

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

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Years Ended June 30, 2025 and 2024

And Reports of Independent Auditor

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

REPORT OF INDEPENDENT AUDITOR..... 1-2

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position 3-4
Consolidated Statements of Activities and Changes in Net Assets 5-6
Consolidated Statements of Functional Expenses 7-8
Consolidated Statements of Cash Flows..... 9-10
Notes to the Consolidated Financial Statements 11-25

SUPPLEMENTARY INFORMATION

Consolidating Statements of Financial Position 26-29
Consolidating Statements of Activities and Changes in Net Assets 30-31

COMPLIANCE REPORTING

Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Consolidated Financial
Statements Performed in Accordance with *Government Auditing Standards*..... 32-33

Report of Independent Auditor

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Food Bank of Central & Eastern North Carolina, Inc. and Affiliate (the "Organization") (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2025, on our consideration of the Organization's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Raleigh, North Carolina
October 6, 2025

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

JUNE 30, 2025 AND 2024

	2025	2024
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,285,620	\$ 5,531,567
Accounts receivable, net	478,506	409,287
Campaign pledges receivable, current	289,631	673,248
Grants receivable	2,578,092	992,509
Food inventories	3,946,100	4,332,532
Prepaid expenses	345,993	178,388
Total Current Assets	<u>15,923,942</u>	<u>12,117,531</u>
Property and Equipment:		
Buildings	31,464,607	28,083,546
Construction-in-process	1,433,987	2,885,834
Land	4,177,696	4,177,696
Fleet	3,935,408	3,700,452
Furniture and equipment	2,056,885	2,345,080
Leasehold improvements	744,931	734,265
Total Property and Equipment	43,813,514	41,926,873
Less accumulated depreciation	<u>8,170,717</u>	<u>6,895,860</u>
Net Property and Equipment	<u>35,642,797</u>	<u>35,031,013</u>
Operating lease right-of-use assets, net	4,461,642	146,710
Finance lease right-of-use assets, net	1,675,144	1,303,448
Campaign pledges receivable, net of current portion and allowance	49,500	265,320
Notes receivable	8,770,000	8,770,000
Beneficial interest in assets held by others	455,088	132,134
Investments	50,292,404	56,827,539
Deposits	191,201	8,932
Total Assets	<u><u>\$ 117,461,718</u></u>	<u><u>\$ 114,602,627</u></u>

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

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2025 AND 2024

	2025	2024
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 741,867	\$ 1,482,114
Accrued Expenses:		
Accrued retirement payable	194,495	179,925
Accrued vacation payable	647,949	696,806
Accrued salaries and payroll taxes	500,818	827,475
Other accrued expense	179,907	305,448
Operating lease liabilities, current	1,017,245	104,342
Finance lease liabilities, current	568,777	349,579
Unearned income	180,996	164,111
Total Current Liabilities	<u>4,032,054</u>	<u>4,109,800</u>
Note payable, net of debt issuance costs	11,892,452	11,815,844
Operating lease liabilities, net of current portion	3,476,906	36,965
Finance lease liabilities, net of current portion	970,035	774,275
Total Liabilities	<u>20,371,447</u>	<u>16,736,884</u>
Net Assets:		
Without donor restrictions	95,717,153	96,557,142
With donor restrictions	1,373,118	1,308,601
Total Net Assets	<u>97,090,271</u>	<u>97,865,743</u>
Total Liabilities and Net Assets	<u><u>\$ 117,461,718</u></u>	<u><u>\$ 114,602,627</u></u>

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

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

YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Food donated	\$ 203,485,661	\$ -	\$ 203,485,661
Food purchase programs	1,823,801	-	1,823,801
Contributions	26,918,099	1,156,347	28,074,446
Governmental grant awards	11,207,947	-	11,207,947
Materials and services donated	288,731	-	288,731
Net investment return	4,110,179	-	4,110,179
Other	69,283	-	69,283
Loss on disposal of property and equipment	(76,781)	-	(76,781)
Total Support and Revenues	247,826,920	1,156,347	248,983,267
Net assets released from restrictions	1,091,830	(1,091,830)	-
Total Support, Revenues, and Reclassifications	248,918,750	64,517	248,983,267
Expenses:			
Program Services:			
Community programs	239,062,948	-	239,062,948
Supporting Services:			
Management and general	4,832,550	-	4,832,550
Fundraising	5,863,241	-	5,863,241
Total Expenses	249,758,739	-	249,758,739
Change in net assets	(839,989)	64,517	(775,472)
Net assets, beginning of year	96,557,142	1,308,601	97,865,743
Net assets, end of year	\$ 95,717,153	\$ 1,373,118	\$ 97,090,271

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

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

YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Food donated	\$ 196,814,611	\$ -	\$ 196,814,611
Food purchase programs	2,302,220	-	2,302,220
Contributions	22,037,529	1,443,214	23,480,743
Campaign pledges	4,845	-	4,845
Governmental grant awards	8,917,730	-	8,917,730
Materials and services donated	106,046	-	106,046
Net investment return	4,150,555	-	4,150,555
Other	6,101	-	6,101
Loss on disposal of property and equipment	(361)	-	(361)
Total Support and Revenues	234,339,276	1,443,214	235,782,490
Net assets released from restrictions	2,320,029	(2,320,029)	-
Total Support, Revenues, and Reclassifications	236,659,305	(876,815)	235,782,490
Expenses:			
Program Services:			
Community programs	229,705,238	-	229,705,238
Supporting Services:			
Management and general	3,602,967	-	3,602,967
Fundraising	5,524,705	-	5,524,705
Total Expenses	238,832,910	-	238,832,910
Change in net assets	(2,173,605)	(876,815)	(3,050,420)
Net assets, beginning of year	98,730,747	2,185,416	100,916,163
Net assets, end of year	\$ 96,557,142	\$ 1,308,601	\$ 97,865,743

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

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

YEAR ENDED JUNE 30, 2025

	Program Services	Supporting Services		
	Community Programs	Management and General	Fundraising	Total
Advertising and marketing	\$ -	\$ -	\$ 172,991	\$ 172,991
Agency and community support	1,508,620	-	-	1,508,620
Amortization expense	-	623,111	-	623,111
Bank and credit card fees	50	1,971	210,145	212,166
Commercial freight	1,741,898	-	-	1,741,898
Communications	48,770	32,509	82,109	163,388
Conferences and meetings	158,214	113,531	26,249	297,994
Contract services	232,626	500,183	173,503	906,312
Depreciation	1,482,364	23,275	30,774	1,536,413
Donated food and supplies distributed	204,075,870	-	-	204,075,870
Employee benefits	1,856,924	449,008	392,463	2,698,395
Fundraising services	-	-	2,372,184	2,372,184
Insurance	345,776	19,210	19,210	384,196
Interest expense	-	224,087	-	224,087
Kitchen expense	41,227	-	-	41,227
Miscellaneous	59,207	3,289	3,289	65,785
Occupancy	285,973	15,887	15,887	317,747
Other	20,628	-	31,133	51,761
Payroll taxes	661,169	159,872	139,739	960,780
Postage	7,601	1,520	40,753	49,874
Professional fees	130,303	149,414	27,533	307,250
Program expenses	3,409,348	-	-	3,409,348
Provision for credit losses	6,337	-	-	6,337
Purchased food and supplies distributed	6,516,584	-	-	6,516,584
Rental and equipment maintenance	389,878	21,660	21,660	433,198
Salaries	9,196,791	2,223,801	1,943,750	13,364,342
Supplies	438,941	106,137	92,771	637,849
Telephone and data	225,677	54,569	47,697	327,943
Temporary help	383,518	79,096	-	462,614
Travel	85,781	30,420	19,401	135,602
Trucking expense	797,437	-	-	797,437
Value added processing and packaging	3,367,938	-	-	3,367,938
Warehouse expense	1,587,498	-	-	1,587,498
	<u>\$ 239,062,948</u>	<u>\$ 4,832,550</u>	<u>\$ 5,863,241</u>	<u>\$ 249,758,739</u>

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

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

YEAR ENDED JUNE 30, 2024

	Program Services	Supporting Services		
	Community Programs	Management and General	Fundraising	Total
Advertising and marketing	\$ -	\$ -	\$ 59,938	\$ 59,938
Agency and community support	1,542,280	-	-	1,542,280
Amortization expense	-	463,099	-	463,099
Bank and credit card fees	-	4,857	212,127	216,984
Commercial freight	1,428,471	-	-	1,428,471
Communications	80,465	73,667	152,880	307,012
Conferences and meetings	212,777	54,632	54,875	322,284
Contract services	200,796	511,209	91,319	803,324
Depreciation	1,429,299	27,209	33,091	1,489,599
Donated food and supplies distributed	196,108,398	-	-	196,108,398
Employee benefits	1,823,567	319,921	377,206	2,520,694
Fundraising services	-	-	2,072,243	2,072,243
Insurance	310,068	17,226	17,226	344,520
Interest expense	-	41,598	-	41,598
Kitchen expense	40,495	-	-	40,495
Miscellaneous	65,734	3,652	3,652	73,038
Occupancy	247,751	13,764	13,764	275,279
Other	27,169	-	130,761	157,930
Payroll taxes	703,539	123,427	145,528	972,494
Postage	2,781	261	40,015	43,057
Professional fees	113,773	80,089	15,685	209,547
Program expenses	2,502,248	-	-	2,502,248
Provision for credit losses	30,158	-	-	30,158
Purchased food and supplies distributed	6,021,722	-	-	6,021,722
Rental and equipment maintenance	370,789	20,599	20,599	411,987
Salaries	9,508,656	1,668,170	1,966,873	13,143,699
Supplies	284,841	49,972	58,920	393,733
Telephone and data	195,800	34,351	40,501	270,652
Temporary help	326,063	65,796	-	391,859
Travel	128,000	29,468	17,502	174,970
Trucking expense	856,043	-	-	856,043
Value added processing and packaging	3,679,136	-	-	3,679,136
Warehouse expense	1,464,419	-	-	1,464,419
	<u>\$ 229,705,238</u>	<u>\$ 3,602,967</u>	<u>\$ 5,524,705</u>	<u>\$ 238,832,910</u>

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

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ (775,472)	\$ (3,050,420)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,536,413	1,489,599
Amortization expense related to finance leases	546,503	386,491
Loss on disposal of property and equipment	76,781	361
Donated furniture and equipment	(95,045)	-
Provision for credit losses	6,337	30,158
Net realized and unrealized gains on investments	(1,735,213)	(1,969,985)
Change in beneficial interest in assets held by others	(22,954)	-
Food donated	(203,485,661)	(196,814,611)
Donated food and supplies distributed	204,075,870	196,108,398
Amortization of deferred loan costs	76,608	76,608
Noncash lease expense (benefit)	23,413	(11,116)
Changes in operating assets and liabilities:		
Accounts receivable	(75,556)	(123,686)
Campaign pledges receivable	599,437	1,428,072
Grants receivable	(1,585,583)	91,381
Food inventories	(203,777)	(74,581)
Prepaid expenses	(167,605)	51,691
Deposits	(182,269)	6,000
Accounts payable	(740,247)	509,973
Accrued expenses	(486,485)	589,790
Unearned income	16,885	145,631
Total adjustments	<u>(1,822,148)</u>	<u>1,920,174</u>
Net cash flows from operating activities	<u>(2,597,620)</u>	<u>(1,130,246)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(2,150,441)	(5,957,289)
Purchases of investments	(29,021,799)	(47,717,480)
Contributions to assets held by others	(300,000)	-
Proceeds from property and equipment	20,508	2,500
Proceeds from sale of investments	<u>37,292,147</u>	<u>52,624,989</u>
Net cash flows from investing activities	<u>5,840,415</u>	<u>(1,047,280)</u>

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

FOOD BANK OF CENTRAL & EASTERN NORTH CAROLINA, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Cash flows from financing activities:		
Payments on obligations under finance leases	\$ (488,742)	\$ (569,675)
Net cash flows from financing activities	(488,742)	(569,675)
Net change in cash and cash equivalents	2,754,053	(2,747,201)
Cash and cash equivalents, beginning of year	5,531,567	8,278,768
Cash and cash equivalents, end of year	<u>\$ 8,285,620</u>	<u>\$ 5,531,567</u>
Supplemental disclosure of cash flow information:		
Right-of-use assets obtained in exchange for new finance lease liabilities	<u>\$ 1,095,373</u>	<u>\$ 648,724</u>
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ 4,563,902</u>	<u>\$ 88,579</u>
Cash paid for interest	<u>\$ 224,087</u>	<u>\$ 41,598</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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

The Food Bank of Central & Eastern North Carolina, Inc. (the “Food Bank”) is a nonprofit corporation organized under the laws of the state of North Carolina.

Feeding Wilmington, Inc. (the “Affiliate” or “Feeding Wilmington”) is an organization incorporated in March 2023. It was formed for the exclusive purpose of holding the title to the 32,000 square foot distribution center located in Wilmington, North Carolina as described in Note 12, collecting income therefrom, and turning over the entire amount, thereof, less expenses to the Food Bank.

The consolidated financial statements include the accounts of Food Bank of Central & Eastern North Carolina, Inc. and the Affiliate (collectively, the “Organization”) for the years ended June 30, 2025 and 2024. All significant intercompany transactions and balances have been eliminated in consolidation.

The Organization has warehouses in central and eastern North Carolina in Raleigh, Greenville, Southern Pines, New Bern, Durham, and Wilmington.

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

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

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

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

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

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

Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassification impacted the consolidated statement of functional expenses and consisted of the reclassification of natural expenses between program expenses, purchased food and supplies distributed, and trucking expenses to better align with nature of the expenses and the consistency with the current year's presentation. In total, program expenses increased \$168,659, purchased food and supplies distributed decreased by \$148,478, and trucking expenses decreased by \$20,182. There was no impact to the functional categories. The reclassifications had no impact on previously reported totals of assets, revenues, expenses, net assets, or cash flows.

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

Accounts Receivable – The Organization extends credit to various agencies. In accordance with ASC Topic 326, *Financial Instruments – Credit Losses* ("ASC 326"), the Organization makes ongoing estimates relating to the collectability of accounts receivable and records an allowance for estimated credit losses expected from the inability of its customers to make required payments. The Organization establishes expected credit losses by evaluating historical levels of credit losses, current economic conditions that may affect a customer's ability to pay, and creditworthiness of significant customers. These inputs are used to determine a range of expected credit losses and an allowance is recorded within the range. Accounts receivable are written off when there is no reasonable expectation of recovery. The changes in the allowance for credit losses for the years ended June 30, are as follows:

	2025	2024
Balance, beginning of year	\$ 47,200	\$ 21,000
Write-offs	(11,737)	(3,958)
Allowance provision	6,337	30,158
Balance, ending of year	<u>\$ 41,800</u>	<u>\$ 47,200</u>

Gross accounts receivable as of July 1, 2023 totaled \$331,651.

Campaign Pledges Receivable – Unconditional promises to give are recorded net of an allowance for uncollectible pledges. An estimated 1% allowance for uncollectible pledges totaling \$500 and \$2,680, respectively, as of June 30, 2025 and 2024 are included with campaign pledges receivable on the consolidated statements of financial position.

Inventory and Food Valuation – Inventory consists of donated food and non-food items, purchased food, and United States Department of Agriculture ("USDA") commodities received from the government. Donated non-government products were valued at \$1.90 and \$1.97 per pound for the years ended June 30, 2025 and 2024, respectively. Donated government food was valued at \$1.72 and \$1.74 per pound for the years ended June 30, 2025 and 2024, respectively. This valuation is based on a cost study conducted by Feeding America, Inc., a national consortium of regional food banks. The value of food donated is recorded as a contribution. Food donated and food distributed appear on the consolidated statements of activities and changes in net assets. Contributed food was utilized for program services.

Purchased food is typically at a discounted rate that is significantly less than the above valuation rates by Feeding America, Inc. Purchased food is valued at the purchase price utilizing a first in, first out method. The cost of purchased food inventories was \$1.19 and \$1.08 per pound for the years ended June 30, 2025 and 2024, respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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

Food commodities were received and distributed as follows, including food not fit for human consumption (in pounds) for the years ended June 30:

	2025	2024
Beginning inventory	2,725,783	2,523,303
Food received	126,170,364	121,909,927
Food distributed	(126,381,283)	(121,707,447)
Ending inventory	2,514,864	2,725,783

Property and Equipment – Property and equipment is stated at cost or, if acquired by gift, the fair market value at the date of the gift. Depreciation is provided on the accelerated and straight-line methods, using estimated useful lives of 3 to 40 years. The cost of equipment retired or disposed of, and the related depreciation are eliminated from the accounts with the resulting gains and losses included in operations. The Organization capitalizes all property and equipment with a cost greater than \$5,000. Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There were no indicators that impairment existed as of June 30, 2025 or 2024. Depreciation expense for property and equipment was \$1,536,413 and \$1,489,599 for the years ended June 30, 2025 and 2024, respectively.

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

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

The Organization also derives a portion of their revenue through food purchase programs. Revenue is recognized upon satisfaction of performance obligations in an amount that reflects the consideration the Organization expects to receive in exchange for those goods. Revenue is recognized at a point in time when the food has been delivered to the end recipient.

Contributed Services – Numerous volunteers have contributed significant amounts of time to the Organization which have not been reflected in the accompanying consolidated statements of financial position as they did not meet the criteria for recognition as required by U.S. GAAP. The Organization estimates total volunteer hours to be 160,140 and 169,340 for the years ended June 30, 2025 and 2024, respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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

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

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

Advertising Costs – The Organization expenses advertising costs as incurred. These expenses are included on the “Advertising and Marketing” line on the consolidated statements of functional expenses.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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

U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken any uncertain position that more likely than not would be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2025 and 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

Note 2—Concentrations of credit risk

The Organization maintains cash balances at several financial institutions located in Raleigh, North Carolina. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the fiscal year, the Organization's cash balances have exceeded the federally insured limit. Uninsured cash balances as of June 30, 2025 and 2024 totaled \$8,048,433 and \$2,442,094, respectively.

The Organization has been a member of the Feeding America, Inc. national network of food banks since the 1980s and it is currently a member in good standing. It has contracted to serve 34 counties in central and eastern North Carolina by Feeding America, Inc. The Organization received 40% and 44% of its donated food for the years ended June 30, 2025 and 2024, respectively, through its relationship with Feeding America, Inc. Feeding America, Inc. also provides technical assistance and performs periodic audits of the food distribution operations of food banks.

Campaign pledges receivable from significant donors for the years ended June 30 included the following:

	2025		2024	
	Pledges Receivable	Percentage of Pledges Receivable	Pledges Receivable	Percentage of Pledges Receivable
Donor A	\$ 300,000	88%	\$ 450,000	49%
Donor B	*	*	220,000	24%
	<u>\$ 300,000</u>	<u>88%</u>	<u>\$ 670,000</u>	<u>73%</u>

* There was no concentration noted as of June 30, 2025.

There were no concentrations noted for contributions for each of the years ending June 30, 2025 and 2024.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 3—Liquidity and availability of resources

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

	<u>2025</u>	<u>2024</u>
Total assets at year-end	\$ 117,461,718	\$ 114,602,627
Less amounts not available to be used within one year due to illiquidity:		
Food inventories	(3,946,100)	(4,332,532)
Prepaid expenses	(345,993)	(178,388)
Property and equipment, net	(35,642,797)	(35,031,013)
Campaign pledges receivable, net of current portion and allowance	(49,500)	(265,320)
Notes receivable	(8,770,000)	(8,770,000)
Operating lease right-of-use assets	(4,461,642)	(146,710)
Finance lease right-of-use assets	(1,675,144)	(1,303,448)
Deposits	(191,201)	(8,932)
	<u>(55,082,377)</u>	<u>(50,036,343)</u>
Less amounts not available to be used within one year:		
Contractual or donor imposed restrictions:		
Net assets with donor restrictions	(1,373,118)	(1,308,601)
Board/donor designations:		
Beneficial interest in assets held by others	(455,088)	(132,134)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 60,551,135</u>	<u>\$ 63,125,549</u>

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

Note 4—Fair value measurements

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

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

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

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

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

JUNE 30, 2025 AND 2024

Note 4—Fair value measurements (continued)

Following are descriptions of the valuation methodologies used for assets measure at fair value:

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

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

Beneficial Interest in Assets Held by Others – The fair value of beneficial interests in assets held by others, classified as Level 3, are measured based on the fair values of the underlying assets, which consist primarily of marketable debt and equity securities for which the Organization relies on fair value measurement calculations performed by third party pricing services, which are reported to them by the Triangle Community Foundation. Inputs include the credit risk of the issuer, maturity, current yield, and other terms and conditions of each instrument.

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

	2025			
	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ 36,343,664	\$ -	\$ -	\$ 36,343,664
Mutual funds	13,948,740	-	-	13,948,740
Beneficial interest in assets held by others	-	-	455,088	455,088
Total assets in fair value hierarchy	<u>\$ 50,292,404</u>	<u>\$ -</u>	<u>\$ 455,088</u>	<u>\$ 50,747,492</u>

	2024			
	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ 45,576,695	\$ -	\$ -	\$ 45,576,695
Mutual funds	11,250,844	-	-	11,250,844
Beneficial interest in assets held by others	-	-	132,134	132,134
Total assets in fair value hierarchy	<u>\$ 56,827,539</u>	<u>\$ -</u>	<u>\$ 132,134</u>	<u>\$ 56,959,673</u>

The table below sets forth a summary of changes in the fair value of the Organization’s beneficial interest in assets held by others for the years ended June 30:

	2025	2024
Balance, beginning of the year	\$ 132,134	\$ 132,134
Investment return, net	22,954	-
Contributions	300,000	-
Balance, ending of the year	<u>\$ 455,088</u>	<u>\$ 132,134</u>

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

JUNE 30, 2025 AND 2024

Note 5—Accounts and grants receivable

Accounts receivable is summarized as follows as of June 30:

	2025	2024
Agency receivable	\$ 156,805	\$ 156,036
Allowance for credit losses	(41,800)	(47,200)
Prepaid health plans receivable	244,727	181,066
Sales tax refund receivable	118,312	116,527
Employee loans	-	1,667
Other receivable	462	1,191
	<u>\$ 478,506</u>	<u>\$ 409,287</u>

Grants receivable is summarized as follows as of June 30:

	2025	2024
Emergency food assistance receivable	\$ 831,545	\$ 176,403
Commodity credit corporation funds	96,011	79,958
Food nutrition services receivable	49,328	35,764
Kids summer meals receivable	90,431	46,971
Non-governmental grants	1,115,250	498,158
Other grants receivable	-	17,313
TEFAP partner agency support	242,505	-
Commodity supplemental food receivable	153,022	137,942
	<u>\$ 2,578,092</u>	<u>\$ 992,509</u>

Note 6—Campaign pledges receivable

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

2026	\$ 289,631
2027	50,000
Less allowance for uncollectible pledges	<u>(500)</u>
	<u>\$ 339,131</u>

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

JUNE 30, 2025 AND 2024

Note 7—Contributed nonfinancial assets

The Organization received the following contributions of nonfinancial assets during the years ended June 30:

	2025	2024
Furniture and equipment	\$ 95,045	\$ -
Donated event supplies and services	193,686	106,046
	<u>\$ 288,731</u>	<u>\$ 106,046</u>

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

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

The total value of contributed food for the years ended June 30 are as follows:

	2025		
	Pounds	Value Per Pound	Amount
General donations	88,338,635	\$ 1.90	\$ 167,843,407
USDA	20,722,241	1.72	35,642,254
	<u>109,060,876</u>		<u>\$ 203,485,661</u>

	2024		
	Pounds	Value Per Pound	Amount
General donations	81,240,757	\$ 1.97	\$ 160,044,291
USDA	21,132,368	1.74	36,770,320
	<u>102,373,125</u>		<u>\$ 196,814,611</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 8—Triangle Community Foundation

The Organization established two endowed agency funds at the Triangle Community Foundation in October 2014 and February 2025 and specified itself as the beneficiary of the funds.

For the fund established in October 2014, annually, distributions from the funds were paid to the Organization according to the Triangle Community Foundation's distribution policy. The investments are directed by Triangle Community Foundation and the portfolios are designed to achieve returns consistent with Triangle Community Foundation's adopted investment policies. Investments cannot be redeemed at the current NAV per share. The Organization is only the beneficiary of the investment earnings, which are distributed in accordance with Triangle Community Foundation's spending policy. Based on the valuation method, the measures of the fair value of the beneficial interest are classified as Level 3 (see Note 4).

For the fund established in February 2025, annually, distributions from the funds were paid to the Organization in accordance with the stated agreement between the Organization and the Triangle Community Foundation. While distributions occur every year, the Organization has the authority to request distributions from the fund and liquidate the fund, if necessary. The investments are directed by Triangle Community Foundation in accordance with the stated agreement and the portfolios are designed to achieve returns consistent with Triangle Community Foundation's adopted investment policies. Investments cannot be redeemed at the current NAV per share. The Organization is only the beneficiary of the investment earnings. Based on the valuation method, the measures of the fair value of the beneficial interest are classified as Level 3 (see Note 4).

Triangle Community Foundation maintains variance power over these assets for each of these funds. Variance power assures donors that, if the charitable purpose of their contribution becomes impractical, impossible, or inconsistent with the charitable needs of the community served, the distributions will be directed to similar purposes in the community. Despite the variance power, the Organization believes Triangle Community Foundation will continue to make annual distributions to the Organization.

Note 9—Net assets

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

	2025	2024
General operations	\$ 760,325	\$ 277,276
Agency capacity	397,322	662,087
Beneficial interest in community fund	150,865	132,134
Kids meals and more	53,441	48,721
Programs	11,165	137,711
Community health and engagement	-	6,427
Food and nutrition service	-	15,000
Technology	-	29,245
	<u>\$ 1,373,118</u>	<u>\$ 1,308,601</u>

Net assets without donor restrictions for the years ended June 30, 2025 and 2024 is \$95,717,153 and \$96,557,142, respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 9—Net assets (continued)

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

	2025	2024
General operations	\$ 389,888	\$ 810,161
Agency capacity	283,328	768,953
Kids meals and more	158,280	141,387
Programs	112,252	218,664
Food and nutrition service	77,411	26,103
Community health and engagement	41,426	248,329
Technology	29,245	77,316
Communications	-	29,116
	<u>\$ 1,091,830</u>	<u>\$ 2,320,029</u>

Note 10—Retirement plan

The Organization has a defined contribution retirement plan covering all employees who meet minimum age and service requirements. Retirement plan expense is included in employee benefits on the consolidated statements of functional expenses. The expense related to this plan was \$815,077 and \$714,377 for the years ended June 30, 2025 and 2024, respectively.

Note 11—Leases

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

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Organization does not have leases where it is involved with the construction or design of an underlying asset. The Organization has no material obligation for leases signed but not yet commenced as of June 30, 2025. The Organization does not have any material sublease activities.

The Organization has elected the practical expedient not to recognize leases with terms of 12 months or less on the consolidated statement of financial position and instead recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Therefore, the Organization's short-term lease expense for the period does not reflect the ongoing short-term lease commitments. Lease expense for such short-term leases was not significant for the years ended June 30, 2025 and 2024.

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

JUNE 30, 2025 AND 2024

Note 11—Leases (continued)

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

	2025	2024
Operating lease ROU assets, net	\$ 4,461,642	\$ 146,710
Finance lease ROU assets, net	1,675,144	1,303,448
Total lease assets	<u>\$ 6,136,786</u>	<u>\$ 1,450,158</u>

Lease expense for the years ended June 30 are as follows:

	2025	2024
Finance lease expense:		
Amortization of ROU assets	\$ 546,503	\$ 386,491
Interest on lease liabilities	61,162	41,598
Operating lease expense	<u>292,615</u>	<u>271,112</u>
	<u>\$ 900,280</u>	<u>\$ 699,201</u>

Operating Lease – The Organization leases certain buildings with unrelated parties, with maturity dates beginning in 2025 through 2032. The leases are payable in monthly payments ranging from \$3,750 to \$62,766. The Organization determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property or equipment for a period of time in exchange for consideration.

Future minimum lease payments as of June 30, 2025 is as follows:

Years Ending June 30,

2026	\$ 1,017,245
2027	1,196,440
2028	665,933
2029	689,241
2030	713,364
Thereafter	<u>738,332</u>
Total undiscounted cash flows	5,020,555
Less present value discount	<u>(526,404)</u>
Present value of operating leases	<u>\$ 4,494,151</u>

Required supplemental information relating to the Organization's operating leases for the years ended June 30 are as follows:

	2025	2024
Lease term and discount rate:		
Weighted average remaining lease term (in years) - operating leases	7.27	1.29
Weighted average discount rate - operating leases	4.22%	3.42%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 11—Leases (continued)

Cash paid for amounts included in the measurement of operating and finance lease liabilities was \$819,599 and \$895,916 during the years ended June 30, 2025 and 2024, respectively.

Finance Lease – The Organization has finance leases for equipment and vehicles with maturity dates beginning in 2025 through 2031. The leases are payable in monthly payments ranging from \$54 to \$6,657, including principal and interest.

Future minimum lease payments as of June 30, 2025 is as follows:

Years Ending June 30,

2026	\$ 568,777
2027	416,622
2028	343,161
2029	236,292
2030	73,064
Thereafter	<u>7,727</u>
Total undiscounted cash flows	1,645,643
Less present value discount	<u>(106,831)</u>
Present value of finance leases	<u>\$ 1,538,812</u>

Required supplemental information relating to the Organization's finance leases for the years ended June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Lease term and discount rate:		
Weighted average remaining lease term (in years) - financing leases	3.62	3.81
Weighted average discount rate - finance leases	3.87%	3.70%

The accompanying consolidating financial statements presented as supplementary information to the consolidated financial statements have been prepared for the purpose of supporting the consolidated financial statements. In the consolidating financial statements, the Organization elected to not present the ROU assets and the associated lease liabilities for all leases with related parties that are consolidated in the financial statements. These assets and liabilities would have been eliminated in the consolidating financial statements and, therefore, the Organization's management elected to omit these balances from the consolidating financial statements. Any income and expense activity related to these leases is presented and appropriately eliminated for the consolidated financial statement presentation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 12—New Markets Tax Credit and related notes receivable and notes payable

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

In March 2023, Regions Community Investments, LLC made a \$3,948,750 capital contribution to CENC Wilmington Investment Fund, LLC, a qualified equity investment fund. At the same time, the Food Bank made a \$8,770,000 leverage loan to the same investment fund. In turn CENC Wilmington Investment Fund, LLC made a \$12,500,000 capital contribution to RDP 47, LLC (Sub-CDE I), recognized as a qualified community development entity (noted above), or Sub-CDE in this structure. After deducting certain fees associated with the transaction, two QLICI loans were issued to the Affiliate for a combined total of \$12,250,000. In this structure, the Affiliate is designated as a qualified active low-income community benefit entity.

The NMTC is subject to 100% recapture for a period of seven years as provided in the Internal Revenue Code. The Food Bank and the Affiliate are required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangement. Non-compliance with applicable requirements could result in projected tax benefits not being realized and, therefore, could require the Food Bank and Affiliate to indemnify the investors for any loss or recapture of NMTCs related to the financing until such time as the Food Bank and Affiliate obligation to deliver tax benefits is relieved. The Food Bank and the Affiliate do not anticipate any credit recaptures in connection with this arrangement. This transaction includes a put/call provision that becomes effective at the end of the seven-year compliance/recapture period. Under the put/call provision, the Food Bank and the Affiliate may be obligated or entitled to purchase the investor’s interest in CENC Wilmington Investment Fund, LLC. The Food Bank and the Affiliate believe the investors will exercise the put option in December 2030 at the end of the compliance/recapture period. The value attributed to the put/call provision is de minimis.

On March 8, 2023, the Food Bank entered into a note receivable agreement with CENC Wilmington Investment Fund, totaling \$8,770,000 to finance the construction of the food distribution center. The loan bears an interest rate of 1.33% with a maturity date of December 31, 2061. The Food Bank is due interest-only payments quarterly through June 5, 2030. After this period, the Food Bank is due quarterly principal and interest payments of \$68,625 from September 5, 2030 to June 5, 2045. From September 5, 2045 to December 5, 2061, the Food Bank is due payments of \$104,005 quarterly.

On March 8, 2023, the Affiliate entered into two loan agreements with RDP 47, LLC (Loans A and B) totaling \$12,250,000 to finance the construction of the food distribution center. The loans bear an interest rate of 1.33% with a maturity date of December 31, 2061. The Affiliate will make interest-only payments quarterly through June 5, 2030. After this period, the Affiliate will make quarterly principal and interest payments of \$95,856 from September 5, 2030 to June 5, 2045. From September 5, 2045 to December 5, 2061, the Affiliate will make payments of \$145,275 quarterly. Notes payable are shown net of unamortized debt issuance costs of \$357,548 and \$434,156 as of June 30, 2025 and 2024, respectively.

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

JUNE 30, 2025 AND 2024

Note 13—Related party

The Organization had \$98,632 and \$74,639 in contribution revenue from Board members during the years ended June 30, 2025 and 2024, respectively.

Additionally, Feeding Wilmington leases warehouse space to the Food Bank starting in June 2024. The Food Bank paid Feeding Wilmington \$105,000 and \$52,500 for rent during the years ended June 30, 2025 and 2024, respectively.

Note 14—Subsequent events

The Organization has evaluated subsequent events occurring after the consolidated statement of financial position date of June 30, 2025 through October 6, 2025, which is the date the consolidated financial statements were available to be issued and has determined that no subsequent events have occurred which require disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

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

JUNE 30, 2025

	Food Bank	Feeding Wilmington	Eliminations	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 7,849,123	\$ 436,497	\$ -	\$ 8,285,620
Accounts receivable, net	478,506	-	-	478,506
Campaign pledges receivable, current	289,631	-	-	289,631
Grants receivable	2,578,092	-	-	2,578,092
Food inventories	3,946,100	-	-	3,946,100
Prepaid expenses	345,993	-	-	345,993
Total Current Assets	<u>15,487,445</u>	<u>436,497</u>	<u>-</u>	<u>15,923,942</u>
Property and Equipment:				
Buildings	19,662,911	11,801,696	-	31,464,607
Construction-in-process	1,433,987	-	-	1,433,987
Land	3,799,335	378,361	-	4,177,696
Fleet	3,935,408	-	-	3,935,408
Furniture and equipment	2,056,885	-	-	2,056,885
Leasehold improvements	744,931	-	-	744,931
Total Property and Equipment	<u>31,633,457</u>	<u>12,180,057</u>	<u>-</u>	<u>43,813,514</u>
Less accumulated depreciation	<u>7,558,976</u>	<u>611,741</u>	<u>-</u>	<u>8,170,717</u>
Net Property and Equipment	<u>24,074,481</u>	<u>11,568,316</u>	<u>-</u>	<u>35,642,797</u>
Operating lease right-of-use assets, net	4,461,642	-	-	4,461,642
Finance lease right-of-use assets, net	1,675,144	-	-	1,675,144
Campaign pledges receivable, net of current portion and allowance	49,500	-	-	49,500
Notes receivable	8,770,000	-	-	8,770,000
Beneficial interest in assets held by others	455,088	-	-	455,088
Investments	50,292,404	-	-	50,292,404
Investment in Affiliate	928,453	-	(928,453)	-
Deposits	191,201	-	-	191,201
Total Assets	<u>\$ 106,385,358</u>	<u>\$ 12,004,813</u>	<u>\$ (928,453)</u>	<u>\$ 117,461,718</u>

See Report of Independent Auditor.

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

JUNE 30, 2025

	Food Bank	Feeding Wilmington	Eliminations	Total
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 741,867	\$ -	\$ -	\$ 741,867
Accrued Expenses:				
Accrued retirement payable	194,495	-	-	194,495
Accrued vacation payable	647,949	-	-	647,949
Accrued salaries and payroll taxes	500,818	-	-	500,818
Other accrued expense	179,907	-	-	179,907
Operating lease liabilities, current	1,017,245	-	-	1,017,245
Finance lease liabilities, current	568,777	-	-	568,777
Unearned income	180,996	-	-	180,996
Total Current Liabilities	<u>4,032,054</u>	<u>-</u>	<u>-</u>	<u>4,032,054</u>
Note payable, net	-	11,892,452	-	11,892,452
Operating lease liabilities, net of current portion	3,476,906	-	-	3,476,906
Finance lease liabilities, net of current portion	970,035	-	-	970,035
Total Liabilities	<u>8,478,995</u>	<u>11,892,452</u>	<u>-</u>	<u>20,371,447</u>
Net Assets:				
Without donor restrictions	96,533,245	112,361	(928,453)	95,717,153
With donor restrictions	1,373,118	-	-	1,373,118
Total Net Assets	<u>97,906,363</u>	<u>112,361</u>	<u>(928,453)</u>	<u>97,090,271</u>
Total Liabilities and Net Assets	<u><u>\$ 106,385,358</u></u>	<u><u>\$ 12,004,813</u></u>	<u><u>\$ (928,453)</u></u>	<u><u>\$ 117,461,718</u></u>

See Report of Independent Auditor.

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

JUNE 30, 2024

	Food Bank	Feeding Wilmington	Eliminations	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 4,768,141	\$ 763,426	\$ -	\$ 5,531,567
Accounts receivable, net	409,287	-	-	409,287
Campaign pledges receivable, current	931,762	-	(258,514)	673,248
Grants receivable	992,509	-	-	992,509
Food inventories	4,332,532	-	-	4,332,532
Prepaid expenses	178,388	-	-	178,388
Total Current Assets	11,612,619	763,426	(258,514)	12,117,531
Property and Equipment:				
Buildings	16,289,926	11,793,620	-	28,083,546
Construction-in-process	2,885,834	-	-	2,885,834
Land	3,799,335	378,361	-	4,177,696
Fleet	3,700,452	-	-	3,700,452
Furniture and equipment	2,345,080	-	-	2,345,080
Leasehold improvements	734,265	-	-	734,265
Total Property and Equipment	29,754,892	12,171,981	-	41,926,873
Less accumulated depreciation	6,579,095	316,765	-	6,895,860
Net Property and Equipment	23,175,797	11,855,216	-	35,031,013
Operating lease right-of-use assets, net	146,710	-	-	146,710
Finance lease right-of-use assets, net	1,303,448	-	-	1,303,448
Campaign pledges receivable, net of current portion and allowance	265,320	-	-	265,320
Notes receivable	8,770,000	-	-	8,770,000
Beneficial interest in assets held by others	132,134	-	-	132,134
Investments	56,827,539	-	-	56,827,539
Investment in Affiliate	920,377	-	(920,377)	-
Deposits	8,932	-	-	8,932
Total Assets	\$ 103,162,876	\$ 12,618,642	\$ (1,178,891)	\$ 114,602,627

See Report of Independent Auditor.

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

JUNE 30, 2024

	Food Bank	Feeding Wilmington	Eliminations	Total
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 1,482,114	\$ -	\$ -	\$ 1,482,114
Accrued Expenses:				
Accrued retirement payable	179,925	-	-	179,925
Accrued vacation payable	696,806	-	-	696,806
Accrued salaries and payroll taxes	827,475	-	-	827,475
Other accrued expense	305,448	258,514	(258,514)	305,448
Operating lease liabilities, current	104,342	-	-	104,342
Finance lease liabilities, current	349,579	-	-	349,579
Unearned income	164,111	-	-	164,111
Total Current Liabilities	<u>4,109,800</u>	<u>258,514</u>	<u>(258,514)</u>	<u>4,109,800</u>
Note payable, net	-	11,815,844	-	11,815,844
Operating lease liabilities, net of current portion	36,965	-	-	36,965
Finance lease liabilities, net of current portion	774,275	-	-	774,275
Total Liabilities	<u>4,921,040</u>	<u>12,074,358</u>	<u>(258,514)</u>	<u>16,736,884</u>
Net Assets:				
Without donor restrictions	96,933,235	544,284	(920,377)	96,557,142
With donor restrictions	1,308,601	-	-	1,308,601
Total Net Assets	<u>98,241,836</u>	<u>544,284</u>	<u>(920,377)</u>	<u>97,865,743</u>
Total Liabilities and Net Assets	<u>\$ 103,162,876</u>	<u>\$ 12,618,642</u>	<u>\$ (1,178,891)</u>	<u>\$ 114,602,627</u>

See Report of Independent Auditor.

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

YEAR ENDED JUNE 30, 2025

	Food Bank			Feeding Wilmington				Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:										
Food donated	\$ 203,485,661	\$ -	\$ 203,485,661	\$ -	\$ -	\$ -	\$ -	\$ 203,485,661	\$ -	\$ 203,485,661
Food purchase programs	1,823,801	-	1,823,801	-	-	-	-	1,823,801	-	1,823,801
Contributions	26,918,099	1,156,347	28,074,446	8,076	-	8,076	(8,076)	26,918,099	1,156,347	28,074,446
Governmental grant awards	11,207,947	-	11,207,947	-	-	-	-	11,207,947	-	11,207,947
Materials and services donated	288,731	-	288,731	-	-	-	-	288,731	-	288,731
Net investment return	4,110,179	-	4,110,179	-	-	-	-	4,110,179	-	4,110,179
Other	69,283	-	69,283	-	-	-	-	69,283	-	69,283
Intercompany lease revenue	-	-	-	105,000	-	105,000	(105,000)	-	-	-
Loss on disposal of property and equipment	(76,781)	-	(76,781)	-	-	-	-	(76,781)	-	(76,781)
Total Support and Revenues	247,826,920	1,156,347	248,983,267	113,076	-	113,076	(113,076)	247,826,920	1,156,347	248,983,267
Net assets released from restrictions	1,091,830	(1,091,830)	-	-	-	-	-	1,091,830	(1,091,830)	-
Total Support, Revenues, and Reclassifications	248,918,750	64,517	248,983,267	113,076	-	113,076	(113,076)	248,918,750	64,517	248,983,267
Expenses:										
Program Services:										
Community programs	238,777,701	-	238,777,701	285,247	-	285,247	-	239,062,948	-	239,062,948
Supporting Services:										
Management and general	4,682,662	-	4,682,662	254,888	-	254,888	(105,000)	4,832,550	-	4,832,550
Fundraising	5,858,377	-	5,858,377	4,864	-	4,864	-	5,863,241	-	5,863,241
Total Expenses	249,318,740	-	249,318,740	544,999	-	544,999	(105,000)	249,758,739	-	249,758,739
Change in net assets	(399,990)	64,517	(335,473)	(431,923)	-	(431,923)	(8,076)	(839,989)	64,517	(775,472)
Net assets, beginning of year	96,933,235	1,308,601	98,241,836	544,284	-	544,284	(920,377)	96,557,142	1,308,601	97,865,743
Net assets, end of year	\$ 96,533,245	\$ 1,373,118	\$ 97,906,363	\$ 112,361	\$ -	\$ 112,361	\$ (928,453)	\$ 95,717,153	\$ 1,373,118	\$ 97,090,271

See Report of Independent Auditor.

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

YEAR ENDED JUNE 30, 2024

	Food Bank			Feeding Wilmington				Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:										
Food donated	\$ 196,814,611	\$ -	\$ 196,814,611	\$ -	\$ -	\$ -	\$ -	\$ 196,814,611	\$ -	\$ 196,814,611
Food purchase programs	2,302,220	-	2,302,220	-	-	-	-	2,302,220	-	2,302,220
Contributions	22,037,529	1,443,214	23,480,743	277,942	-	277,942	(277,942)	22,037,529	1,443,214	23,480,743
Campaign pledges	4,845	-	4,845	-	-	-	-	4,845	-	4,845
Governmental grant awards	8,917,730	-	8,917,730	-	-	-	-	8,917,730	-	8,917,730
Materials and services donated	106,046	-	106,046	-	-	-	-	106,046	-	106,046
Net investment return	4,150,555	-	4,150,555	-	-	-	-	4,150,555	-	4,150,555
Other	6,101	-	6,101	-	-	-	-	6,101	-	6,101
Intercompany lease revenue	-	-	-	52,500	-	52,500	(52,500)	-	-	-
Loss on disposal of property and equipment	(361)	-	(361)	-	-	-	-	(361)	-	(361)
Total Support and Revenues	234,339,276	1,443,214	235,782,490	330,442	-	330,442	(330,442)	234,339,276	1,443,214	235,782,490
Net assets released from restrictions	2,320,029	(2,320,029)	-	-	-	-	-	2,320,029	(2,320,029)	-
Total Support, Revenues, and Reclassifications	232,019,247	3,763,243	235,782,490	330,442	-	330,442	(330,442)	236,659,305	(876,815)	235,782,490
Expenses:										
Program Services:										
Community programs	229,440,172	-	229,440,172	265,066	-	265,066	-	229,705,238	-	229,705,238
Supporting Services:										
Management and general	3,563,401	-	3,563,401	92,066	-	92,066	(52,500)	3,602,967	-	3,602,967
Fundraising	5,520,053	-	5,520,053	4,652	-	4,652	-	5,524,705	-	5,524,705
Total Expenses	238,523,626	-	238,523,626	361,784	-	361,784	(52,500)	238,832,910	-	238,832,910
Change in net assets	(1,864,321)	(876,815)	(2,741,136)	(31,342)	-	(31,342)	(277,942)	(2,173,605)	(876,815)	(3,050,420)
Net assets, beginning of year	98,797,556	2,185,416	100,982,972	575,626	-	575,626	(642,435)	98,730,747	2,185,416	100,916,163
Net assets, end of year	\$ 96,933,235	\$ 1,308,601	\$ 98,241,836	\$ 544,284	\$ -	\$ 544,284	\$ (920,377)	\$ 96,557,142	\$ 1,308,601	\$ 97,865,743

See Report of Independent Auditor.

COMPLIANCE REPORTING

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying consolidated financial statements of the Food Bank of Central & Eastern North Carolina, Inc. and Affiliate (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 6, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, significant deficiencies or material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cherry Bekaert LLP".

Raleigh, North Carolina
October 6, 2025