

THRIVE Peninsula, Inc.

FINANCIAL REPORT

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
THRIVE Peninsula, Inc.
Newport News, Virginia

Opinion

We have audited the accompanying financial statements of THRIVE Peninsula, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of THRIVE Peninsula, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of THRIVE Peninsula, 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 the 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 THRIVE Peninsula, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

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

A. Robm, Smith & Company

Newport News, Virginia
December 21, 2023

FINANCIAL STATEMENTS

THRIVE PENINSULA, INC.
Statement of Financial Position
June 30, 2023

ASSETS

CURRENT ASSETS

Cash	\$ 443,029
Grants receivable	53,659
Pledges receivable, current	<u>163,590</u>
Total current assets	<u>660,278</u>

NONCURRENT ASSETS

Pledges receivable, noncurrent	91,402
Pantry inventory	17,043
Auxiliary services inventory	5,012
Property and equipment, net	932,274
Beneficial interest in assets held by others	<u>112,847</u>
Total noncurrent assets	<u>1,158,578</u>

Total assets \$ 1,818,856

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 7,631
Mortgage payable, current	<u>26,298</u>
Total current liabilities	<u>33,929</u>

LONG-TERM DEBT, less current portion 553,458

Total liabilities 587,387

NET ASSETS

With donor restrictions	340,462
Without donor restrictions	<u>891,007</u>
Total net assets	<u>1,231,469</u>

Total liabilities and net assets \$ 1,818,856

See accompanying notes.

THRIVE PENINSULA, INC.
Statement of Activities and Change in Net Assets
Year Ended June 30, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Operating activities			
Revenues and Other Support			
Partner churches' donations	\$ 165,288	\$ -	\$ 165,288
Religious and civic groups donations/grants	178,042	753,568	931,610
Personal donations	185,450	-	185,450
United Way funding	9,493	242,684	252,177
Contributed food and facilities	674,646	-	674,646
Contributed auxiliary donations	36,967	-	36,967
Contributed professional services	13,959	-	13,959
Interest income	2,894	-	2,894
Realized/unrealized gains (losses)	3,858	-	3,858
Miscellaneous income	13,238	-	13,238
Fundraising income, net	99,789	-	99,789
Net assets released from restriction	<u>686,182</u>	<u>(686,182)</u>	<u>-</u>
Total revenues and other support	<u>2,069,806</u>	<u>310,070</u>	<u>2,379,876</u>
Program Services			
Client Services - Financial	925,799	-	925,799
Client Services - Pantry Program	<u>704,866</u>	<u>-</u>	<u>704,866</u>
Total program services	<u>1,630,665</u>	<u>-</u>	<u>1,630,665</u>
Supporting services			
Management and general	71,370	-	71,370
Fundraising	<u>90,289</u>	<u>-</u>	<u>90,289</u>
Total supporting services	<u>161,659</u>	<u>-</u>	<u>161,659</u>
Total expenses	<u>1,792,324</u>	<u>-</u>	<u>1,792,324</u>
Change in net assets from operations	277,482	310,070	587,552
Net assets - beginning of period	<u>613,525</u>	<u>30,392</u>	<u>643,917</u>
Net assets - end of period	<u>\$ 891,007</u>	<u>\$ 340,462</u>	<u>\$ 1,231,469</u>

See accompanying notes.

THRIVE PENINSULA, INC.

Statement of Cash Flows

Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	587,552
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		9,849
Loss on disposal of assets		752
Changes in operating assets and liabilities:		
Grants receivable		(1,036)
Pledges receivable		(249,992)
Pantry inventory		19,010
Auxiliary services inventory		(1,148)
Accounts payable		<u>1,890</u>
Net cash provided by operating activities		<u>366,877</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net acquisition of fixed assets		(771,080)
Net change in beneficial interest in assets of others		<u>(43,188)</u>
Net cash used in financing activities		<u>(814,268)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net change in long-term debt		579,756
Net increase in cash		132,365

CASH

Beginning		<u>310,664</u>
Ending	\$	<u><u>443,029</u></u>

SUPPLEMENTAL CASH FLOW DISCLOSURE

Cash paid for interest	\$	<u><u>5,363</u></u>
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See accompanying notes.

THRIVE PENINSULA, INC.
Notes to Financial Statements
June 30, 2023

NOTE 1. DESCRIPTION OF THE ORGANIZATION

THRIVE Peninsula, Inc. (the “Organization”), formerly called Denbigh United Christian Outreach, Inc., began as a union of Christian churches in 1973. Today THRIVE Peninsula, Inc encompasses 80 church partners, dozens of corporate and community partners, hundreds of individual donors, and over 200 weekly volunteers. The Organization aims to bring stability to Peninsula residents facing financial hardship.

The Organization has two main programs: *Client Services - Financial (Building Financial Foundations)*, which includes comprehensive financial coaching services, emergency financial aid (rent, utilities childcare, transportation), and other supports, and the provision for a coordinated community response via referrals to other collaborating resource providers; and the *Client Services - Pantry Program*, which provides fresh, frozen and shelf-stable foods as well as toiletry items. While fostering vision and supporting a person’s transition to self-sufficiency, the Organization is a channel for cooperative benevolent aid for its participating partner congregations and other community partners. The Organization offers its services to persons of any race, color, national origin, sex, creed, marital status, age, religion or disability.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U. S. generally accepted accounting principles (“US GAAP”), which require THRIVE Peninsula, Inc. to report information regarding its financial position and activities according to the following net asset classifications:

- *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 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 actions of THRIVE Peninsula, Inc. 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 increases 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 statement of activities.

Revenue Recognition – Contributions

Unconditional contributions or grants are recognized when cash, securities, other assets, or promises to give are received. Conditional contributions or grants, that is, those with a measurement performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. Most of the Organization’s grants are conditioned upon performance requirements and the incurrence of allowable qualifying expenses.

THRIVE PENINSULA, INC.
Notes to Financial Statements
June 30, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash Equivalents

For purposes of the statement of cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash. Cash is maintained at a high-quality financial institution and credit exposure is limited at any one institution.

Pantry Inventory

Pantry inventory is the estimated value of the donated food on hand and available for distribution to clients. This estimate is calculated by taking the actual food poundage on hand at year-end and applying an amount of \$1.62 per pound. Feeding America provides the value of donated food, which they base on their own study calculating a national average wholesale value per pound of donated food.

Property and equipment

Fixed assets are carried at cost if purchased or fair value if contributed. Depreciation is recognized over the estimated useful lives of the assets using the straight-line method for periods ranging from 5 to 39 years. Only fixed assets over \$200 are capitalized.

Use of Estimates

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

Contributed Services

Contributed services are reported for voluntary donations of services when those services (1) create or enhance nonfinancial assets, or (2) required specialized skills provided by individuals possessing those skills and are services that would typically be purchased if not provided by donation. The Organization received contributed services in the areas of information technology, financial coaching, and handyman services totaling \$30,285 for the audit period, which have been reflected in the financial statements as contributed professional services.

Income Taxes

THRIVE Peninsula, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

THRIVE PENINSULA, INC.
Notes to Financial Statements
June 30, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

The Organization has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10-25, *Income Taxes*, which require that a tax position be recognized or derecognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include any uncertain tax positions.

Advertising

Advertising costs totaling \$6,334 were expensed as incurred for the year.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Grants Receivable

Grants receivable consist of amounts due to the Organization from various entities under reimbursable grants for which expense have been incurred. Management believes these amounts to be entirely collectible.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Building	\$ 636,431
Land	283,787
Equipment	29,957
Work in process	14,901
	<hr/>
	965,076
Less accumulated depreciation	32,802
	<hr/>
Property and equipment, net	<u>\$ 932,274</u>

Depreciation expense was \$ \$9,849 for the year ended June 30, 2023.

THRIVE PENINSULA, INC.
Notes to Financial Statements
June 30, 2023

NOTE 4. NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods:

Pantry program	\$	26,245
Christmas gift cards/school supplies		42
Hardship fund		1,000
Financial assistance/coaching		41,817
Capital improvements		237,860
Rent/utilities		33,498
		33,498
	\$	340,462

Net assets without donor restrictions of \$886,758 are undesignated.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Rent/utilities	\$	111,765
Financial assistance/coaching		260,961
Cold storage/database development		31,443
Capital campaign		187,611
Hardship fund		37,143
Christmas gift cards/school supplies/auxiliary inventory		51,130
Pantry support/food purchases		6,129
		6,129
Total	\$	686,182

NOTE 5. NONPROFESSIONAL VOLUNTEER TIME

The Organization maintains a log of time donated by its volunteers. During the year ended June 30, 2023 nonprofessional volunteers contributed 16,417 hours to the Organization. The Independent Sector reports that the value of volunteer time is \$31.80 per hour for 2022. The total estimated value of the volunteer time to the Organization at these rates is \$522,061 for the year ended June 30, 2023. These services, however, are not reflected in the financial statements, since they do not meet the criteria for recognition.

THRIVE PENINSULA, INC.
Notes to Financial Statements
June 30, 2023

NOTE 6. PROGRAM SERVICES PROVIDED

The Organization provides services through emergency food, financial aid, and financial coaching services. The auxiliary services allow the Organization to provide household goods, personal hygiene items, bus ride tickets, books, school supplies, and toys. During the year ended June 30, 2023, a total of such items valued at \$33,871 was provided to individuals. This amount is included in program services in the functional allocation of expenses schedule in Note 8.

NOTE 7. AVAILABILITY AND LIQUIDITY

Financial assets, at year-end:		
Cash	\$	443,029
Grants receivable		53,659
Pledges receivable		<u>163,590</u>
	Total financial assets	\$ 660,278
Less amounts not available to be used within one year:		
	Net assets with donor restrictions	<u>340,462</u>
	Financial assets available to meet general expenditures over the next twelve months	<u>\$ 319,816</u>

NOTE 8. LEASE COMMITMENT

The Organization signed an operating lease agreement as lessor of approximately 3,504 square feet of office space located in its new building effective April 27, 2023. This lease is for a term of five years with options for five one-year renewals and requires initial base rent payable in equal monthly installments of \$3,250. The base rent for the option periods escalate at 2% annually. The tenant is required to pay additional rent equal to the tenant's estimated proportionate share of annual operating expenses, estimated at 38.22%, and currently totaling an additional \$379 monthly.

Lease income for the year ended June 30, 2023 was \$7,757 and is included in Miscellaneous income on the Statement of Activities and Changes in Net Assets.

THRIVE PENINSULA, INC.
Notes to Financial Statements
June 30, 2023

NOTE 9. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing client services have been summarized on a functional basis below. Accordingly, certain costs have been allocated between program services and supporting services, including corporate/business fees, outreach center expenses, condominium fee, interest, and real estate taxes, which are allocated on a square-footage basis, as well as salaries and payroll taxes, which are allocated on the basis of estimates of time and effort.

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Food disbursed	\$ 704,866	\$ -	\$ -	\$ 704,866
Salaries	180,512	42,352	71,704	294,568
Housing paid on behalf of clients	364,692	-	-	364,692
Utilities paid on behalf of clients	174,292	-	-	174,292
Distributed auxiliary donations	33,871	-	-	33,871
Donated professional services	9,429	406	304	10,139
Payroll taxes	13,296	3,155	6,084	22,535
Depreciation	-	9,849	-	9,849
Utilities	7,463	321	241	8,025
Condominium fee	5,012	216	162	5,390
Donated facilities use	8,928	384	288	9,600
Telephone and internet	16,657	716	537	17,910
Office supplies	2,853	658	878	4,389
Bank charges	-	581	-	581
Direct fundraising expenses	-	-	2,510	2,510
Equipment rental and maintenance	1,715	75	59	1,849
Real estate taxes	2,120	91	68	2,279
Professional fees	-	6,223	-	6,223
Staff and volunteer education	1,245	-	-	1,245
Corporate/business fees	-	1,133	-	1,133
Mortgage interest	4,988	215	161	5,364
Marketing	-	-	6,334	6,334
Insurance	11,287	485	364	12,136
Investment fees	-	478	-	478
Postage	661	66	594	1,321
Expenses paid on behalf of clients	84,468	-	-	84,468
Miscellaneous	-	3,213	-	3,213
Damaged auxiliary goods	2,312	-	-	2,312
Loss on disposal of assets	-	753	-	753
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,630,667</u>	<u>\$ 71,370</u>	<u>\$ 90,288</u>	<u>\$ 1,792,325</u>

THRIVE PENINSULA, INC.
Notes to Financial Statements
June 30, 2023

NOTE 10. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization has established a permanent organizational fund at the Peninsula Community Foundation (PCF) known as the THRIVE Peninsula community Hardship Fund. The fund is administered, managed and invested by PCF and the earnings benefit the Organization. Beneficial interest in assets held by others is recorded at fair market value and was \$112,847 at June 30, 2023.

NOTE 11. FAIR VALUE MEASUREMENTS

The Organization follows a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means; and
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization's financial instruments consisted of the following at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by others	\$ -	\$ -	\$ 112,847	\$ 112,847

THRIVE PENINSULA, INC.
Notes to Financial Statements
June 30, 2023

NOTE 11. FAIR VALUE MEASUREMENTS (Concluded)

Fair value for Level 3 consists of funds invested in the THRIVE Peninsula Community Hardship Fund managed by PCF. These pooled funds consist of cash and equities that have active markets. Collectively, however, the Organization's investments in PCF cannot be traded on active markets.

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

The following table summarizes the changes to Level 3 instruments for the year ending June 30, 2023:

Fair value, beginning of period	\$ 69,659
Contributions	37,143
Interest and dividend income	2,665
Net realized and unrealized gains (losses)	3,858
Investment fees	<u>(478)</u>
Fair value, end of period	<u>\$ 112,847</u>

NOTE 12. PROMISES TO GIVE

Included in Pledges receivable are the following unconditional promises to give:

Capital campaign	\$ 163,590
Restricted to future periods	<u>105,240</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	268,830
Less: Unamortized discount at 5%	<u>13,838</u>
Subtotal	254,992
Less: Allowance for uncollectibles	<u>-</u>
Net unconditional promises to give	<u>\$ 254,992</u>
Amounts due in:	
Less than one year	163,590
One to five years	<u>91,402</u>
Total	<u>\$ 254,992</u>

Management believes these pledges are collectible in their entirety.

THRIVE PENINSULA, INC.
Notes to Financial Statements
June 30, 2023

NOTE 13. LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2023:

Mortgage payable, Townebank, due in monthly installments of \$4,804 through April 2038, including interest at 5.52%, secured by a deed of trust and assignment of all rents on the property	\$ 574,393
Less current maturities	<u>26,298</u>
Long-term debt, less current portion	<u>\$ 548,095</u>

Aggregate maturities required on long-term debt at June 30, 2023 are as follows:

2024	\$ 26,298
2025	27,787
2026	29,361
2027	31,023
2028	32,779
Thereafter	<u>427,145</u>
	<u>\$ 574,393</u>

NOTE 14. SUBSEQUENT EVENTS

On September 9, 2022, the Organization entered into a purchase agreement with the Boys and Girls Clubs of the Virginia Peninsula to purchase land and buildings located at 12749 Nettles Drive in Newport News, Virginia, at a price of \$730,000. Closing on this purchase occurred on April 27, 2023. The intent is to move their offices to this location by the end of 2023. The Boys and Girls Clubs of the Virginia Peninsula will then lease back about one third of the office space for their offices.

Additionally, there were two significant donations totaling \$240,000 received after year-end related to the Capital Campaign project. These funds will be used to renovate the new facility space to provide better utilization of the space for THRIVE's services.

Management has evaluated subsequent events through the date the financial statements were available to be issued, December 21, 2023. Based on the evaluation, other than the above transactions, the Organization did not identify any recognized or non-recognized subsequent events that would have required adjustment to or disclosure in the financial statements.