557
Government Grants Receivable	1,703,528
Partnership Contracts Receivable	293,614
Contributions Receivable	3,091,762
Investments	10,415,770
Less With Donor Purpose Restrictions	(3,423,927)
Less Endowment Funds - Invested in Perpetuity	(1,538,184)
Less Board Designated - Greatest Needs	(2,914,160)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 11,545,960</u>

Excess funds are invested in managed investment portfolios. In addition, the Organization has a board designated - greatest needs reserve fund in the amount of approximately \$2,914,000, which can be used for general operating purposes with board approval. The Organization also has a line of credit available as discussed in Note 6. With resources available and the line of credit, the Organization is currently adhering to its Reserve Policy - approved by the Board of Directors - that desires to achieve a reserve for operations equal to six months operating expense.

# FOOD & FRIENDS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024

### 4. GOVERNMENT GRANTS

The Organization receives revenue from grants with federal, state, and local governments, which are subject to audit by various agencies. A contingent liability exists to refund any amounts received in excess of allowable costs incurred. Management believes that the adjustments, if any, resulting from such audits will not be material to the financial statements.

### 5. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

**Level 1** - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities).

**Level 2** - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds).

**Level 3** - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split interest agreements).

The following presents the Organization's assets measured at fair value on a recurring basis as of September 30, 2024:

Assets	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money Market Funds	\$ 636,846	\$ 636,846	\$ -	\$ -
Mutual Funds	4,753,506	4,753,506	-	-
Exchange Traded Funds	1,481,844	1,481,844	-	-
Corporate Bonds	1,301,627	-	1,301,627	-
Government Bonds	2,241,947	-	2,241,947	-
Total Investments	10,415,770	6,872,196	3,543,574	-
Cash Surrender Value - Key Man Life Insurance Policy	294,688	-	294,688	-
Total	\$ 10,710,458	\$ 6,872,196	\$ 3,838,262	\$ -

Bond values are based on readily available pricing sources for comparable investments. The value of the cash surrender value - key man life insurance policy was based on information provided by the investment managers.

### 6. LINE OF CREDIT

The Organization has a priority line of credit with Wells Fargo Advisors. The line of credit is secured by the operating investment portfolio and has a preferential discount rate based on *The Wall Street Journal* Prime Rate minus 0.50%. The available line of credit fluctuates based upon the balance of the collateral account (operating investment portfolio). As of September 30, 2024, the outstanding balance on the line of credit was \$-0-.

**FOOD & FRIENDS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**7. NET ASSETS WITH DONOR RESTRICTIONS FOR PURPOSE AND TIMING**

As of September 30, 2024, net assets with donor restrictions are available as follows:

Description	Amount
Medically Tailored Meals Program	\$ 116,908
Building Expansion Program	8,707,606
Endowment - Food and Food Delivery	86,953
Endowment - Education and Advocacy	8,326
Endowment - Volunteer and Community Support	308,130
Endowment - Greatest Needs	64,260
Endowment - Direct Service	34,840
Timing	3,470,096
Total Net Assets With Donor Restrictions for Purpose and Timing	<u>\$ 12,797,119</u>

For the year ended September 30, 2024, net assets were released from donor restrictions by incurring expenses satisfying the purpose and or timing restrictions specified by donors as follows:

Description	Amount
Purpose Restriction - Medically Tailored Meals Program	\$ 5,519,688
Purpose Restriction - Building Expansion Program	229,137
Endowment - Food and Food Delivery	6,668
Endowment - Education and Advocacy	463
Endowment - Volunteer and Community Support	25,478
Endowment - Greatest Needs	6,338
Endowment - Direct Service	10,657
Timing	2,759,675
Total Net Assets Released from Restrictions	<u>\$ 8,558,104</u>

**8. ENDOWMENT FUNDS**

Net assets with donor restrictions held in perpetuity consist of endowment funds to be held indefinitely, the income from which is expendable to support the Organization's programs.

As of September 30, 2024, the Organization's net assets held in perpetuity are as follows:

Description	Amount
Food and Food Delivery	\$ 150,928
Education and Advocacy	8,199
Volunteer and Community Support	601,008
Greatest Needs	230,733
Direct Service	547,316
Total	<u>\$ 1,538,184</u>

The Organization's endowment consists of several individual funds (the Funds) established for a variety of purposes. The endowment consists of donor-restricted funds and board-designated or quasi-endowment funds, as required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.



# FOOD & FRIENDS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024

### 8. ENDOWMENT FUNDS (CONTINUED)

The Organization classifies as net assets with donor restrictions held in perpetuity (a) the original value of gifts donated to the permanent endowment funds, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Organization considers the following factors, as set out in the District of Columbia's Uniform Prudent Management of Institutional Funds, DC Code §44-1631 et. seq., in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund, (2) the purposes of the Organization 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 the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

The Organization had the following changes in the endowment net assets during the year ended September 30, 2024.

Description	Without Donor Restrictions Board Designated	With Donor Restrictions		Total
		Purpose Restricted	Invested in Perpetuity	
Endowment Net Assets, Beginning of Year	\$ 2,483,976	\$ 280,943	\$ 1,539,096	\$ 4,304,015
Investment Return				
Interest and Dividends	93,073	58,998	-	152,071
Net Realized and Unrealized Gain	334,854	212,180	-	547,034
Total Investment Return	427,927	271,178	-	699,105
Contributions	70,587	-	11,154	81,741
Reclassification	12,066	-	(12,066)	-
Amounts Appropriated for Expenditure	(80,396)	(49,612)	-	(130,008)
Endowment Net Assets, End of Year	<u>\$ 2,914,160</u>	<u>\$ 502,509</u>	<u>\$ 1,538,184</u>	<u>\$ 4,954,853</u>

#### *Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the market while assuming a moderate level of investment risk.

#### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that provides reasonable and predictable funds for the Organization's program purposes and to maintain a balance between the Organization's spending and the protection of the principal.

**FOOD & FRIENDS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**8. ENDOWMENT FUNDS (CONTINUED)**

***Spending Policy***

The spending policy is calculated based on a percentage of the average of the fiscal year end market value of the endowment funds for the previous twelve quarters. Distribution from the endowment funds may be made on any cycle deemed appropriate to achieve the purpose of the funds and reduce administrative costs and oversight.

**9. CONCENTRATIONS AND FINANCIAL RISK**

The Organization maintains cash balances at several financial institutions in the Washington, D.C., metropolitan area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). At times during the year, the Organization's cash balances exceeded the FDIC insured amount. Management believes the risk in these situations to be minimal.

The Organization invests in professionally managed portfolios that contain various investments. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the financial statements.

As of September 30, 2024, 51% of contributions receivables were due from two donors. For the year ended September 30, 2024, 20% of total revenue was from one donor. In addition, approximately \$5,167,000 or 20% of the Organization's revenue is derived from grants with federal, state, and local governments. Any significant reduction in funding from government grants may impact the Organization's ability to carry out its programs and other activities.

**10. IN-KIND CONTRIBUTIONS**

The value of donated services included as contributions and offsetting expenses in the financial statements consists of services provided by a law firm for various legal services and volunteers assisting in preparing and delivering meals on behalf of the Organization. The value of donated services are based on current market rates for similar services. All donated services received by the Organization for the year ended September 30, 2024, were considered without donor restrictions and able to be used by the Organization as determined by the Board of Directors and management.

For the year ended September 30, 2024, the total of these services and food and other products was approximately \$1,759,000.

Description	Programs	Special Events	Fundraising	Total
Salaries	\$ 1,410,781	\$ -	\$ -	\$ 1,410,781
Events	-	41,664	-	41,664
Professional Fees	302,651	-	-	302,651
Food and Other Products	4,268	-	-	4,268
Total In-Kind	<u>\$ 1,717,700</u>	<u>\$ 41,664</u>	<u>\$ -</u>	<u>\$ 1,759,364</u>

**FOOD & FRIENDS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**11. COMMITMENTS AND CONTINGENCIES**

The Organization has an employment contract (the Contract) with its Executive Director through December 31, 2026. The Contract provides for an annual salary and fringe benefits. In the event of termination without cause, the Organization will pay the Executive Director six months of current salary.

**12. RETIREMENT PLAN**

Effective December 15, 2002, the Organization established a defined contribution retirement plan (the Plan). The Organization makes discretionary contributions to the Plan. Employees are eligible to receive employer contributions after completing six months of service. For the year ended September 30, 2024, the Organization contributed approximately \$268,000 to the Plan.

**13. FINANCE LEASES**

The Organization is obligated under non-cancelable finance leases for office equipment through November 2025. Amortization on the finance right-of-use assets totaled \$9,145 and is included depreciation and amortization expense on the statement of functional expenses for the year ended September 30, 2024. The accumulated amortization on the finance right-of-use asset was \$18,290 as of September 30, 2024. Interest expense on the finance lease liability totaled \$594 for the year ended September 30, 2024.

Maturity of the finance lease liabilities as of September 30, 2024, are as follows:

For the Years Ending September 30,

2025	\$ 9,877
2026	<u>535</u>
Total Undiscounted Minimum Lease Payments	10,412
Less Discount to Present Value	<u>(213)</u>
Total Finance Lease Liabilities	<u><u>\$ 10,199</u></u>

The supplementary qualitative finance lease information is as follows:

Weighted-Average Remaining Lease Term (Years)	1.06
Weighted-Average Discount Rate	4.04%

**14. CONDITIONAL CONTRIBUTIONS**

The Organization receives conditional contributions and grants from federal, state, and local governments and other organizations. The conditional portion of these grants has not been recorded as revenue or as a receivable, as the required criteria under generally accepted accounting principles has not been met as of September 30, 2024. The conditional portion of the contributions and grants not yet recognized is approximately \$1,708,000 and requires certain measurable barriers to be met such as being in compliance with specialized cost principles and allowable costs.

**FOOD & FRIENDS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**15. NET PARTNERSHIP CONTRACTS RECEIVABLE**

Changes in the allowance for credit losses during the year ended September 30, 2024, were as follows:

<u>Description</u>	<u>Amount</u>
Allowance for Credit Losses, Beginning of Year	\$ 87,934
Current Charges to Expected Credit Losses	39,002
Write-offs Charged Against the Allowance	<u>(27,994)</u>
Allowance for Credit Losses, End of Year	<u><u>\$ 98,942</u></u>

**16. FIXED ASSETS**

The Organization held the following fixed assets as of September 30, 2024:

<u>Description</u>	<u>Amount</u>
Kitchen Equipment	\$ 1,507,850
Furniture and Office Equipment	1,045,074
Delivery Vehicles	767,401
Land and Land Improvements	2,364,979
Construction-in-Progress	229,136
Building	<u>6,526,975</u>
Total Fixed Assets	12,441,415
Less Accumulated Depreciation and Amortization	<u>(5,620,597)</u>
Total Fixed Assets, Net	<u><u>\$ 6,820,818</u></u>

**17. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through March 26, 2025, the date on which the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**FOOD & FRIENDS, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures
<b><u>Department of Health and Human Services</u></b>			
<i>HIV Emergency Relief Project Grants</i>			
Pass-Through Programs from			
District of Columbia - Department of Health	93.914	HAHSTA2022-000036-004	\$ 357,058
District of Columbia - Department of Health	93.914	HAHSTA2022-000036-003	843,813
Total HIV Emergency Relief Project Grants			1,200,871
<i>Community Service Block Grant</i>			
Pass-Through Programs from			
Fairfax County	93.569	4400012667	12,353
Total Community Service Block Grant			12,353
Total Department of Health and Human Services			1,213,224
<b><u>Department of Homeland Security</u></b>			
<i>Emergency Food and Shelter Program</i>			
Pass-Through Programs from			
Montgomery County Local Board			
Emergency Food and Shelter National Board Program	97.024	380200-033	10,000
Alexandria City Local Board			
Emergency Food and Shelter National Board Program	97.024	877400-017	12,500
Alexandria City Local Board			
Emergency Food and Shelter National Board Program	97.024	877400-017	22,500
DC EFSP Local Board			
Emergency Food and Shelter National Board Program	97.024	149200-115	16,754
Total Emergency Food and Shelter Program			61,754
Total Department of Homeland Security			61,754
<b><u>The Congress of the United States</u></b>			
Pass-Through Program from			
Government of the District of Columbia Department of Health			
Healthful Food Access Initiatives - Community Health Administration	99.CHA2021-000034	CHA2021-000034	1,335,000
Total The Congress of the United States			1,335,000
<b>Total Federal Expenditures</b>			<b>\$ 2,609,978</b>

*See accompanying Notes to Schedule of Expenditures of Federal Awards.*

**FOOD & FRIENDS, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
SEPTEMBER 30, 2024**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Food & Friends, Inc. under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Food & Friends, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Food & Friends, Inc.

**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 types of expenditures are not allowable or are limited as to reimbursements.

**3. RECONCILIATION OF EXPENDITURES**

Government grant revenue for the year ended September 30, 2024, includes approximately \$2,556,900 of state and local funds which are not considered federal assistance.

**4. INDIRECT COST RATES**

Food & Friends, Inc. has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**5. SUBRECIPIENTS**

There were no awards passed through to subrecipients.

**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***

To the Board of Directors  
Food & Friends, Inc.  
Washington, D.C.

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 Food & Friends, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, 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 March 26, 2025.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Food & Friends, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Food & Friends, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Food & Friends, Inc.'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Food & Friends, Inc.'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*.



To the Board of Directors  
Food & Friends, Inc.

***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 Food & Friends, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Food & Friends, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Councilor, Buchanan + Mitchell, P.C.*

Bethesda, Maryland  
March 26, 2025

Certified Public Accountants

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

To the Board of Directors  
Food & Friends, Inc.  
Washington, D.C.

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

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

We have audited Food & Friends, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Food & Friends, Inc.'s major federal programs for the year ended September 30, 2024. Food & Friends, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Food & Friends, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Food & Friends, Inc. 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 each major federal program. Our audit does not provide a legal determination of Food & Friends, Inc.'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 Food & Friends, Inc.'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 Food & Friends, Inc.'s compliance based on our audit. Reasonable assurance is a high level

***Auditor's Responsibilities for the Audit of Compliance (Continued)***

of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Food & Friends, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Food & Friends, Inc.'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 Food & Friends, Inc.'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 Food & Friends, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

To the Board of Directors  
Food & Friends, Inc.

**Report on Internal Control over Compliance (Continued)**

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Councilor, Buchanan + Mitchell, P.C.*

Bethesda, Maryland  
March 26, 2025

Certified Public Accountants

**FOOD & FRIENDS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported

Type of auditor's report issued on compliance for major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	
99.CHA2021-000034	Healthful Food Access Initiatives - CHA	Unmodified
Any audit findings disclosed that are required to be reported in accordance 2 CFR Section 200.516(a)?		No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	
99.CHA2021-000034	Healthful Food Access Initiatives - CHA	
Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
Auditee qualified as low-risk auditee?		Yes

**Section II - Financial Statement Findings**

None were reported.

**Section III - Federal Award Findings and Questioned Costs**

None were reported.