

# Feeding South Florida, Inc.

Financial Statements  
For the Year Ended June 30, 2021



# Feeding South Florida, Inc.

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For the Year Ended June 30, 2021

## **Table of Contents**

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Independent Auditor's Report	1-2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-18

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Feeding South Florida, Inc.

We have audited the accompanying financial statements of Feeding South Florida, Inc., (a nonprofit organization) (the "Organization"), 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

Feeding South Florida, Inc.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

KEEFE McCULLOUGH

Fort Lauderdale, Florida  
February 28, 2022

# FINANCIAL STATEMENTS



**Feeding South Florida, Inc.**  
**Statement of Financial Position**  
**June 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Assets:</b>			
Current Assets:			
Cash and cash equivalents	\$ 30,446,443	\$ 3,638,645	\$ 34,085,088
Grant and contract receivables	989,736	-	989,736
Other receivables	60,000	-	60,000
Prepays	428,740	-	428,740
Food inventory	2,605,010	-	2,605,010
Total current assets	<u>34,529,929</u>	<u>3,638,645</u>	<u>38,168,574</u>
Noncurrent Assets:			
Long-term investments	136,318	1,107,078	1,243,396
Property and equipment, net	7,253,881	-	7,253,881
Deposits	70,314	-	70,314
Total assets	<u>\$ 41,990,442</u>	<u>\$ 4,745,723</u>	<u>\$ 46,736,165</u>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts payable	\$ 400,185	\$ -	\$ 400,185
Accrued expenses	692,218	-	692,218
Refundable advance	115,000	-	115,000
Current portion of debt	106,526	-	106,526
Total current liabilities	<u>1,313,929</u>	<u>-</u>	<u>1,313,929</u>
Long-Term Liabilities:			
Long-term debt, net of current portion	<u>1,895,902</u>	<u>-</u>	<u>1,895,902</u>
Total liabilities	<u>3,209,831</u>	<u>-</u>	<u>3,209,831</u>
<b>Net Assets:</b>			
Without donor restrictions:			
Undesignated	15,199,214	-	15,199,214
Board designated	23,581,397	-	23,581,397
With donor restrictions:			
Purpose and time restrictions	<u>-</u>	<u>4,745,723</u>	<u>4,745,723</u>
Total net assets	<u>38,780,611</u>	<u>4,745,723</u>	<u>43,526,334</u>
Total liabilities and net assets	<u>\$ 41,990,442</u>	<u>\$ 4,745,723</u>	<u>\$ 46,736,165</u>

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

**Feeding South Florida, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Change in Net Assets:</b>			
Public Support:			
Contributed food	\$ 186,851,307	\$ -	\$ 186,851,307
Contributions	19,726,657	1,798,933	21,525,590
Grants:			
Federal government grants	87,172,713	-	87,172,713
State government grants	187,685	-	187,685
Other local agencies	5,351,348	-	5,351,348
Total public support	<u>299,289,710</u>	<u>1,798,933</u>	<u>301,088,643</u>
Revenues:			
Investment income, net	2,846	226,092	228,938
Other income	450,497	-	450,497
Total revenue	<u>453,343</u>	<u>226,092</u>	<u>679,435</u>
Net assets released from restrictions	<u>1,348,913</u>	<u>(1,348,913)</u>	<u>-</u>
Total public support, revenue and net assets released from restrictions	<u>301,091,966</u>	<u>676,112</u>	<u>301,768,078</u>
Operating Expenses:			
Program services:			
Food distribution	288,107,103	-	288,107,103
Supporting services:			
Administrative	955,208	-	955,208
Development	1,085,024	-	1,085,024
Total supporting services	<u>2,040,232</u>	<u>-</u>	<u>2,040,232</u>
Total expenses	<u>290,147,335</u>	<u>-</u>	<u>290,147,335</u>
Change in net assets	<u>10,944,631</u>	<u>676,112</u>	<u>11,620,743</u>
<b>Net Assets, July 1, 2020</b>	<u>27,835,980</u>	<u>4,069,611</u>	<u>31,905,591</u>
<b>Net Assets, June 30, 2021</b>	<u>\$ 38,780,611</u>	<u>\$ 4,745,723</u>	<u>\$ 43,526,334</u>

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

**Feeding South Florida, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**

	Program Services		Supporting Services		Total Expenses
	Food Distribution	Administrative	Development	Total Supporting	
<b>Personnel Costs:</b>					
Salaries	\$ 3,340,626	\$ 562,136	\$ 321,601	\$ 883,737	\$ 4,224,363
Payroll taxes and employee benefits	629,020	88,868	53,065	141,933	770,953
Total personnel costs	<u>3,969,646</u>	<u>651,004</u>	<u>374,666</u>	<u>1,025,670</u>	<u>4,995,316</u>
<b>Other Expenses:</b>					
Contributed food activity	274,763,011	-	-	-	274,763,011
Purchased food activity	3,379,753	-	-	-	3,379,753
Auto and truck expense	1,162,121	-	-	-	1,162,121
Rent, including \$ 126,279 in-kind contributions	853,872	109,466	13,688	123,154	977,026
Professional fees, including \$ 42,276 in-kind contributions	737,762	71,976	98,208	170,184	907,946
Temporary labor	659,232	-	-	-	659,232
Fundraising	-	-	521,737	521,737	521,737
Gas and oil	445,067	-	-	-	445,067
Insurance	315,244	30,755	19,222	49,977	365,221
Repairs and maintenance	292,444	-	-	-	292,444
Warehouse expense	242,879	-	-	-	242,879
Transportation and storage	202,426	-	-	-	202,426
Utilities	168,593	16,448	10,280	26,728	195,321
Interest expense and bank fees	124,166	12,114	7,571	19,685	143,851.00
Equipment lease and rental	140,563	-	-	-	140,563
Telephone	55,313	5,396	3,373	8,769	64,082
Supplies	49,712	4,850	3,031	7,881	57,593
Employee recruiting and other	47,531	4,637	2,898	7,535	55,066.00
Dues, including Feeding America	19,573	1,909	1,193	3,102	22,675.00
Taxes	15,976	1,559	974	2,533	18,509
Travel	792	77	48	125	917
Total expenses before provision for depreciation	287,645,676	910,191	1,056,889	1,967,080	289,612,756
Provision for depreciation	<u>461,427</u>	<u>45,017</u>	<u>28,135</u>	<u>73,152</u>	<u>534,579</u>
Total expenses	<u>\$ 288,107,103</u>	<u>\$ 955,208</u>	<u>\$ 1,085,024</u>	<u>\$ 2,040,232</u>	<u>\$ 290,147,335</u>

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



**Feeding South Florida, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2021**

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**Cash Flows from Operating Activities:**

Change in net assets	\$ 11,620,743
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Provision for depreciation	534,579
Net realized/unrealized gain on investments	(227,013)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Grant and contract receivables	4,146,347
Other receivables	50,130
Prepays	(260,280)
Food inventory	5,400,645
Deposits	(965)
Increase (decrease) in liabilities:	
Accounts payable	(1,197,225)
Accrued expenses	312,630
Refundable advance	115,000
Refundable advance - Payroll Protection Program	(688,757)
	<u>19,805,834</u>

**Cash Flows From Investing Activities:**

Sale of investments	529,285
Purchases of property and equipment	(1,931,876)
Purchase of investments	(653,593)
	<u>(2,056,184)</u>

**Cash Flows from Financing Activities:**

Payments on debt	(91,633)
	<u>(91,633)</u>

Net increase in cash and cash equivalents	17,658,017
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<b>Cash and Cash Equivalents, July 1, 2020</b>	<u>16,427,071</u>
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<b>Cash and Cash Equivalents, June 30, 2021</b>	<u>\$ 34,085,088</u>
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The accompanying notes to financial statements are an integral part of these statements.

## Note 1 - Organization and Operations

Feeding South Florida, Inc. (the "Organization") is a not-for-profit organization whose mission is to end hunger in South Florida by providing immediate access to nutritious food, leading hunger and poverty advocacy efforts, and transforming lives through innovative programming and education. The Organization is a member of Feeding America, a nationwide food bank network. As a regional food bank, the Organization rescues and distributes surplus food that would otherwise go to waste. All food is distributed to either end users directly or to charitable organizations that qualify for tax exempt status under the regulations of the Internal Revenue Code.

## Note 2 - Summary of Significant Accounting Policies

**Basis of presentation:** The financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. Under FASB ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Basis of accounting:** The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

**Net assets:** Net assets and revenues are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets with Donor Restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Generally, contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Non-cash contributions are recorded at their estimated fair value on the date received.

All contributions are considered available for general use, unless specifically restricted by the donor or subject to other legal restrictions.

**Cash and cash equivalents:** The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Investments:** Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

**Grant, contract, and other receivables:** Grant and contract receivables consist principally of amounts due from federal, state, and local governmental agencies under contractual agreements. Other receivables consist of event sponsorships. Based on management's assessment, the Organization provides for estimated uncollectible amounts through a charge to expense and a credit to a valuation allowance. As of June 30, 2021, management considers all the receivables to be collectible within the current accounting period, so an allowance for doubtful accounts has not been recorded.

**Food inventory:** Food inventory is for distribution to qualified organizations only and is not available for resale. The Organization receives contributed food, which is recorded as public support, and food commodities under federal government grants. Both contributed food and grant food is recorded based on the estimated wholesale value of the distributable food received by the Organization. Management has based this estimate on the results of a product valuation survey calculating the average wholesale value per pound of food received nationally by Feeding America. For the year ended June 30, 2021, the average wholesale value for contributed food and United States Department of Agriculture donated food was \$ 1.79 and \$ 1.70, respectively. Purchased food inventory is stated at the lower cost or market using the first in, first out method.

**Property and equipment:** Purchased property and equipment, including leasehold improvements, are recorded at cost. It is the Organization's policy to capitalize all such fixed assets purchased or received by donation that cost \$ 2,500 or more individually. Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

Furniture and equipment	5-7 years
Warehouses and improvements	5-39 years
Automotive equipment	5 years

Maintenance and repairs to property and equipment are charged to expense when incurred.

**Revenue recognition:** Shared maintenance, produce handling and purchased food program revenue is recognized when the related food is distributed.

The Organization recognizes contributions when cash, securities, other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met or explicitly waived. Assets received before the barrier is overcome are accounted for as refundable allowances.

The Organization receives various grants from federal, state, and local government agencies for program and supporting service expenses. These grants are generally on a cost reimbursement basis, including recoverable overhead. Revenues from grants are deemed earned and recognized in the statement of activities when expenditures are incurred for the purposes specified. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Functional expenses:** The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by functions. Expenses that can be directly identified with a program or supporting service are charged accordingly. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses, including personnel costs, professional fees, rent and others, are allocated based on estimates of time and effort and square footage as determined by management.

**Fundraising activities:** The Organization's financial statements follow the guidelines prescribed by Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958-720-20, *Costs of Joint Activities*. This ASC establishes criteria for accounting and reporting of joint costs for certain entities that solicit contributions.

**Operating leases:** Rental expense is recognized on a straight-line basis.

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Paycheck Protection Program:** In accordance with the guidance of the AICPA in Q&A Section 3200, the Organization has the option to report the proceeds of this forgivable loan program under FASB *Accounting Standards Codification (ASC) 470, Debt* or FASB *ASC 958-605, Revenue Recognition*, and account for the funds as a conditional government grant. The Organization has elected to follow the provisions of *ASC 958-605* in which the loan proceeds are recorded as refundable advances on the balance sheet when received and recognized in income when the related conditions are deemed substantially met.

**Concentrations of credit risk:** Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of cash and cash equivalents, investments, and receivables. Although cash balances may at times exceed federally insured limits during the year, the Organization has not experienced any losses and does not believe it is exposed to significant risk associated with its cash and cash equivalents. At June 30, 2021, the Organization had approximately \$ 34 million held in excess of the FDIC limits. Cash is maintained with what management believes to be high quality financial institutions.

Investments are held in a brokerage account protected by the Securities Investor Protection Corporation ("SIPC") in the event of broker failure, subject to applicable limits. The SIPC does not protect against market losses on investments. Investments are overseen by an investment company whose performance is monitored by management.

Credit risk with respect to accounts receivable is limited due to the number and credit worthiness of the entities and individuals who comprise the contributor/customer base. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific donors/customers, historical trends, and other information.

**Date of management review:** Subsequent events have been evaluated through February 28, 2022, which is the date the financial statements were available to be issued.

**Note 3 - Liquidity and Availability of Financial Assets**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date ending June 30, 2021, comprise the following:

Financial Assets:	
Cash and cash equivalents	\$ 34,085,088
Grant and contract receivables	989,736
Other receivables	60,000
Investments	<u>1,243,396</u>
Financial assets, at year-end	<u>36,378,220</u>
Less: those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Purpose restrictions by donor	(3,638,645)
Endowment restrictions - corpus (Note 7)	(880,986)
Endowments subject to appropriation and satisfaction of donor restrictions (Note 7)	(226,092)
Board designated endowments (Note 7)	(136,318)
Other board designations (Note 10)	<u>(23,445,079)</u>
	<u>(28,327,120)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,051,100</u>

As part of its liquidity plan, the Organization invests cash exceeding daily requirements in money market funds. As a member of Feeding America, the Organization aims to maintain available financial assets sufficient to meet one year of operating reserves in cash and cash equivalents, which is approximately \$ 15,986,000. The Organization also has \$ 5,500,000 and \$ 1,959,000 in board-designated reserve funds to continue providing food assistance under its for COVID-19 relief and for debt reduction, respectively.

**Note 4 - Investments**

The Organization's investments at June 30, 2021 are comprised of the following:

Equities	\$ 756,223
United States treasury bills, bonds and notes	274,695
Corporate bonds	178,535
Money market funds	17,080
United States agency obligations	<u>16,863</u>
	<u>\$ 1,243,396</u>

**Note 4 – Investments (continued)**

Investment income in the statement of activities for the year ended June 30, 2021 consists of the following:

Net realized and unrealized gains	\$	227,013
Interest and dividend income		18,116
Investment fees		<u>(16,191)</u>
	\$	<u>228,938</u>

**Note 5 - Fair Value Measurement**

In accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, the Organization defined and established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included with Level 1 that are observable for the investments, either directly or indirectly. (e.g. quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices.)
- Level 3 inputs are unobservable inputs for the investments. (e.g. information about assumptions, including risk, market participants would use in pricing a security.)

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The equity securities are classified within Level 1 because they have readily determinable fair values based on daily redemption values. The United States Treasury bills, bonds and notes, United States agency obligations and corporate bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

**Note 5 - Fair Value Measurement (continued)**

The following table represents the investments as held by the Organization at June 30, 2021:

Investment Type	Fair Value at June 30, 2021	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 756,223	\$ 756,223	\$ -	\$ -
United States treasury bills, bonds and notes	274,695	-	274,695	-
Corporate bonds	178,535	-	178,535	-
United States agency obligations	16,863	-	16,863	-
	1,226,316	\$ 756,223	\$ 470,093	\$ -
Investments measured at amortized cost:				
Money market funds	17,080			
Total	\$ 1,243,396			

**Note 6 - Property and Equipment**

The following is a schedule of property and equipment at June 30, 2021:

Warehouse and improvements	\$ 5,161,110
Furniture and equipment	860,915
Automotive equipment	1,527,597
	<u>7,549,622</u>
Less: accumulated depreciation	1,586,194
	<u>5,963,428</u>
Construction in process	830,453
Land	460,000
	<u>1,290,453</u>
Total	\$ <u>7,253,881</u>

**Note 7 - Endowments**

The Organization has endowed funds established for the support of the Organizational mission. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of relevant law:** The Board of Directors interprets the State of Florida's Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**Note 7 - Endowments (continued)**

**Investment policies:** The goal of the investment program for the endowment is to provide an annual level of support for the current programs of the Organization consistent with the preservation of purchasing power over time. Assets held shall be diversified to control the risk of loss resulting from the over-concentration of funds in a specific maturity, issue or type-class of securities.

**Spending policies:** The Organization's policy is to only spend the income generated from the endowed funds. The principal amount of the Endowment Fund is held in perpetuity, with the income earned on those investments available for general operations.

The following is a summary of endowment funds subject to FUPMIFA for the year ended June 30, 2021:

Type of Endowment	Without Donor Restrictions	Net Assets with Donor Restrictions		Total
		Net Earnings	Endowment Corpus	
Donor Restricted	\$ -	\$ 226,092	\$ 880,986	\$ 1,107,078
Board Designated	136,318	-	-	136,318
	<u>\$ 136,318</u>	<u>\$ 226,092</u>	<u>\$ 880,986</u>	<u>\$ 1,243,396</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	Net Assets with Donor Restrictions		Total
		Net Earnings	Endowment Corpus	
Endowment net assets, beginning of year	\$ 11,089	\$ -	\$ 880,986	\$ 892,075
Investment income, net	2,846	226,092	-	228,938
Contributions	122,383	-	-	122,383
Endowment net assets, end of year	<u>\$ 136,318</u>	<u>\$ 226,092</u>	<u>\$ 880,986</u>	<u>\$ 1,243,396</u>

**Note 8 - Refundable Advance - Paycheck Protection Program**

Through a financial institution, the Organization received \$ 688,757 from the U.S. Small Business Administration ("SBA") as part of the Paycheck Protection Program ("PPP"), which is designed to provide direct incentive for small businesses and nonprofit organizations to keep their employees on the payroll. The Organization has elected to account for the PPP funds in accordance with FASB's ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. Under this method, the PPP funds were recorded as a refundable advance in the statement of financial position when they were received in May 2020. During the year ended 2021, management deemed the related conditions substantially met. Therefore, the full loan of \$ 688,757 was recorded as federal government grant income on the accompanying Statement of Activities. In March 2021, the full PPP loan was forgiven by the SBA.



**Note 9 - Debt**

Debt at June 30, 2021 is as follows:

Mortgage note payable to a bank, due in monthly installments of \$15,915 including interest at a fixed rate of 4.79% through May 2021 when the monthly payment and interest rate were reduced to \$ 14,575 and 3.50%, respectively. The note payable matures February 2026, when a balloon payment of approximately \$ 1,486,000 is due. This obligation is collateralized by all property and equipment currently owned and subsequently acquired.	\$ 2,002,428
Less current portion	<u>106,526</u>
	<u>\$ 1,895,902</u>

In November 2021, the Organization fully paid the remaining balance of this mortgage using funds designated for this purpose as of June 30, 2021.

The mortgage note payable contains certain restrictive covenants, including, but not limited to, a minimum debt coverage ratio of no less than 1.15 to 1.00. At June 30, 2021, the Organization was in compliance with the minimum debt coverage ratio.

**Note 10 - Board Designated Net Assets**

As of June 30, 2021, Board designated net assets consisted of the following:

Designated for operating reserves	\$ 15,986,000
Designated for COVID-19 relief	5,500,000
Designated for debt reduction	<u>1,959,079</u>
	23,445,079
Board-designated endowment	<u>136,318</u>
	<u>\$ 23,581,397</u>

**Note 11 - Net Assets with Donor Restrictions**

As of June 30, 2021, net assets with donor restrictions consisted of:

Subject to expenditure for specified purpose:	
Technology	\$ 700,000
Salary support	580,905
COVID-19 Relief	578,892
Mobile pharmacy	548,620
Other program support	525,854
School Pantry	254,533
Client services	254,000
Security	<u>195,841</u>
	3,638,645

**Note 11 - Net Assets with Donor Restrictions (continued)**

Endowment with donor restrictions:	
Subject to appropriation and expenditure when a specified event occurs:	
General operations	226,092
Required to be held in perpetuity by donor for specified purpose:	
General operations	880,986
	<u>1,107,078</u>
 Total	 \$ <u><u>4,745,723</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2021:

Satisfaction of purpose restrictions:	
COVID-19	\$ 743,590
Miami-Dade programs	209,863
Mobile Farmacy	164,038
School Pantry	100,000
Salary Support	74,972
Security	20,000
Other program support	36,450
	<u>1,348,913</u>
 Total	 \$ <u><u>1,348,913</u></u>

**Note 12 - Donated Goods, Services and Facilities**

The Organization receives donated goods and services, paying for most services requiring specific expertise. A number of volunteers have donated substantial amounts of their time in certain of the Organization's program service areas. Because of the difficulty in determining the number of hours for such services, those items are not disclosed in the accompanying financial statements. However, when the value of donated services requires specific expertise, they are reflected in the financial statements as revenue and expenses at estimated fair value. Donated goods are also recorded at their estimated fair value. For the year ended June 30, 2021, the Organization recorded \$ 186,851,307 in donated goods, consisting principally of food which is included in inventory or contributed food activity expense. For the year ended June 30, 2021, the Organization recorded approximately \$ 52,800 in donated professional services, which consisted of legal and other services, and are included in professional fees expense on the accompanying statement of functional expenses. Of this total, approximately \$ 42,300 consists of legal services donated by a law firm which employs the Organization's Board Chair. For the year ended June 30, 2021 the Organization recorded approximately \$ 126,300 of donated warehouse space, which is included in rent on the accompanying statement of functional expenses.

**Note 13 - Shared Maintenance**

A shared maintenance fee of no more than \$ 0.19 per pound, may be assessed on certain items that helps offset the costs of solicitation, transportation, warehousing and distribution of food. This fee is not a charge for food and it is not paid by the end user. No person in need of assistance pays for food. The Organization does not charge fees on USDA, produce, or bakery items. All shared maintenance fees have been suspended during the COVID-19 pandemic, including for the full year ended June 30, 2021. In June 2021, the Organization decided to permanently eliminate shared maintenance fees.

**Note 14 - Grants and Contracts**

Funding agreements for services to be provided are entered into on an annual basis. The release of funds is subject to monies being made available by various federal, state, local and other grantor agencies. Certain agreements may be terminated by either party with thirty days written notice. Changes in governmental appropriations could have a material adverse effect on the Organization's ability to continue to provide its services at the same level.

Program expenditures made by the Organization are subject to additional audit by grantor agencies. As a result of such audits, the grantor may require that amounts be returned. In certain instances, the grantor may increase its grant of funds to the Organization to offset amounts which would otherwise be repayable based on audits. As of June 30, 2021, no amounts were owed back to grantor agencies.

**Note 15 - Leases**

The Organization previously entered into a facility lease for warehouse and office space in Pembroke Park, Florida. The term of this lease agreement commenced in May 2013 and was renewed in April 2018, extending the lease through May 2023. Under the terms of the renewal agreement, monthly rent payments ranging from approximately \$ 40,000 to \$ 46,400 are due. The Organization is also responsible for its pro-rata share of certain operating expenses. In addition, the agreement also provides for one additional optional five-year renewal term.

The Organization also entered into short-term temporary lease agreements for additional warehouse space and storage space for prepared meals to provide additional programs due to COVID-19.

Rent expense is recognized on a straight-line basis. The difference between the base rent payments made and the amount of rent expense recognized is included in accrued expenses and totaled approximately \$ 68,000 at June 30, 2021. Rent expense, including the donated warehouse space and its pro-rata share of operating expenses, in connection with these agreements totaled approximately \$ 977,000 for the year ended June 30, 2021.

The Organization leases several vehicles with monthly base payments of approximately \$ 43,300 through August 2021 and at a lesser amount through October 2027. The Organization is also responsible for mileage fees at rates ranging from \$ .025 to \$ .085 per mile. During the year ended June 30, 2021, the total expense associated with these leases was approximately \$ 631,600.

The Organization also leases various pieces of warehouse and office equipment with a total monthly payment aggregating approximately \$ 4,000 through January 2024 and at lesser amounts through September 2024. During the year ended June 30, 2021, the total equipment rental expense associated with these leases and other short-term equipment rentals was approximately \$ 52,900.

**Note 15 - Leases (continued)**

The following is a schedule of approximate future minimum lease payments, excluding common area maintenance and mileage charges:

Year Ending June 30,		
2022	\$	1,049,400
2023		1,001,800
2024		458,300
2025		330,100
2026		109,100
Thereafter		<u>54,700</u>
	\$	<u>3,003,400</u>

**Note 16 - Income Taxes**

The Organization is a non-profit corporation, qualified under Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from corporate income taxation on income related to its exempt function. Management has evaluated business income tax implications and believes that the effects, if any, are immaterial to the Organization's financial statements. No provision for income taxes has been made in the accompanying financial statements.

**Note 17 - Employee Benefit Plan**

The Organization offers its employees a 401(k) profit-sharing plan (the "401(k) Plan") that covers all eligible employees. Employees may contribute to the 401(k) Plan, pursuant to a salary reduction agreement, a percentage of their annual compensation subject to certain limitations. The 401(k) Plan provides for employer matching contributions of 50% of each participant's contribution up to 6% of their gross salary. The Organization contributed approximately \$ 38,400 for the year ended June 30, 2021.

In May 2021, the Organization established a 403(b) defined contribution plan (the "403(b) Plan") which covers certain eligible employees. Participants may contribute to the 403(b) Plan, pursuant to a salary reduction agreement, a percentage of their annual compensation subject to certain limitations. The 403(b) plan does not permit employer base or matching contributions.

**Note 18 - Supplemental Cash Flow Information**

Supplemental Disclosure of Cash Flow Information:

Cash received during the year for - Interest and dividend income	\$	56,917
Cash paid during the year for - Interest	\$	96,670

**Note 18 - Supplemental Cash Flow Information (continued)**

Supplemental Disclosure of non-cash investing and financing information:

Acquisition of property and equipment - Cost of property and equipment	\$ 1,971,872
Less:	
Property and equipment acquired through increase in accrued expenses	<u>39,996</u>
Cash paid for property and equipment	<u><u>\$ 1,931,876</u></u>

**Note 19 - Uncertainties**

The coronavirus (COVID-19) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event may have on the Organization's financial position, operations, and cash flows. The full impact of COVID-19 is unknown at this time and cannot be readily estimated as these events are still developing.