

Financial Statements

Treasure Coast Food Bank, Inc.

June 30, 2021

TREASURE COAST FOOD BANK, INC.

Financial Statements

June 30, 2021

(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

Report on the Financial Statements

We have audited the accompanying financial statements of Treasure Coast Food Bank, Inc. which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was performed 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 March 15, 2022 on our consideration of the 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 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 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.

Scharf, Tschoff, Whitcomb, Mitchell & Shulman, LLP

March 15, 2022
Maitland, Florida

TREASURE COAST FOOD BANK, INC.

Statement of Financial Position

June 30, 2021

Assets

Current assets:	
Cash and cash equivalents	\$ 7,500,570
Accounts receivable	52,222
Grants receivable	692,098
Inventories	1,710,738
Other current assets	<u>28,973</u>
Total current assets	<u>9,984,601</u>
Property and equipment, net	<u>4,510,682</u>
Other assets	
Deposits	12,399
Certificates of deposit	212,725
Investments	<u>65,774</u>
Total other assets	<u>290,898</u>
Total assets	<u><u>\$ 14,786,181</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 307,153
Accrued payroll liabilities	147,633
Capital lease payable - current portion	4,683
Current portion of notes payable	<u>70,619</u>
Total current liabilities	<u>530,088</u>
Non-current liabilities	
Capital lease payable, less current portion	5,073
Notes payable, less current portion	<u>1,963,690</u>
Total non-current liabilities	<u>1,968,763</u>
Total liabilities	<u>2,498,851</u>
Net assets	
With donor restrictions	236,709
Without donor restrictions	<u>12,050,621</u>
Total net assets	<u>12,287,330</u>
Total liabilities and net assets	<u><u>\$ 14,786,181</u></u>

See accompanying notes to financial statements.

TREASURE COAST FOOD BANK, INC.

Statement of Activities

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Support			
Grants and contracts	\$ 6,115,924	-	6,115,924
PPP grant revenue	414,944	-	414,944
Contributions	3,004,050	-	3,004,050
In-kind contributions	33,665,745	-	33,665,745
Special events and direct mail	1,082,050	-	1,082,050
	<u>44,282,713</u>	<u>-</u>	<u>44,282,713</u>
Less: direct benefits to donors	(11,245)	-	(11,245)
Total support	<u>44,271,468</u>	<u>-</u>	<u>44,271,468</u>
Revenues			
Handling fees - agency	189,795	-	189,795
Purchased food	500,086	-	500,086
Miscellaneous	7,572	-	7,572
Interest income	7,810	-	7,810
Net assets released from restrictions	1,355,161	(1,355,161)	-
Total revenues	<u>2,060,424</u>	<u>(1,355,161)</u>	<u>705,263</u>
Total support and revenues	<u>46,331,892</u>	<u>(1,355,161)</u>	<u>44,976,731</u>
Expenses			
Program services			
General food and product distribution	23,715,467	-	23,715,467
Whole Child Connection	363,404	-	363,404
CSC of SLC Healthy Kids and Benefit Outreach	79,156	-	79,156
Food production plant	545,140	-	545,140
Benefits outreach and case management	16,871,933	-	16,871,933
Total program services	<u>41,575,100</u>	<u>-</u>	<u>41,575,100</u>
Supporting services			
General administration	634,405	-	634,405
Fundraising	259,940	-	259,940
Total supporting services	<u>894,345</u>	<u>-</u>	<u>894,345</u>
Total expenses	<u>42,469,445</u>	<u>-</u>	<u>42,469,445</u>
Investment income	13,169	-	13,169
Change in net assets	<u>3,875,616</u>	<u>(1,355,161)</u>	<u>2,520,455</u>
Net assets beginning of the year	<u>8,175,005</u>	<u>1,591,870</u>	<u>9,766,875</u>
Net assets end of the year	<u>\$ 12,050,621</u>	<u>236,709</u>	<u>12,287,330</u>

See accompanying notes to financial statements.

TREASURE COAST FOOD BANK, INC.

Statement of Functional Expenses

Year ended June 30, 2021

	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	\$ 19,516,966	-	-	-	15,956,723	35,473,689	-	-	-	35,473,689
Salaries	851,239	177,102	70,785	212,629	239,458	1,551,213	252,072	135,732	387,804	1,939,017
Depreciation	509,415	-	-	-	-	509,415	108,252	19,102	127,354	636,769
Food purchases	1,431,752	-	-	2,564	253,111	1,687,427	-	-	-	1,687,427
Insurance	137,735	18,729	-	25,021	45,372	226,857	42,535	14,178	56,713	283,570
Professional fees	141,762	20,615	-	2,380	41,195	205,952	38,609	12,870	51,479	257,431
Postage and freight	52,163	58	-	-	13,056	65,277	-	-	-	65,277
Payroll taxes	60,159	12,598	5,229	14,947	16,698	109,631	17,814	9,593	27,407	137,038
Repairs and maintenance	92,196	-	-	3,178	23,843	119,217	-	-	-	119,217
Interest	18,856	-	-	75,662	-	94,518	17,720	5,916	23,636	118,154
Advertising/marketing	71,930	88	-	1,825	18,463	92,306	17,305	5,768	23,073	115,379
Utilities	29,485	1,301	-	27,591	14,595	72,972	13,682	4,561	18,243	91,215
Warehouse costs	59,600	-	-	1,848	15,362	76,810	-	-	-	76,810
Fuel	75,468	33	-	225	18,932	94,658	-	-	-	94,658
Occupancy	79,386	100,855	-	40,603	55,212	276,056	51,762	17,254	69,016	345,072
Travel	15,789	664	-	87	-	16,540	3,101	1,034	4,135	20,675
Workers compensation insurance	18,351	3,633	779	3,885	5,689	32,337	5,255	2,829	8,084	40,421
Transportation food costs	49,210	-	-	-	12,303	61,513	-	-	-	61,513
Retirement	16,784	1,102	2,363	3,094	2,883	26,226	4,262	2,294	6,556	32,782
Dues and subscriptions	11,551	415	-	-	2,993	14,959	2,806	936	3,742	18,701
Telephone	7,797	5,290	-	1,238	3,581	17,906	3,358	1,120	4,478	22,384
Equipment purchase/rental	168,749	2,942	-	118,820	72,634	363,145	-	-	-	363,145
Contract labor	81,638	1,595	-	4,081	-	87,314	-	-	-	87,314
Office supplies and expenses	14,641	2,365	-	661	4,415	22,082	4,140	1,381	5,521	27,603
Miscellaneous	104,770	4,093	-	2,390	27,812	139,065	26,078	8,694	34,772	173,837
Bank fees	22,489	-	-	-	5,622	28,111	5,271	1,758	7,029	35,140
Conferences and conventions	-	-	-	-	-	-	-	7,826	7,826	7,826
Payroll administration	5,871	-	-	1,384	1,814	9,069	1,474	794	2,268	11,337
Printing and binding	69,715	9,926	-	1,027	20,167	100,835	18,909	6,300	25,209	126,044
Total expenses	<u>\$ 23,715,467</u>	<u>363,404</u>	<u>79,156</u>	<u>545,140</u>	<u>16,871,933</u>	<u>41,575,100</u>	<u>634,405</u>	<u>259,940</u>	<u>894,345</u>	<u>42,469,445</u>

See accompanying notes to financial statements.

TREASURE COAST FOOD BANK, INC.

Statement of Cash Flows

Year ended June 30, 2021

Cash flows from operating activities:	
Change in net assets	\$ 2,520,455
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation expense	636,769
Unrealized gains	(13,169)
PPP grant revenue	(414,944)
Decrease (increase) in assets:	
Receivables	529,928
Inventories	1,831,481
Other assets	29,809
Increase (decrease) in liabilities	
Accounts payable	200,683
Accrued payroll liabilities	58,860
Deferred revenues	(188,934)
Net cash provided by operating activities	<u>5,190,938</u>
Cash flows from investing activities:	
Acquisition of property and equipment	(865,977)
Acquisition of investments, net	<u>(38,934)</u>
Net cash used in investing activities	<u>(904,911)</u>
Cash flows from financing activities:	
Principal payments on notes payable and capital leases	<u>(218,539)</u>
Net cash used in financing activities	<u>(218,539)</u>
Net increase in cash and cash equivalents	4,067,488
Cash and cash equivalents at beginning of year	<u>3,433,082</u>
Cash and cash equivalents at end of year	<u><u>\$ 7,500,570</u></u>
Supplemental disclosures of cash flow information:	
Interest expense	<u><u>\$ 118,154</u></u>

See accompanying notes to financial statements.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2021

(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.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies - Continued

(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.
- 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.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies - Continued

(b) Basis of Presentation - Continued

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, 2021, in-kind contributions consisted of USDA food inventory and donated food inventory valued at approximately \$34,000,000. Contributed food inventory was redistributed to charitable organizations at a value of approximately \$36,000,000 for the year ended June 30, 2021. 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, 2021, there were donated services amounting to approximately \$26,000.

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 24,000 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.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2021

(1) **Summary of Significant Accounting Policies - Continued**

(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.

(e) **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) 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.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies - Continued

(g) Accounts Receivable

Accounts 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, 2021 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, 2021

(1) Summary of Significant Accounting Policies - Continued

(i) Investments - Continued

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.

(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 \$1.79 per pound in 2021. The value for USDA food inventory was \$1.70 per pound in 2021.

(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, 2021

(1) Summary of Significant Accounting Policies - Continued

(I) 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 date¹ 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.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies - Continued

(l) Fair Value Measurements - Continued

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.

(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.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies - Continued

(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 \$115,379 for the year ended June 30, 2021.

(r) 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 ended June 30, 2018, 2019 and 2020. No uncertain tax positions within the scope of ASC 740, existed as of June 30, 2021.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2021

(2) Cash and Cash Equivalents

Cash balances are maintained with several institutions. At June 30, 2021 the Organization had \$7,500,220 on deposit in banks. Cash and cash equivalents consists of the following at June 30, 2021:

Cash and cash equivalents	
Checking accounts	\$ 2,052,060
Savings accounts	440,405
Money market	5,007,755
Petty cash on hand	<u>350</u>
Total cash and cash equivalents	<u>\$ 7,500,570</u>

Additionally, the Organization holds a certificate of deposit in the amount of \$212,725 at June 30, 2021, which was insured by the Federal Deposit Insurance Corporation (FDIC).

(3) Inventory

Inventory consists of the following as of June 30, 2021:

Purchased food inventory	\$ 316,710
TEFAP and CSFP inventory	904,415
Donated food inventory	<u>489,613</u>
	<u>\$ 1,710,738</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, 2021 are:

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2021

(4) **Liquidity and Availability - Continued**

Cash	\$ 7,500,570
Accounts receivable	52,222
Grants receivable	692,098
Other current assets	28,973
Certificates of deposit	212,725
Investments	65,774
	<u>8,552,362</u>
Less financial assets not available within one year:	
Certificate of deposit	(212,725)
Less amounts with donor restrictions	(236,709)
	<u>(236,709)</u>
Total financial assets available for general expenditure	<u>\$ 8,102,928</u>

(5) **Property and equipment**

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

	Balance June 30, 2020	Additions	Balance June 30, 2021
Land	\$ 380,213	-	380,213
Buildings	1,928,132	-	1,928,132
Equipment	1,426,669	12,933	1,439,602
Warehouse equipment	293,415	1,347	294,762
Office equipment	38,247	13,597	51,844
Furniture and fixtures	20,271	6,761	27,032
Vehicles	937,018	791,888	1,728,906
Improvements	2,255,460	2,500	2,257,960
Software	24,421	36,951	61,372
	<u>7,303,846</u>	<u>865,977</u>	<u>8,169,823</u>
Total capital assets	7,303,846	865,977	8,169,823
Less: accumulated depreciation	(3,022,372)	(636,769)	(3,659,141)
	<u>(3,022,372)</u>	<u>(636,769)</u>	<u>(3,659,141)</u>
Net capital assets	<u>\$ 4,281,474</u>	<u>229,208</u>	<u>4,510,682</u>

Depreciation expense was \$636,769 for the year ended June 30, 2021.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2021

(6) **Grants Receivables**

Grants receivable as of June 30, 2021 consists of:

State of Florida - TEFAP	\$ 553,383
United Way	5,700
Other grants	133,015
Total grants receivable	<u>\$ 692,098</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, the \$1.3 million line of credit was converted to a loan 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. The loan is secured by land, improvements and equipment.

During fiscal year 2018, the \$300,000 line of credit was converted to a loan at a fixed interest rate of 1.5%. Interest is due monthly, beginning August 31, 2017, with a final balloon payment due June 30, 2023.

On April 20, 2020, the Organization was granted a loan (the "PPP Loan") in the aggregate amount of \$414,944, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The PPP Loan, which was in the form of a note was scheduled to mature on May 1, 2022 and bore interest at a rate of 1.00% per annum. Funds from the PPP Loan are required to be used for payroll costs, mortgage payments, rent, utilities, and interest on other debt obligations. The Organization used the funds provided by the PPP Loan for qualifying expenses. Subsequent to June 30, 2021, the Organization received formal forgiveness of the loan from the Small Business Administration. Accordingly, the entire obligation (\$414,944) has been recorded as PPP grant revenue in the accompanying statement of activities.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2021

(7) **Notes Payable - Continued**

On May 26, 2020, the Organization was granted a loan (the "EIDL Loan") in the aggregate amount of \$150,000, pursuant to the Small Business Administration's (SBA) Economic Injury Disaster Loan Program.

The EIDL Loan, which was in the form of a Note, was scheduled to mature on May 26, 2050 and bore interest at a rate of 2.75% per annum. Monthly installment payments of \$641, including principal and interest, began twelve months from the date of the promissory Note. During the year ended June 30, 2021, the EIDL loan was paid in full.

Maturities of long-term debt obligations are as follows:

Year ending June, 30	Building	Production Kitchen	Total
2022	\$ 24,896	45,723	70,619
2023	25,925	1,396,465	1,422,390
2024	<u>541,300</u>	<u>-</u>	<u>541,300</u>
Total principal payments	<u>\$ 592,121</u>	<u>1,442,188</u>	<u>2,034,309</u>

In addition, the Organization also had a \$250,000 unused line of credit at June 30, 2020 with a bank, to be drawn upon as needed, at an interest rate of 5.75%.

(8) **Capital Leases**

The Organization entered into a lease agreement for a forklift during the year ended June 30, 2019. The lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of future minimum lease payments as of the lease inception date.

The equipment being leased has a cost to the Organization of \$23,805 and a carrying value of \$9,522. The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

Fiscal year ended June 30,	Amount
2022	\$ 4,683
2023	4,683
2024	<u>390</u>
Total minimum lease payments	<u>\$ 9,756</u>

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2021

(9) Operating Leases

During fiscal year 2015, the Food Bank, entered into an 84 month agreement to rent a semi tractor and trailer, with an aggregate monthly payment of \$3,259. In June 2021, the Organization leased additional equipment under an 18 month lease agreement with a monthly payment of \$1,396.

In October 2017, the Organization entered into a 63 month operating lease for 7 copiers, with a monthly payment of \$776.

In July 2019, the Organization entered into a 36 month operating lease to rent commercial property, with monthly payments of \$1,512, \$1,557, and \$1,604 covering the years ended June 30, 2020, 2021 and 2022, respectively.

In September 2020, the Organization entered into a 5 year operating sublease agreement to rent certain commercial property. The monthly payments are \$17,045.

Future minimum payments on all operating leases described above are as follows:

Fiscal year ended June 30,	Amount
2022	\$ 285,701
2023	216,176
2024	204,540
2025	204,540
2026	204,540

Rent expense, amounting to approximately \$232,000 associated with these leases, was incurred in the year ended June 30, 2021.

(10) 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 \$33,000 during the year ended June 30, 2021.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2021

(11) Restricted Net Assets and Release of Restricted Net Assets

Net assets with donor restrictions at June 30, 2021 are available for the following purposes:

Purpose restrictions:	
Program	\$ 5,700
Building	78,453
Capital improvements	<u>152,556</u>
Total net assets with donor restrictions	<u>\$ 236,709</u>

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

Purpose restriction accomplished:	
General food and product distribution	\$ 1,182,458
Mobile pantry and benefit outreach	169,050
Management and general	<u>3,653</u>
Total net assets released from restrictions	<u>\$ 1,355,161</u>

(12) 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.

TREASURE COAST FOOD BANK, INC.

Notes to Financial Statements

June 30, 2021

(13) Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and cash equivalents – The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Accounts and grants receivable, other current assets, accounts payable and accrued expenses – The carrying amount of accounts and grants receivable, other current assets, accounts payable and accrued expenses in the balance sheet approximates fair value.

Long term debt – The carrying amount of notes payable approximates fair value.

The carrying amounts of the Organization's financial instruments at June 30, 2021, approximate fair value.

(14) Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that the effects of the pandemic will continue for some time. With respect to the Organization's operations, future potential impacts may include disruptions or restrictions on our employees' ability to work or on our community partners, agencies and governmental funding sources to continue to provide a consistent level of support. Changes to the operating environment may increase operating costs. Additional effects may include the ability of donors to continue making donations as a result of job loss, overall economic slowdown or other pandemic related issues. The ultimate outcome of these matters on the Organization cannot be determined at this time.

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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, 2021, 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 March 15, 2022.

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 & Shuiken, LLP

Maitland, Florida
March 15, 2022

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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, 2021. 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, 2021.

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, Tschoff, Whitcomb, Mitchell & Shulden, LLP

Maitland, Florida
March 15, 2022

TREASURE COAST FOOD BANK, INC.

Schedule of Expenditures of Federal Awards

June 30, 2021

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				
Emergency Food Assistance Program (Trade Mitigation)	10.178	026190	2020/2021	\$ 156,670
USDA-AMS-TM (Local food promotion program)	10.175	AM190100XXXXG142	2019/2021	181,619
CHILD NUTRITION CLUSTER				
Summer Food Service Program for Children	10.559	018733	2020/2021	74,271
FOOD DISTRIBUTION CLUSTER				
Commodity Supplemental Food Program	10.565	024326	2020/2021	7,893
Commodity Supplemental Food Program	10.565	024403	2020/2021	11,305
Emergency Food Assistance Program (administrative costs)	10.568	022747	2020/2021	258,795
COVID-19 - Emergency Food Assistance Program (administrative costs)	10.568	026933	2020/2021	795,893
Emergency Food Assistance Program (food commodities)	10.569		2020/2021	9,997,089
COVID-19 - Emergency Food Assistance Program (food commodities)	10.569		2020/2021	<u>4,714,844</u>
Total food distribution cluster				\$ 16,198,379
Passed through the Florida Department of Health				
Child and Adult Care Food Program	10.558	A-5679	2020/2021	<u>136,029</u>
Total US Department of Agriculture				<u><u>16,334,408</u></u>

See accompanying notes to financial statements.

TREASURE COAST FOOD BANK, INC.

Notes to Schedule of Expenditures of Federal Awards

June 30, 2021

(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, 2021. 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.

Notes to Schedule of Findings and Questioned Costs – Federal Programs

June 30, 2021

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? ___ Yes X 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.