

Financial Statements

Treasure Coast Food Bank, Inc.

June 30, 2023

TREASURE COAST FOOD BANK, INC.

Financial Statements

June 30, 2023

(With Independent Auditor's Report Thereon)

TREASURE COAST FOOD BANK, INC.

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Independent Auditor's Report

The Board of Directors
Treasure Coast Food Bank, Inc

Opinion

We have audited the accompanying financial statements of Treasure Coast Food Bank, Inc., which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Treasure Coast Food Bank, Inc. as of June 30, 2023 and the related statements of activities, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Treasure Coast Food Bank, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Treasure Coast Food Bank, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2023 on our consideration of Treasure Coast Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Treasure Coast Food Bank, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Treasure Coast Food Bank, Inc.'s internal control over financial reporting and compliance.

Schaefer, Tschoff, Whittemut, Mitchell & Shuilen, LLP

November 10, 2023
Maitland, Florida

TREASURE COAST FOOD BANK, INC.

Statement of Financial Position

June 30, 2023

Assets

Current assets:

Cash and cash equivalents	\$ 8,086,925
Accounts receivable	197,230
Grants receivable	1,616,881
Inventories	1,506,709
Other current assets	<u>64,340</u>
Total current assets	<u>11,472,085</u>

Property and equipment, net	<u>4,315,175</u>
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Other assets

Deposits	10,564
Certificates of deposit	214,022
Investments	352,945
Operating lease (ROU) assets	<u>500,913</u>
Total other assets	<u>1,078,444</u>

Total assets	<u><u>\$ 16,865,704</u></u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 427,170
Accrued payroll liabilities	185,218
Current portion of notes payable	<u>1,587,632</u>
Total current liabilities	<u>2,200,020</u>

Non-current liabilities

Operating lease liability	<u>500,913</u>
Total non-current liabilities	<u>500,913</u>

Total liabilities	<u>2,700,933</u>
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Net assets

Without donor restrictions	<u>14,164,771</u>
Total net assets	<u>14,164,771</u>

Total liabilities and net assets	<u><u>\$ 16,865,704</u></u>
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See accompanying notes to financial statements.

TREASURE COAST FOOD BANK, INC.

Statement of Activities

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Support			
Grants and contracts	\$ 4,438,818	-	4,438,818
Contributions	1,363,129	-	1,363,129
In-kind contributions	28,236,956	-	28,236,956
Special events and direct mail	1,660,311	-	1,660,311
	<u>35,699,214</u>	<u>-</u>	<u>35,699,214</u>
Less: direct benefits to donors	(74,027)	-	(74,027)
Total support	<u>35,625,187</u>	<u>-</u>	<u>35,625,187</u>
Revenues			
Handling fees - agency	522,349	-	522,349
Purchased food	1,086,640	-	1,086,640
Production	489,805	-	489,805
Investment and interest income	77,580	-	77,580
Other	307,694	-	307,694
Net assets released from restrictions	227,356	(227,356)	-
Total revenues	<u>2,711,424</u>	<u>(227,356)</u>	<u>2,484,068</u>
Total support and revenues	<u>38,336,611</u>	<u>(227,356)</u>	<u>38,109,255</u>
Expenses			
Program services			
General food and product distribution	20,340,422	-	20,340,422
Whole Child Connection	467,612	-	467,612
CSC of SLC Healthy Kids and Benefit Outreach	116,300	-	116,300
Food production plant	557,895	-	557,895
Benefits outreach and case management	13,604,566	-	13,604,566
Total program services	<u>35,086,795</u>	<u>-</u>	<u>35,086,795</u>
Supporting services			
General administration	765,532	-	765,532
Fundraising	332,376	-	332,376
Total supporting services	<u>1,097,908</u>	<u>-</u>	<u>1,097,908</u>
Total expenses	<u>36,184,703</u>	<u>-</u>	<u>36,184,703</u>
Change in net assets	<u>2,151,908</u>	<u>(227,356)</u>	<u>1,924,552</u>
Net assets beginning of the year	<u>12,012,863</u>	<u>227,356</u>	<u>12,240,219</u>
Net assets end of the year	<u>\$ 14,164,771</u>	<u>-</u>	<u>14,164,771</u>

See accompanying notes to financial statements.

TREASURE COAST FOOD BANK, INC.

Statement of Functional Expenses

Year ended June 30, 2023

	Program Services					Supporting Services			Grand Total	
	General Food and Product Distribution	Whole Child Connection	CSC of SLC Healthy Kids and Benefits Outreach	Food Production Plant	Benefits Outreach and Case Management	Total	General Administration	Fundraising		Total
Donated food	\$ 15,234,908	-	-	-	12,455,789	27,690,697	-	-	-	27,690,697
Salaries	1,253,427	260,778	104,230	313,091	352,595	2,284,121	371,170	199,861	571,031	2,855,152
Depreciation	307,865	-	-	-	-	307,865	65,422	11,544	76,966	384,831
Food purchases	1,944,726	-	-	3,482	343,797	2,292,005	-	-	-	2,292,005
Insurance	245,369	33,366	-	44,573	80,829	404,137	75,774	25,259	101,033	505,170
Professional fees	182,110	26,483	-	3,057	52,920	264,570	49,597	16,534	66,131	330,701
Postage and freight	42,303	47	-	-	10,588	52,938	-	-	-	52,938
Payroll taxes	89,415	18,725	7,772	22,216	24,818	162,946	26,478	14,258	40,736	203,682
Repairs and maintenance	116,190	-	-	4,005	30,049	150,244	-	-	-	150,244
Interest	13,414	-	-	53,826	-	67,240	12,605	4,209	16,814	84,054
Advertising/marketing	63,553	77	-	1,612	16,313	81,555	15,290	5,097	20,387	101,942
Utilities	44,362	1,958	-	41,513	21,960	109,793	20,585	6,863	27,448	137,241
Warehouse costs	255,749	-	-	7,928	65,919	329,596	-	-	-	329,596
Fuel	76,070	33	-	227	19,084	95,414	-	-	-	95,414
Occupancy	73,352	93,189	-	37,516	51,015	255,072	47,828	15,943	63,771	318,843
Travel	54,334	2,284	-	300	-	56,918	10,671	3,558	14,229	71,147
Workers compensation insurance	13,534	2,679	575	2,865	4,196	23,849	3,876	2,087	5,963	29,812
Transportation food costs	19,942	-	-	-	4,986	24,928	-	-	-	24,928
Retirement	26,441	1,735	3,723	4,875	4,542	41,316	6,714	3,614	10,328	51,644
Dues and subscriptions	24,225	870	-	-	6,278	31,373	5,885	1,963	7,848	39,221
Telephone	8,992	6,100	-	1,428	4,130	20,650	3,873	1,291	5,164	25,814
Contract labor	57,166	1,117	-	2,858	-	61,141	-	-	-	61,141
Office supplies and expenses	32,382	5,231	-	1,462	9,764	48,839	9,156	3,054	12,210	61,049
Other	9,538	191	-	112	1,307	11,148	1,225	2,012	3,237	14,385
Bank fees	20,672	-	-	-	5,168	25,840	4,844	1,616	6,460	32,300
General administration	40,840	-	-	9,630	12,616	63,086	10,251	5,522	15,773	78,859
Printing and binding	89,543	12,749	-	1,319	25,903	129,514	24,288	8,091	32,379	161,893
Total expenses	\$ 20,340,422	467,612	116,300	557,895	13,604,566	35,086,795	765,532	332,376	1,097,908	36,184,703

See accompanying notes to financial statements.

TREASURE COAST FOOD BANK, INC.

Statement of Cash Flows

Year ended June 30, 2023

Cash flows from operating activities:	
Change in net assets	\$ 1,924,552
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation expense	384,831
Unrealized gain on investments	(25,846)
Decrease (increase) in assets:	
Accounts and grants receivable	(665,210)
Inventories	59,684
Other assets	(23,122)
Increase (decrease) in liabilities	
Accounts payable	(164,060)
Accrued payroll liabilities	39,250
Net cash provided by operating activities	<u>1,530,079</u>
Cash flows from investing activities:	
Acquisition of property and equipment, net	(719,195)
Acquisition of investments, net	<u>(223,555)</u>
Net cash used in investing activities	<u>(942,750)</u>
Cash flows from financing activities:	
Principal payments on notes payable	<u>(376,227)</u>
Net cash used in financing activities	<u>(376,227)</u>
Net increase in cash and cash equivalents	211,102
Cash and cash equivalents at beginning of year	<u>7,875,823</u>
Cash and cash equivalents at end of year	<u><u>\$ 8,086,925</u></u>
Supplemental disclosures of cash flow information:	
Interest expense	<u><u>\$ 84,054</u></u>

See accompanying notes to financial statements.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

(a) Organization

Treasure Coast Food Bank, Inc. (the "Organization" or "Food Bank") has been serving the Treasure Coast since 1988. The Organization is a nonprofit organization incorporated May 11, 1989, under the laws of the State of Florida. The Organization operated during 1988 as an unincorporated entity. The Organization is a private, non-profit organization that distributes surplus food and personal items to other non-profit agencies and recognized denominations in St. Lucie, Indian River, Martin and Okeechobee counties. The Organization is authorized through the State of Florida to receive commodities from the United States Department of Agriculture ("USDA") for distribution in the four-county region, providing food for frontline emergency food assistance. It is also responsible for assisting with procurement and distribution of donated emergency products during and after disasters. The Organization is fully committed to its mission of providing food and resources in our communities with the goal of alleviating hunger, educating others on the causes of hunger, and feeding hope for a brighter future through delivery of collaborative programs.

Donated food is received from the USDA, wholesalers, distributors, manufacturers, retailers, and individuals. The Organization also purchases food to supplement donations received.

Food is distributed to local 501(c)(3) charities, such as food pantries, soup kitchens, shelters, children's and senior meal programs, and other programs that offer assistance to low-income individuals and families in St. Lucie, Martin, Indian River, and Okeechobee counties.

In addition to collecting and distributing food, the Organization operates advocacy and public education programs. Advocacy efforts focus on outreach to underserved populations, research, and public policy issues that affect the root causes of hunger.

The Organization is a member of Feeding America (formerly known as America's Second Harvest - The Nation's Food Bank Network), a national hunger-relief organization of food banks and food rescue organizations.

(b) Basis of Presentation

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

The Organization prepares its financial statements on an entity wide basis, focusing on the organization as a whole. Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. 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 stipulations and, therefore, available for use in general operations.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies - Continued

(b) Basis of Presentation

- Net assets with donor restrictions---Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donor-imposed restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

The Food Bank's resources as presented on the statement of activities include revenue, gains or loss, and other support. Revenue consists of fees earned for the performance of Organization services, public support such as contributions and grants, investment income which consists of dividends, interest and similar payments on assets held as investments, and other revenue or support. Public support such as contributions and grants are unconditional gifts to the Organization of cash or other assets in a voluntary nonreciprocal transfer by another entity. Gains or losses result from activities that are peripheral or incidental to the Organization and are reported net.

Revenue, gains, and other support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses and losses are reported as decreases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Contributions, including unconditional promises to give, less an allowance for uncollectible accounts, are recognized as revenue in the period made or received. United Way and other pledges are recorded as unconditional promises to give and net assets with donor restrictions in the period that notification is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. The Organization also receives indications of intent to support, which are commitments that are open-ended and subject to unilateral change by the donor. The amounts are not measurable since the commitments do not express a term or period. Thus, they are not considered to be unconditional promises to give and are not recognized prior to the receipt of the contribution.

Contributions of assets, materials, and facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the consolidated financial statements as an asset or expense and revenue. For the year ended June 30, 2023, in-kind contributions consisted of

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies - Continued

(b) Basis of Presentation - Continued

USDA food inventory and donated food inventory valued at approximately \$28,000,000. Contributed food inventory was redistributed to charitable organizations at a value of approximately \$28,000,000 for the year ended June 30, 2023. In addition, the Organization receives contributed time related to various program services and construction projects. These contributed services are recorded at their estimated fair value at the date of service if they meet the following criteria: (a) the services would have otherwise been purchased by the Organization, and (b) the services required specialized skills. Donated use of facilities, as applicable, is recognized as expense and revenue. For the year ended June 30, 2023, there were donated services amounting to approximately \$24,000.

A substantial number of unpaid volunteers have made significant contributions of their time to provide assistance to the Food Bank in its program and support activities (approximately 25,000 hours). The value of contributed time of part-time volunteers has not been recorded in the accompanying consolidated financial statements since specialized skills were not required.

(c) U.S. Government Program

The Emergency Food Assistance Program ("TEFAP") supplements the diets of some low-income Americans by providing them with emergency food and nutrition assistance at no cost. The USDA allocates TEFAP commodities to each state.

States designate an agency to order, store, distribute, and track TEFAP commodities, as well as monitor distribution sites. These distribution sites provide the commodities for household consumption or use them to prepare and serve meals in a congregate setting. Recipients of food for home use must meet income eligibility criteria set by the states. Recipients of foods prepared from USDA commodities at congregate feeding sites are presumed to be low-income and are therefore not subject to eligibility criteria.

(d) Estimates

Management of the Organization has made a number of estimates and assumptions relating to the reporting of asset, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those results but, in the opinion of management, such differences would not be material.

(d) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both: (a) readily convertible to known amounts of cash, and (b)

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies - Continued

(e) Cash and Cash Equivalents - Continued

so near their maturity (three months or less) that they present insignificant risk of changes in value because of changes in interest rates. Cash and cash equivalents include savings and checking accounts, money market funds and certificate of deposits with a maturity of less than 90 days.

(f) Liquidity

Assets are presented in the accompanying consolidated statement of financial position according to their nearness of conversion to cash and liabilities according to their nearness of maturity and resulting use of cash.

(g) Accounts and Grants Receivable

Accounts and grants receivable are carried at their estimated collectible amounts and are recorded net of contractual adjustments and an allowance for doubtful accounts. The allowance for doubtful accounts is estimated by management based on the Organization's prior years' experience and a review of the current status of the existing receivables. Adjustments to the allowance for doubtful accounts are recorded to an expense account. When management determines that a receivable is uncollectible, it is removed from accounts receivable and is charged to the allowance for doubtful accounts. No allowance is established at June 30, 2023 as management believes all amounts are collectible.

(h) Restricted Cash

As applicable, cash which is externally restricted by agreements is classified as restricted cash. Such cash is not available for general operating purposes.

(i) Investments

Investments are initially recorded at their acquisition cost (including brokerage and other transaction fees) if they are purchased and, at fair value if they are received as a contribution or through an agency transaction. Subsequent to acquisition, investments in equity securities, with readily determinable fair value, and all debt securities are recorded at fair value. All other securities are evaluated for impairment, if the impairment is considered other than temporary; the security is recorded at fair value.

The investment policy allows investments to be allocated in equities (20%-60%), fixed income (10%-40%), and cash equivalents (0%-20%). Equities are ownership interest possessed by shareholders in a corporation. Fixed income investments are oriented to government, corporate, municipal bonds, and to preferred stock paying a fixed dividend. Cash equivalents are any highly liquid security with a known market value and maturity when acquired of less than one year, and may include money market funds and U.S. treasury obligations.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies - Continued

(i) Investments

The overall objectives require the portfolio to be of above average quality and holdings be diversified as to issuer, style, and sector. Equity securities are limited to those of high quality and actively traded on either the NYSE or NASDAQ exchanges. Short-term, fixed-income investments must be rated at least A-1 Standard and Poor's Corporation ("S&P") and P-1 by Moody's Investment Services, Inc. ("Moody's"). Long-term, fixed-income securities must be rated A or better by S&P and Moody's. Short-term investments eligible for purchase include certificates of deposit, money market funds, federally-sponsored agency obligations, and short term debt obligations of the U.S. government, so long as they meet rating guidelines.

At June 30, 2023 the Food Bank's investment portfolio consisted of mutual funds and marketable equity securities carried at fair value.

The following table summarizes the valuation of the Food Bank's financial assets measured at fair value on a recurring basis as of June 30, 2023, based on level 1 inputs utilized to measure fair value:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds/equities	\$ 70,306	153,927
Cash	199,018	199,018
	<u>\$ 269,324</u>	<u>352,945</u>

Investment and interest income as reported in the accompanying statement of activities includes net unrealized gains of \$25,846 in 2023 associated with the investments reflected herein.

(j) Inventory

Purchased food inventory is stated at the lower of cost (determined on first-in, first-out basis) or market.

USDA food inventory and donated food inventory is valued at the approximate average wholesale value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology prepared by Feeding America, at each calendar year end. This value for donated food inventory was \$1.93 per pound in 2023. The value for USDA food inventory was \$1.57 per pound in 2023.

(k) Property and Equipment

It is the Organization's policy to capitalize property and equipment valued over \$1,000. All purchased items are stated at cost and donated items are stated at fair value at the date of donation. All expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is computed on the straight-line method over the estimated lives of the assets ranging from three to thirty-nine years.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies - Continued

(l) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date as required by ASC 820 of the Financial Standards Accounting Board (FASB). ASC 820 establishes a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of the asset or liability as of the measurement date. ASC 820 expands disclosures about instruments measured at fair value and applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, it does not require any new fair value measurements.

As noted above, ASC 820 establishes a three-level valuation hierarchy for the disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value in the extent that observable inputs are not available.

When available, the Organization measures fair value using level 1 inputs as they generally provide the most reliable evidence of fair value.

The primary uses of fair value measures in the Organization's financial statements are:

- Initial measurement of non-cash gifts, including gifts of investment assets and unconditional promises to give.
- Recurring measurement of short term investments.
- Cash and cash equivalents, accounts receivable, other assets, accounts payable, accrued liabilities, and promises to give receivable have a carrying amount that is a reasonable estimate of the fair value because of the short maturity of these instruments.

(m) Compensated Absences

Employees are entitled to paid vacation and sick leave, depending on job classification and length of service. Sick time is forfeited upon separation; and, therefore is not included as a liability on the statement of financial position. However, accrued vacation, a maximum of 48 hours, may be payable upon separation and therefore is accrued and reflected as a liability.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies - Continued

(n) Contributions and Grants

Contributions received are measured at their fair values and are reported as an increase in net assets. Gifts, grants and other assets are reported as with donor restrictions support if they are received with donor stipulations that limit the use of the donated asset, or if they are designated as support for periods.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which the promise is made are substantially met and the promises become unconditional.

(o) Donated Professional Services

A substantial number of volunteers have donated their time in various Food Bank programs and special events. Donated professional services are recorded at the estimated fair market value as both support and expense in the period that the services were performed if they meet the criteria of FASB ASC 958~605 and subsections. The Organization does not recognize any support, revenue, or expense contributed by volunteers, as management has determined there is no practical way to estimate their value. No amounts have been reflected in the financial statements for donated services which do not require specialized skills.

(p) Functional Allocation of Expenses

The costs of providing Organization programs and administration of the Organization have been summarized on a functional basis as indicated in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation of expenses according to function, including payroll and occupancy costs which cannot be directly attributed to specific functions, is based on estimates by the Organization's management, of the time of employees involved and of percentages of assets utilized.

(q) Advertising

Advertising costs are charged to expense in the year incurred. Advertising expense was \$101,942 for the year ended June 30, 2023.

(r) Fair Value of Financial Instruments

The Food Bank's financial instruments are cash and cash equivalents, investments, prepaid expenses and deposits, accounts and grants receivable, accounts payable, accrued expenses and notes payable.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies - Continued

(r) Fair Value of Financial Instruments - Continued

The recorded values of cash and cash equivalents, prepaid expenses and deposits, accounts and grants receivables, accounts payable and accrued expenses approximate their fair value based on their short-term nature.

The recorded net present value of notes payable approximates fair value, as the discount rate approximates market rates.

The recorded value of investments approximates fair value based on quoted market prices (Level 1 inputs) in active markets for identical assets or liabilities.

(s) Tax Exempt Status

The Organization is exempt from Federal income taxes under the provisions of the Internal Revenue Code 501 (c)(3) and is not considered a private foundation. The tax periods open to examination in which the Organization is subject include the fiscal years subsequent to June 30, 2019. No uncertain tax positions within the scope of ASC 740, existed as of June 30, 2023.

(t) Recently Adopted Accounting Standard

The Organization adopted FASB Accounting Standards Codification (ASC) Topic 842, Leases, using the practical expedient method and, accordingly, did not record a cumulative effect adjustment to beginning fund balance and did not restate prior periods. The Organization elected the package of practical expedients which allowed them to carry forward their historical lease classification. The new standard established a right of use (ROU) model that requires a lessee to record an ROU asset and corresponding lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the operating statement. Leases with a term of less than 12 months or are immaterial in nature will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term. (Also see note 8)

(u) Subsequent Events

In preparing these financial statements, the Food Bank has evaluated subsequent events and transactions for potential recognition and disclosure through November 10, 2023, which is the date the financial statements were available to be issued.

(2) Cash and Cash Equivalents

Cash balances are maintained with several institutions. At June 30, 2023 the Organization had \$8,086,925 on deposit in banks. Cash and cash equivalents consists of the following at June 30, 2023:

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2023

(2) Cash and Cash Equivalents - Continued

Cash and cash equivalents	
Checking accounts	\$ 2,268,737
Savings accounts	473,290
Money market	5,344,398
Petty cash on hand	500
Total cash and cash equivalents	<u>\$ 8,086,925</u>

Additionally, the Organization holds a certificate of deposit in the amount of \$214,022 at June 30, 2023, which was insured by the Federal Deposit Insurance Corporation (FDIC).

(3) Inventory

Inventory consists of the following as of June 30, 2023:

Purchased food inventory	\$ 202,026
TEFAP and CSFP inventory	475,663
Donated food inventory	829,020
	<u>\$ 1,506,709</u>

(4) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023 are:

Cash	\$ 8,086,925
Accounts receivable	197,230
Grants receivable	1,616,881
Other current assets	64,340
Certificate of deposit	214,022
Investments	352,945
	<u>10,532,343</u>
Less financial assets not available within one year:	
Certificate of deposit	(214,022)
Total financial assets available for general expenditure	<u>\$ 10,318,321</u>

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2023

(5) Property and equipment

Property and equipment as of June 30 consists of the following:

	Balance June 30, 2022	Additions	Balance June 30, 2023
Construction in progress	\$ 11,579	366,089	377,668
Land	380,213	-	380,213
Buildings	1,928,132	-	1,928,132
Equipment	1,450,648	39,312	1,489,960
Warehouse equipment	294,762	5,372	300,134
Office equipment	62,806	14,391	77,197
Furniture and fixtures	28,183	-	28,183
Vehicles	1,740,270	152,106	1,892,376
Improvements	2,264,768	131,423	2,396,191
Software	91,077	16,540	107,617
Total capital assets	8,252,438	725,233	8,977,671
Less: accumulated depreciation	<u>(4,277,665)</u>	<u>(384,831)</u>	<u>(4,662,496)</u>
Net capital assets	<u>\$ 3,974,773</u>	<u>340,402</u>	<u>4,315,175</u>

Depreciation expense was \$384,831 for the year ended June 30, 2023.

(6) Grants Receivable

Grants receivable as of June 30, 2023 consists of:

State of Florida - TEFAP	\$ 771,116
Other grants	<u>845,765</u>
Total grants receivable	<u>\$ 1,616,881</u>

(7) Notes Payable

In May 2013, the Organization obtained a \$742,500 note payable from a bank to finance the purchase of land and a building. Interest is payable monthly at a fixed rate of 4% with interest only payments due for the first 12 months. After the interest only period, monthly principal and interest payments are based upon a twenty-four year amortization with a balloon payment due May 2, 2024. The note is secured by land and building. In the event the Organization loses its 501(c)(3) tax exempt status during the term of the loan, the interest rate will increase to 6.45%.

During fiscal year 2018, a \$1.3 million line of credit was converted to a loan (associated with the Organization's production kitchen) at a fixed interest rate of 5.5%. Installment payments of principal and interest are due monthly, beginning July 31, 2017 in the amount of \$8,943, with a final balloon payment due July 31, 2023.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2023

(7) Notes Payable - Continued

At June 30, 2023, a portion of the production kitchen obligation was forgiven (\$300,000) in accordance with the terms of the underlying loan agreement by the Florida Community Loan Fund and has been recorded as other revenue in the accompanying statement of activities. The maturity date of the remainder of the production kitchen obligation was extended until October 2023.

The outstanding balances of the notes as of June 30, 2023 are as follows:

<u>Building</u>	<u>Production Kitchen</u>	<u>Total</u>
\$ 539,059	1,048,573	1,587,632

At October 1 2023, the Organization entered into a long term financing agreement with Cadence Bank (Lender) as the lender and the Florida Development Finance Corporation as the issuer of the Industrial Development Revenue and Revenue Refunding Bond, Series 2023 (Bond) in the principal amount of \$22,325,000. The proceeds from the Bond will be used (through the Lender) to refinance the production kitchen and building notes previously referred to herein. In addition, the proceeds are intended to finance the acquisition, construction and equipping of an approximately 100,000 square foot facility for the purpose of receiving, storing , repackaging, and distributing donated food items located on an a 15 acre parcel of land within the Orange 95 Commerce Center (401 Jenkins Road facility) in unincorporated St. Lucie County, Florida.

Accordingly, commencing in October 2023, the Organization will begin making principal payments ranging from \$1,500 to \$1,800 on the refinanced production kitchen note through October 2025. Interest will accrued and be payable monthly on both notes through that date at 89.87% of the sum of the Term SOFR (Secured Overnight Financing Rate) plus 1.90%. The remainder of the bond proceeds (\$20,742,209) will be provided as construction moves forward on the 401 Jenkins Road Facility. Commencing in November 2025, it is expected that aggregate monthly principal payments on the construction portion and refinanced notes portion of the Bond funds provided will range from \$33,700 to \$50,900 through August 2033. A final balloon payment of \$18,352,800 will be made at the maturity date of September 2033.

(8) Operating Leases

The adoption of FASB ASC Topic 842, as previously discussed herein, resulted in the recognition of right of use assets and associated operating lease liability in connection with the lease of certain office and warehouse space and amounting to \$681,024 as of July 1, 2022. Results for periods beginning prior to this date continue to be reported in accordance with historical accounting treatment. At June 30, 2023, the ROU assets amounted to \$500,913 as a result of the reduction in the ROU assets and operating lease liability \$180,111 since that date. Lease expense associated with this right to use assets amounted to approximately \$228,000 during 2023.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2023

(8) Operating Leases - Continued

Non-cancellable lease payments under long-term operating leases amount to the following:

<u>Fiscal year ended June 30,</u>	<u>Amount</u>
2024	\$ 228,120
2025	230,932
2026	61,306

(9) Employee Retirement Plans

The Organization offers Simple and Roth IRA plan (plans) to eligible employees, matching contributions up to three percent. The Organization made contributions of approximately \$52,000 to the plan during the year ended June 30, 2023.

(10) Release of Restricted Net Assets

Net assets were released from donor/grantor restrictions by incurring expenses satisfying the purpose or time restrictions specified as follows:

Purpose restrictions accomplished:	
Construction of 401 Jenkins Road facility	<u>\$ 227,356</u>
Total net assets released from restrictions	<u><u>\$ 227,356</u></u>

(11) Commitments and Contingencies

Reimbursement claims under Federal and state program grants are subject to audit and adjustment by grantor agencies. Any disallowed claims might become a liability of the Organization. The Food Bank is aware of no communications from granting agencies regarding the lack of compliance with grant conditions that could result in a liability. There are no asserted or known unasserted claims against the Organization that require disclosure or a loss accrual under existing audit and accounting pronouncements.

The Organization is exposed to various risks of loss related to operations, theft of, damage to and destruction of assets, errors, omission, and natural disasters for which commercial insurance is carried. There has been no significant reduction in insurance coverage from the prior year and the Food Bank has not been required to pay any settlements in excess of insurance coverage during the last three fiscal years.

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

To the Board of Directors
Treasure Coast Food Bank, Inc.

We have audited, 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, the financial statements of Treasure Coast Food Bank, Inc., which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Treasure Coast Food Bank, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Treasure Coast Food Bank, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Treasure Coast Food Bank, Inc.'s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Treasure Coast Food Bank, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement 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.

Schatz, Tschoff, Whitcomb, Mitchell & Shulden, LLP

Maitland, Florida
November 10, 2023

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

To the Board of Directors
Treasure Coast Food Bank, Inc.

Report on Compliance for Each Major Federal Program

We have audited Treasure Coast Food Bank, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement*, that could have a direct and material effect on each of Treasure Coast Food Bank, Inc.'s major federal programs for the year ended June 30, 2023. Treasure Coast Food Bank, Inc.'s major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Treasure Coast Food Bank, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on test basis, evidence about Treasure Coast Food Bank, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Treasure Coast Food Bank, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Treasure Coast Food Bank, Inc. complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Report on Internal Control Over Compliance

Management of Treasure Coast Food Bank, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Treasure Coast Food Bank, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Treasure Coast Food Bank, Inc.'s internal control over compliance.

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

Our consideration of the internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

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

Schatz, Tschoy, Whitcomb, Mitchell & Shulen, LLP

Maitland, Florida
November 10, 2023

TREASURE COAST FOOD BANK, INC.
Schedule of Expenditures of Federal Awards
June 30, 2023

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal CFDA #	Contract/Grant Number	Program Year	Total Expended
United States Department of Agriculture				
Indirect Programs				
Passed through the Florida Department of Agriculture and Consumer Services				
Feeding Okeechobee - Park it Market SNAP-Ed Program	10.551	29588 09-056-0983952897	2022/2023 2022/2023 2022/2023	\$24,506 193,425 <u>177,783</u>
Total				<u>395,714</u>
CHILD NUTRITION CLUSTER				
Summer Food Service Program for Children	10.559	018733	2022/2023	32,059
Summer Food Service Program for Children	10.559	018733	2021/2022	<u>48,437</u>
Total child nutrition cluster				<u>80,496</u>
FOOD DISTRIBUTION CLUSTER				
Commodity Supplemental Food Program	10.565	028145	2022/2023	57,789
Emergency Food Assistance Program (administrative costs)	10.568	027881	2022/2023	333,231
	10.568	29747	2022/2023	9,175
Emergency Food Assistance Program (food commodities)	10.569		2022/2023	<u>4,089,495</u>
Total food distribution cluster				<u>\$ 4,489,690</u>
Passed through the Florida Department of Health				
Child and Adult Care Food Program	10.558	A-5679	2022/2023	<u>62,283</u>
Total US Department of Agriculture				<u>5,028,183</u>
Federal Emergency Management Agency				
Indirect programs				
Passed through the Florida Division of Emergency Management				
Total Federal Emergency Management Agency	97.036	Z3357	2022/2023	<u>148,680</u> <u>\$ 148,680</u>

See accompanying notes to financial statements.

TREASURE COAST FOOD BANK, INC.

Notes to Schedule of Expenditures of Federal Awards

June 30, 2023

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Treasure Coast Food Bank, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Treasure Coast Food Bank, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Treasure Coast Food Bank, Inc.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Treasure Coast Food Bank, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(3) Program Clusters

The Uniform Guidance defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, similar programs deemed to be a cluster of programs are considered to be one program and are tested accordingly.

(4) Sub-Recipient Monitoring

The Organization has provided no federal awards to sub recipients.

(5) Contingencies

Amounts received, or receivable, from grantor agencies are subject to audit and adjustment by grantor agencies. If any expenditure is disallowed as a result of these audits the claims for reimbursement to the grantor agency would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.

TREASURE COAST FOOD BANK, INC.

Schedule of Findings and Questioned Costs – Federal Programs

June 30, 2023

Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ Yes X None Reported

Significant deficiency(ies) identified? ___ Yes X No

Noncompliance material to financial statements notes? ___ Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? ___ Yes X No

Significant deficiency(ies) identified? ___ Yes X None Reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ___ Yes X No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program(s) or Cluster(s)</u>
10.565/10.568/10.569	Food Distribution Cluster (Emergency Food Assistance Program for Children and Commodity Supplemental Food Program)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

Auditee qualified as low-risk auditee, pursuant to Uniform Guidance? X Yes ___ No

FINDINGS – FINANCIAL STATEMENTS

There are no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

There were no audit findings related to federal programs required to be reported by Section 2 CFR 200.156(a), Uniform Guidance.

OTHER ISSUES – SUMMARY OF PRIOR AUDIT FINDINGS

There is no Summary of Prior Audit Findings or Corrective Action Plan required to be reported under the Federal Single Audit Act, as there were no prior year audit findings related to Federal programs.