



# Lowcountry Food Bank, Inc.

## Financial Statements

Years Ended December 31, 2020 and 2019



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## Independent Auditors' Report

Board of Directors  
Lowcountry Food Bank, Inc.  
Charleston, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Lowcountry Food Bank, Inc. which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities, functional expenses and cash flows for the years 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 Lowcountry Food Bank, Inc. as of December 31, 2020 and 2019, 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.

**Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis 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 included our report dated June 28, 2021 on our consideration of Lowcountry 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 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 Lowcountry Food Bank, Inc.'s internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

Greenville, South Carolina  
June 28, 2021

Lowcountry Food Bank, Inc.  
**Statements of Financial Position**  
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 13,949,756	\$ 4,261,575
Inventories	1,240,717	1,215,108
Accounts receivable	142,522	114,395
Grants receivable	161,851	429,574
Prepaid expenses and other current assets	317,968	160,392
Unconditional promise to give, net	447,935	389,660
Interest in net assets of Foundation	1,059,211	-
Property and equipment, net	<u>6,912,356</u>	<u>6,549,706</u>
 Total assets	 <u>\$ 24,232,316</u>	 <u>\$ 13,120,410</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 293,715	\$ 468,174
Accrued expenses	429,475	331,379
Foundation payable	1,059,211	-
Deferred revenue	492,027	82,200
Paycheck Protection Program loan	730,040	-
Note payable	1,285,067	1,452,878
Capital lease payable	<u>9,626</u>	<u>15,706</u>
 Total liabilities	 <u>4,299,161</u>	 <u>2,350,337</u>
 Net assets:		
Without donor restrictions	18,879,181	9,926,791
With donor restrictions	<u>1,053,974</u>	<u>843,282</u>
 Total net assets	 <u>19,933,155</u>	 <u>10,770,073</u>
 Total liabilities and net assets	 <u>\$ 24,232,316</u>	 <u>\$ 13,120,410</u>

Lowcountry Food Bank, Inc.  
Statement of Activities  
Year Ended December 31, 2020

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues, gains and other support:			
Donated inventory	\$ 56,861,072	\$ -	\$ 56,861,072
Shared maintenance revenue	2,341,607	-	2,341,607
Grants and contributions	11,195,468	3,677,391	14,872,859
United Way affiliates support	64,952	-	64,952
Gifts in kind	287,697	-	287,697
Special events	1,299,987	-	1,299,987
Program fees	1,335,484	-	1,335,484
Rental income	121,088	-	121,088
Miscellaneous income	667,514	-	667,514
Interest income	23,087	-	23,087
Change in interest in net assets of the Foundation	1,059,211	-	1,059,211
Gain on sale of assets	6,000	-	6,000
Total revenues, gains and other support	<u>75,263,167</u>	<u>3,677,391</u>	<u>78,940,558</u>
Net assets released from restrictions	<u>3,466,699</u>	<u>(3,466,699)</u>	<u>-</u>
Total revenue, gains and other support	<u>78,729,866</u>	<u>210,692</u>	<u>78,940,558</u>
Expenses and losses:			
Food distribution	66,727,514	-	66,727,514
Management and general	1,359,659	-	1,359,659
Fundraising	1,690,303	-	1,690,303
Total expenses	<u>69,777,476</u>	<u>-</u>	<u>69,777,476</u>
Change in net assets	<u>8,952,390</u>	<u>210,692</u>	<u>9,163,082</u>
Net assets, beginning of year	<u>9,926,791</u>	<u>843,282</u>	<u>10,770,073</u>
Net assets, end of year	<u>\$ 18,879,181</u>	<u>\$ 1,053,974</u>	<u>\$ 19,933,155</u>

Lowcountry Food Bank, Inc.  
Statement of Activities  
Year Ended December 31, 2019

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues, gains and other support:			
Donated inventory	\$ 47,583,087	\$ -	\$ 47,583,087
Shared maintenance revenue	1,777,012	-	1,777,012
Grants and contributions	3,949,093	1,580,145	5,529,238
United Way affiliates support	68,024	-	68,024
Gifts in kind	263,848	-	263,848
Special events	1,173,483	-	1,173,483
Program fees	2,051,812	-	2,051,812
Rental income	142,393	-	142,393
Miscellaneous income	106,136	-	106,136
Interest income	11,453	-	11,453
Gain on sale of assets	2,500	-	2,500
Total revenues, gains and other support	<u>57,128,841</u>	<u>1,580,145</u>	<u>58,708,986</u>
Net assets released from restrictions	<u>2,051,200</u>	<u>(2,051,200)</u>	<u>-</u>
Total revenue, gains and other support	<u>59,180,041</u>	<u>(471,055)</u>	<u>58,708,986</u>
Expenses:			
Food distribution	54,922,729	-	54,922,729
Management and general	1,187,853	-	1,187,853
Fundraising	1,157,894	-	1,157,894
Total expenses	<u>57,268,476</u>	<u>-</u>	<u>57,268,476</u>
Change in net assets	<u>1,911,565</u>	<u>(471,055)</u>	<u>1,440,510</u>
Net assets, beginning of year	<u>8,015,226</u>	<u>1,314,337</u>	<u>9,329,563</u>
Net assets, end of year	<u>\$ 9,926,791</u>	<u>\$ 843,282</u>	<u>\$ 10,770,073</u>

Lowcountry Food Bank, Inc.  
Statement of Functional Expenses  
Year Ended December 31, 2020

	2020				
	Program Services	Supporting Services			
	Food Distribution	Management and General	Fundraising	Total Supporting Services	Total
Contract services	\$ 168,351	\$ -	\$ 116,332	\$ 116,332	\$ 284,683
Development and marketing	25,125	514,346	-	514,346	539,471
Donated and purchased food distributed	60,413,177	-	-	-	60,413,177
Financial fees	-	117,105	94,418	211,523	211,523
Insurance	167,852	1,637	49,123	50,760	218,612
Miscellaneous	946,165	-	95,067	95,067	1,041,232
Occupancy	255,942	-	34,745	34,745	290,687
Office expense	58,632	2,219	14,969	17,188	75,820
Professional fees	-	-	42,312	42,312	42,312
Program expenses	464,432	-	-	-	464,432
Repairs and maintenance	192,437	-	-	-	192,437
Salaries and related expenses	3,113,732	467,912	973,418	1,441,330	4,555,062
Special events and in-kind	87,640	247,548	3,171	250,719	338,359
Transportation	220,509	-	-	-	220,509
	<u>66,113,994</u>	<u>1,350,767</u>	<u>1,423,555</u>	<u>2,774,322</u>	<u>68,888,316</u>
Total expenses before depreciation and interest					
Depreciation	578,496	8,384	251,520	259,904	838,400
Interest	35,024	508	15,228	15,736	50,760
	<u>613,520</u>	<u>8,892</u>	<u>266,748</u>	<u>275,640</u>	<u>889,160</u>
Total depreciation and interest					
Total expenses	<u>\$ 66,727,514</u>	<u>\$ 1,359,659</u>	<u>\$ 1,690,303</u>	<u>\$ 3,049,962</u>	<u>\$ 69,777,476</u>

See accompanying notes.



Lowcountry Food Bank, Inc.  
Statement of Functional Expenses  
Year Ended December 31, 2019

	<b>2019</b>				
	<b>Program Services</b>	<b>Supporting Services</b>			
	<b>Food Distribution</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total</b>
Contract services	\$ 120,437	\$ 71,985	\$ -	\$ 71,985	\$ 192,422
Development and marketing	17,948	-	428,399	428,399	446,347
Donated and purchased food distributed	50,225,175	-	-	-	50,225,175
Financial fees	-	5,695	41,100	46,795	46,795
Insurance	66,044	124,291	-	124,291	190,335
Miscellaneous	57,533	16,069	-	16,069	73,602
Occupancy	254,480	30,367	-	30,367	284,847
Office expense	39,486	13,579	1,407	14,986	54,472
Professional fees	-	34,083	22,500	56,583	56,583
Program expenses	349,391	-	-	-	349,391
Repairs and maintenance	133,731	-	-	-	133,731
Salaries and related expenses	2,875,944	657,340	360,246	1,017,586	3,893,530
Special events and in-kind	15,625	2,189	296,501	298,690	314,315
Transportation	232,748	-	-	-	232,748
	<u>54,388,542</u>	<u>955,598</u>	<u>1,150,153</u>	<u>2,105,751</u>	<u>56,494,293</u>
Total expenses before depreciation and interest					
Depreciation	499,314	217,093	7,236	224,329	723,643
Interest	34,873	15,162	505	15,667	50,540
	<u>534,187</u>	<u>232,255</u>	<u>7,741</u>	<u>239,996</u>	<u>774,183</u>
Total depreciation and interest					
Total expenses	<u>\$ 54,922,729</u>	<u>\$ 1,187,853</u>	<u>\$ 1,157,894</u>	<u>\$ 2,345,747</u>	<u>\$ 57,268,476</u>

See accompanying notes.

Lowcountry Food Bank, Inc.  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 9,163,082	\$ 1,440,510
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	838,400	723,643
Net gain on disposal of property and equipment	(6,000)	(2,500)
Donated inventory revenues	(56,861,072)	(47,583,087)
Donated food distribution expenses	56,360,465	46,780,120
Uncollectible funds	90,600	-
Change in interest in net assets of the Foundation	(1,059,211)	-
Changes in operating assets and liabilities:		
Unconditional promises to give	(148,875)	-
Accounts receivable	(28,127)	134,366
Grants receivable	267,723	(28,888)
Inventories	474,998	614,556
Prepaid expenses and other current assets	(157,576)	(16,340)
Accounts payable	(174,459)	100,492
Foundation payable	1,059,211	-
Accrued expenses	98,096	(4,292)
Deferred revenue	409,827	(9,800)
Net cash provided by operating activities	<u>10,327,082</u>	<u>2,148,780</u>
Investing activities:		
Purchases of property and equipment	(1,201,050)	(1,065,244)
Proceeds from sale of property and equipment	6,000	2,500
Net cash used by investing activities	<u>(1,195,050)</u>	<u>(1,062,744)</u>
Financing activities:		
Payments on note payable	(167,811)	(134,966)
Proceeds from Paycheck Protection Program loan	730,040	-
Payments on capital lease payable	(6,080)	(6,159)
Net cash provided (used) by financing activities	<u>556,149</u>	<u>(141,125)</u>
Net increase in cash and cash equivalents	9,688,181	944,911
Cash and cash equivalents, beginning of year	<u>4,261,575</u>	<u>3,316,664</u>
Cash and cash equivalents, end of year	<u>\$ 13,949,756</u>	<u>\$ 4,261,575</u>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	<u>\$ 45,710</u>	<u>\$ 50,540</u>
<b>Non-Cash Financing and Investing Activities</b>		
Interest in net assets of Foundation	<u>\$ 1,059,211</u>	<u>\$ -</u>

See accompanying notes.

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

#### ***Nature of Activities***

Lowcountry Food Bank, Inc. (the "Organization"), a non-profit organization, was incorporated in August 1983. Located in Charleston, Myrtle Beach and Yemassee, South Carolina, the Organization's purpose is food storage and distribution. The mission of the Organization is to gather, store, and distribute food through a network of non-profit agencies, to provide services through a variety of programs, to feed the needy in ten coastal counties of South Carolina, and to serve as an educational resource for hunger and hunger-related issues. The Organization serves as a collecting center for surplus and salvageable food obtained through donations from processors, wholesalers, retailers, and brokers. The food is then distributed to qualifying agencies. The Organization charges a fee called shared maintenance revenue to the agencies and churches benefited in order to recover a portion of the costs associated with food collection.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 results of operations during the reporting period. Actual results could differ from those estimates and assumptions.

#### ***Basis of Presentation***

The Organization's statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification. The Organization is required to report information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, 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:

*Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.

*With donor restrictions* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Donor-restricted support received is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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. The Organization had no permanently restricted net assets at December 31, 2020 and 2019.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less when purchased.

### ***Accounts and Grants Receivable and Allowance for Doubtful Accounts***

Accounts receivable consist primarily of agency maintenance fees for distributed food. Grants receivable consist primarily of amounts due from government agencies. As of December 31, 2020 and 2019, the Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

### ***Inventory and Donated Food Products***

The Organization receives food products governed by the United States Department of Agriculture (USDA) primarily through the USDA's state disbursing agent, the South Carolina Department of Social Services. The food products received through USDA programs are valued using prices determined by the USDA. Other donated food products reflected in the financial statements are valued at a rate per pound, which is determined by management based on the rate per pound provided by Feeding America, the Organization's national affiliate. The donated inventory balance, and associated revenues and expenses, as of and for the years ended December 31, 2020 and 2019 related to Feeding America, have been adjusted to reflect a rate per pound of \$1.74 and \$1.62, respectively.

Donated food products are recorded as revenue and support when received and recorded as expense when disbursed. Food products purchased are recorded at cost and disbursed at the same purchase price, if distinguishable. Certain purchased products are commingled and packaged with donated products; these items are revalued using the Feeding America rate per pound and disbursed at the Feeding America cost. Inventories are valued at the lower of cost, as determined above, or net realizable value.

### ***Unconditional Promise to Give***

Unconditional promises to give are recognized when the donor makes a promise to give that, in substance, is unconditional. Conditional promises to give are recognized as revenue when the specified conditions are substantially met and the promises become unconditional. There were no conditional promises to give at December 31, 2020 and 2019.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount rate used to determine the present value of the estimated future cash flows was 1.9% in 2020 and 2019.

The Organization presents unconditional promise to give net of an allowance for uncollectibility when deemed necessary. The allowance is based on prior years' experience and management's analysis of specific promises made. As of December 31, 2020 and 2019, the Organization considers all unconditional promise to give to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

### ***Property and Equipment***

Property and equipment are stated at cost or, if donated, at the approximated fair value at the date of donation. Improvements which materially add to the value of productivity or extend the useful life of assets are capitalized. Expenditures for repairs and maintenance are charged to operations in the year the costs are incurred. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years.

Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In the event that facts and circumstances indicate that cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

### ***Grants and Contributions***

Contributions are recognized as revenue when they are received. Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

### ***Donated Services***

Donated services are reported as contributions if the services either: a.) Create or enhance nonfinancial assets, or b.) Require specialized skills, are performed by people with those skills, and would otherwise be purchased. In accordance with accounting standards, donated services of \$62,400 and \$15,600 for the years ended December 31, 2020 and 2019, respectively, were recognized because these services require specialized skills and would otherwise be purchased by the Organization.

### ***Donated Property and Equipment***

The Organization has recorded donated property and equipment as support at the estimated fair value at the date of receipt. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. When a donor restriction expires, with donor restrictions are released to without donor restrictions.

### ***Shared Maintenance Revenue and Expenses***

Shared maintenance revenue represents the amount the Organization charges local agencies and churches to recover a portion of the costs associated with food collection and distribution.

The majority of the cost of shared maintenance revenue is related to the value of donated inventory received. Although the expense consists mainly of the value of donated inventory, there are other costs associated with the distribution of the food such as shared maintenance paid to other food banks to obtain the food, transportation of the food, and value-added product purchases.

The cost of food spoilage for the years ended December 31, 2020 and 2019 was \$423,108 and \$638,263, respectively, and is included in food distribution expenses.

### ***Deferred Revenue***

Deferred revenue consists of sponsorship and ticket sales received in advance of the events as well as advanced administrative costs from grant funding. The revenue is recognized in the period during which the event is held or the expense is incurred. Deferred revenue totaled \$492,027 and \$82,200 at December 31, 2020 and 2019, respectively.

### ***Functional Allocation of Expenses***

The costs of providing the various program and activities have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimate of the time spent by the individuals in each functional category as well as each department's allocation of expenses.

### ***Income Tax Status***

The Organization is exempt from both federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes in the accompanying financial statements.

Lowcountry Food Bank, Inc.  
Notes to Financial Statements

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In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been determined by the Internal Revenue Service not to be a private foundation under Section 509(a)(2).

Management evaluated the Organization's tax positions and concluded that the Organization does not have any significant uncertain tax positions resulting in unrecognized tax obligations or benefits as of December 31, 2020.

**Recent accounting pronouncements**

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases". Under the new standard, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For statement of activities purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. This guidance requires enhanced disclosures, must be adopted using a modified retrospective transition model, and provides for certain practical expedients. The new standard will be effective for the Organization January 1, 2022, and the Organization is currently evaluating the effect this ASU may have on its consolidated financial statements.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 28, 2021 the date the financial statements were available to be issued.

**2. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 13,949,756	\$ 4,261,575
Accounts receivable	142,522	114,395
Grants receivables	<u>161,851</u>	<u>429,574</u>
	<u>\$ 14,254,129</u>	<u>\$ 4,805,544</u>

**3. Inventories**

Inventories consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Non-USDA commodities	\$ 925,277	\$ 932,842
USDA commodities	<u>315,440</u>	<u>282,266</u>
	<u>\$ 1,240,717</u>	<u>\$ 1,215,108</u>

#### 4. Unconditional Promise to Give, Net

Unconditional promise to give are comprised of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 181,925	\$ 200,000
One to five years	<u>276,350</u>	<u>200,000</u>
	458,275	400,000
Less present value discount	<u>(10,340)</u>	<u>(10,340)</u>
Unconditional promises to give – restricted, net	<u>\$ 447,935</u>	<u>\$ 389,660</u>

Restrictions on unconditional promises to give represent time restrictions for amounts to be received in future periods and for designated purposes.

#### 5. Property and Equipment, Net

Property and equipment consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 5,549,728	\$ 5,428,257
Land	1,200,000	1,200,000
Warehouse equipment	1,879,235	1,624,670
Transportation equipment	2,477,442	2,028,524
Furniture and office equipment	481,809	254,688
Leasehold improvements	74,127	58,438
Software	<u>223,133</u>	<u>223,133</u>
	11,885,474	10,817,710
Less accumulated depreciation	<u>(4,973,118)</u>	<u>(4,268,004)</u>
Property and equipment, net	<u>\$ 6,912,356</u>	<u>\$ 6,549,706</u>

Depreciation expense totaled \$838,400 and \$723,643 for the years ended December 31, 2020 and 2019, respectively.

## 6. Paycheck Protection Program Loan

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. One provision of the CARES Act is the establishment of the Paycheck Protection Program (PPP) under the Small Business Administration's 7(a) program. The PPP provides for loans to be made to small businesses effected by the COVID-19 pandemic. If certain criteria are met, small businesses receiving PPP loans may have all or a portion of the loans forgiven, effectively converting the outstanding balance and accrued interest to a grant. Any portion of the PPP loan not forgiven have a term of two years and bear interest at 1.0%, with repayments deferred for six months. In April 2020, the Organization received a PPP loan of \$730,040. In February 2021, the full loan amount was forgiven by the Small Business Administration.

## 7. Note Payable

The Organization has a promissory note with a financial institution that accrues interest at a rate of 3.15% per annum and requires monthly payments of principal and interest in the amount of \$17,658 through September 2027. The note is secured by a mortgage on the underlying real property.

Future principal payment requirements are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2021	\$ 173,380
2022	178,999
2023	184,801
2024	190,726
2025	196,971
Thereafter	<u>360,190</u>
	<u>\$ 1,285,067</u>

## 8. Capital Lease Payable

The Organization entered into capital lease agreements that contains a \$1 purchase option at the end of the lease term for certain office equipment. The total capitalized cost of the equipment under capital lease of \$36,589 for 2020 and 2019 and accumulated depreciation of \$21,747 and \$14,429, respectively, is included in the statement of financial position as property and equipment as of December 31, 2020 and 2019, respectively. Depreciation expense reported in the statement of activities includes \$7,318 for the equipment under capital lease as of December 31, 2020 and 2019.



**Lowcountry Food Bank, Inc.**  
**Notes to Financial Statements**

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Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>		
2021	\$	7,464
2022		6,111
2023		<u>854</u>
Total minimum lease payments		14,429
Less amount representing interest at 9.8%		<u>(4,803)</u>
Present value of minimum lease payments	\$	<u>9,626</u>

**9. Lowcountry Food Bank Endowment Fund**

During 2020, the Lowcountry Food Bank Endowment Fund (the "Foundation") was created to solicit contributions that will be used for the benefit of the Organization. The bylaws of the Foundation state that the Organization is the only entity that will benefit from the Foundation and the two are considered financially interrelated. The interest in the Foundation recorded by the Organization is approximately \$1,059,000 as of December 31, 2020.

As of December 31, 2020, the Organization held contributions designated for the Foundation in the amount of \$1,059,211. This resulted in a payable to the Foundation of \$1,059,211. In February 2021, the Organization paid the Foundation the contributions that had been collected on their behalf.

**10. Net Assets With Donor Restrictions**

Net assets with donor restrictions consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Acquisition, renovation of facilities and time restrictions	\$ 447,935	\$ 389,660
Feeding programs	<u>606,039</u>	<u>453,622</u>
	<u>\$ 1,053,974</u>	<u>\$ 843,282</u>

Net assets with donor restrictions released from restrictions are as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Feeding programs	<u>\$ 3,466,699</u>	<u>\$ 2,051,200</u>

### 11. Related Party Transactions

The Organization is affiliated with Feeding America, a national food bank association. Food obtained through Feeding America and affiliated food banks represents approximately 10% and 16% of the total amount of donated food received during 2020 and 2019, respectively. The Organization paid a membership fee to Feeding America of \$- and \$13,448 for the years ended December 31, 2020 and 2019, respectively, based on food received. At December 31, 2020 and 2019, the Organization had an outstanding payable due to Feeding America in the amount of \$89,869 and \$146,484, respectively.

Additionally, the Organization is affiliated with Feeding the Carolinas. The Organization paid a membership fee to Feeding the Carolinas of \$14,108 and \$15,320 for the years ended December 31, 2020 and 2019, respectively.

### 12. Employee Benefit Plan

The Organization sponsors a defined contribution salary deferral plan covering substantially all employees. Under the plan, the Organization matches up to five percent for each eligible employee's salary. An employee is considered eligible when they are twenty-one years of age and have been with the Organization for one year during which they have completed one thousand hours of service. Contributions to the plan by the Organization for the years ended December 31, 2020 and 2019 were \$120,849 and \$105,542, respectively.

### 13. Operating Facilities

The Organization leases the Yemassee operating facility as a tenant-at-will, with monthly rental payments of \$1,700 to \$1,857.

The Organization leases the Myrtle Beach operating facility under an operating lease agreement requiring monthly rental payments from \$7,395 to \$7,453 during 2020 and 2019, respectively. The lease agreement expires July 1, 2023.

Future minimum lease income under these leases is approximately as follows:

2021	113,000
2022	115,000
2023	64,000
	<hr/>
	\$ 292,000

Rent charged to operations was \$115,583 and \$107,675 for the years ended December 31, 2020 and 2019.

**Lowcountry Food Bank, Inc.**  
**Notes to Financial Statements**

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The Organization subleases office space to tenants-at-will, with monthly rental payments of \$13,754, subject to escalation ranging from 1.5% to 3% and expiring through November 2025. Total rental income recognized for the years ended December 31, 2020 and 2019 was \$119,103 and \$142,393, respectively. As of December 31, 2020 and 2019, the total cost and accumulated depreciation of the facility and improvements of which a portion is leased is approximately \$3,716,000 and \$3,838,000, respectively. Future minimum lease income under these leases is approximately as follows:

2021	168,000
2022	81,000
2023	83,000
2024	86,000
2025	73,000
	<hr/>
	\$ 491,000

#### **14. Concentration of Credit Risk**

The Organization maintains its cash deposit accounts at various financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). At times, the Organization may maintain bank account balances in excess of the FDIC insured limit. The Organization has not experienced losses in such deposit accounts and believes it is not exposed to any significant credit risk in this regard.

#### **15. Contingency**

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors, and governmental, regulatory and private sector responses. The financial statements do not reflect any adjustments as a result of increase in economic uncertainty.



# Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On an Audit Of the Financial Statements Performed In Accordance With *Government Auditing Standards*

Management and the Board of Directors  
Lowcountry Food Bank, Inc.  
Charleston, South Carolina

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 Lowcountry Food Bank, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2021.

## **Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's 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 the 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 the Organization'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 financial statements. 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 result 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.

*Dixon Hughes Goodman LLP*

Greenville, South Carolina  
June 28, 2021



# Independent Auditors' Report On Compliance For Each Major Federal Program and on Internal Control Over Compliance Required By The Uniform Guidance

Management and the Board of Directors  
Lowcountry Food Bank, Inc.  
Charleston, South Carolina

## **Report on Compliance for Each Major Federal Program**

We have audited Lowcountry Food Bank, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended December 31, 2020. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

## ***Management's Responsibility***

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

## ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization'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 a test basis, evidence about the Organization'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 the Organization's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.



### **Report on Internal Control over Compliance**

Management of the Organization 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 the Organization'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 the 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 the Organization's internal control over compliance.

*A deficiency in 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 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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

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.

*Dixon Hughes Goodman LLP*

Greenville, South Carolina  
June 28, 2021

Lowcountry Food Bank, Inc.  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Grantor's Number	Total Federal Expenditures	Passed through to Subrecipients
<b>U.S. Department of Agriculture</b>				
<b>Passed through from the SC Department of Social Services</b>				
<b>Food Distribution Cluster</b>				
Emergency Food Assistance Program (Administrative Costs)	10.568	5000011130	\$ 407,121	\$ -
COVID-19 Emergency Food Assistance Program (Administrative Costs)	10.568	5000011130	562,980	-
Emergency Food Assistance Program (Food commodities)	10.569	5000011130	3,411,616	3,411,616
COVID-19 Emergency Food Assistance Program (Food commodities)	10.569	5000011130	738,705	738,705
Commodity Supplemental Food Program (Administrative Costs)	10.565	5000011131	129,735	-
Commodity Supplemental Food Program (Food commodities)	10.565	5000011131	<u>493,904</u>	<u>493,904</u>
<b>Total Food Distribution Cluster</b>			<u>5,744,061</u>	<u>4,644,225</u>
Supplemental Nutrition Assistance Program	10.561	4400019910/ 4400022913	481,906	-
Child and Adult Care Food Program	10.558	C11135F	246,161	-
Summer Food Service Program for Children	10.559	SF-6366	59,361	-
Trade Mitigation Program (Food Costs)	10.178	N/A	3,794,286	3,794,286
Trade Mitigation Program (Administrative Costs)	10.178	N/A	<u>182,823</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>10,508,598</u>	<u>8,438,511</u>
<b>U.S. Department of Homeland Security</b>				
<b>Direct Award</b>				
Food and Emergency Shelter National Board Program	97.024	740800-007/ 738800-015/ 738400-008	<u>61,002</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 10,569,600</u>	<u>\$ 8,438,511</u>



## Notes to Schedule of Expenditures of Federal Awards

### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lowcountry Food Bank, Inc. (the "Organization") under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

### 2. Summary of Significant Account Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

### 3. Categorization of Expenditures

The categorization of expenditures by program included in the schedule of expenditures of federal awards is based upon the grant documents. Changes in the categorization of expenditures occur based upon revisions to the Catalog of Federal Domestic Assistance (CFDA), which is issued in June and December of each year. The schedule of expenditures of federal awards for the year ended December 31, 2020 reflects CFDA changes issued through August 2020 and addendum dated December 2020.

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ No  
 Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ None reported  
 Noncompliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ No

Federal Awards

Internal control over major program:  
 Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ No  
 Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ None reported

Type of auditors’ report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of Uniform Guidance? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ No

Identification of major federal programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.178	Trade Mitigation Program

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ X \_\_\_\_\_ Yes \_\_\_\_\_ No

**Section II – Financial Statement Findings**

There are no matters that are required to be reported for the year ended December 31, 2020.

**Section III – Federal Award Findings and Questioned Costs**

There are no matters that are required to be reported for the year ended December 31, 2020.