

# **Lowcountry Food Bank, Inc.**

## **Financial Statements**

**Years Ended December 31, 2021 and 2020**

# Table of Contents

<b>Independent Auditors' Report</b> .....	1
<b>Financial Statements:</b>	
Statements of Financial Position .....	4
Statements of Activities .....	5
Statements of Functional Expenses .....	7
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10
<b>Reporting Under <i>Government Auditing Standards</i>:</b>	
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 <i>Government Auditing Standards</i> .....	19
<b>Reporting Under The Uniform Guidance:</b>	
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by The Uniform Guidance .....	21
Schedule of Expenditures of Federal Awards .....	24
Notes to Schedule of Expenditures of Federal Awards.....	25
Schedule of Findings and Questioned Costs .....	26

## Independent Auditors' Report

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

### Opinion

We have audited the financial statements of Lowcountry Food Bank, Inc. (the "Organization") which comprise the statements of financial position as of December 31, 2021 and 2020 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lowcountry Food Bank, Inc. as of December 31, 2021 and 2020, 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.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization's ability to continue as a going concern for a reasonable period of time.

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

## **Supplemental Information**

Our audits were 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.

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## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also included our report dated June 30, 2022 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.

FORVIS, LLP

Greenville, South Carolina  
June 30, 2022

**Lowcountry Food Bank, Inc.**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 17,851,278	\$ 13,949,756
Inventories	1,443,289	1,240,717
Accounts receivable	133,631	142,522
Grants receivable	181,778	161,851
Prepaid expenses and other current assets	343,614	317,968
Unconditional promise to give, net	69,540	447,935
Interest in net assets of Foundation	1,110,927	1,059,211
Property and equipment, net	<u>6,819,432</u>	<u>6,912,356</u>
 Total assets	 <u>\$ 27,953,489</u>	 <u>\$ 24,232,316</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 593,832	\$ 293,715
Accrued expenses	494,260	429,475
Foundation payable	16,423	1,059,211
Deferred revenue	103,500	492,027
Paycheck Protection Program loan	-	730,040
Note payable	1,111,698	1,285,067
Capital lease payable	<u>3,257</u>	<u>9,626</u>
 Total liabilities	 <u>2,322,970</u>	 <u>4,299,161</u>
Net assets:		
Without donor restrictions	24,616,289	18,879,181
With donor restrictions	<u>1,014,230</u>	<u>1,053,974</u>
 Total net assets	 <u>25,630,519</u>	 <u>19,933,155</u>
 Total liabilities and net assets	 <u>\$ 27,953,489</u>	 <u>\$ 24,232,316</u>

See accompanying notes.

**Lowcountry Food Bank, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2021**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Donated inventory	\$ 62,994,758	\$ -	\$ 62,994,758
Shared maintenance revenue	1,884,821	-	1,884,821
Grants and contributions	9,547,616	2,784,563	12,332,179
United Way affiliates support	70,666	-	70,666
Gifts in kind	32,150	-	32,150
Special events	1,654,123	-	1,654,123
Program fees	1,467,352	-	1,467,352
Rental income	183,572	-	183,572
Miscellaneous income	75,413	-	75,413
Interest income	25,183	-	25,183
Change in interest in net assets of the Foundation	51,716	-	51,716
Paycheck protection program loan income	736,387	-	736,387
Gain on sale of assets	33,000	-	33,000
Total revenues, gains and other support	<u>78,756,757</u>	<u>2,784,563</u>	<u>81,541,320</u>
Net assets released from restrictions	<u>2,824,307</u>	<u>(2,824,307)</u>	<u>-</u>
Total revenue, gains and other support	<u>81,581,064</u>	<u>(39,744)</u>	<u>81,541,320</u>
Expenses and losses:			
Food distribution	72,767,580	-	72,767,580
Management and general	1,893,445	-	1,893,445
Fundraising	1,182,931	-	1,182,931
Total expenses and losses	<u>75,843,956</u>	<u>-</u>	<u>75,843,956</u>
Change in net assets	<u>5,737,108</u>	<u>(39,744)</u>	<u>5,697,364</u>
Net assets, beginning of year	<u>18,879,181</u>	<u>1,053,974</u>	<u>19,933,155</u>
Net assets, end of year	<u>\$ 24,616,289</u>	<u>\$ 1,014,230</u>	<u>\$ 25,630,519</u>

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

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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 and losses	<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>

See accompanying notes.

Lowcountry Food Bank, Inc.  
Statement of Functional Expenses  
Year Ended December 31, 2021

	2021				
	Program Services	Supporting Services			Total
	Food Distribution	Management and General	Fundraising	Total Supporting Services	
Contract services	\$ 166,921	\$ 120,721	\$ -	\$ 120,721	\$ 287,642
Development and marketing	30,965	-	521,911	521,911	552,876
Donated and purchased food distributed	67,071,576	-	-	-	67,071,576
Financial fees	3,717	273,575	85,284	358,859	362,576
Insurance	185,542	53,133	1,771	54,904	240,446
Miscellaneous	45,202	22,701	-	22,701	67,903
Occupancy	268,966	18,948	-	18,948	287,914
Office expense	63,496	18,934	2,609	21,543	85,039
Professional fees	-	49,025	-	49,025	49,025
Program expenses	617,925	-	-	-	617,925
Repairs and maintenance	145,708	-	-	-	145,708
Salaries and related expenses	3,210,196	1,050,742	523,173	1,573,915	4,784,111
Special events and in-kind	14,094	865	38,690	39,555	53,649
Transportation	288,230	-	-	-	288,230
Total expenses before depreciation and interest	<u>72,112,538</u>	<u>1,608,644</u>	<u>1,173,438</u>	<u>2,782,082</u>	<u>74,894,620</u>
Depreciation	626,395	272,346	9,078	281,424	907,819
Interest	28,647	12,455	415	12,870	41,517
Total depreciation and interest	<u>655,042</u>	<u>284,801</u>	<u>9,493</u>	<u>294,294</u>	<u>949,336</u>
Total expenses	<u>\$ 72,767,580</u>	<u>\$ 1,893,445</u>	<u>\$ 1,182,931</u>	<u>\$ 3,076,376</u>	<u>\$ 75,843,956</u>

See accompanying notes.

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

	<b>2020</b>				
	<b>Program Services</b>	<b>Supporting Services</b>			<b>Total</b>
	<b>Food Distribution</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	
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.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,697,364	\$ 9,163,082
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	907,819	838,400
Net gain on disposal of property and equipment	(33,000)	(6,000)
Donated inventory revenues	(62,994,758)	(56,861,072)
Donated food distribution expenses	62,241,680	56,360,465
Uncollectible funds	273,575	90,600
Change in interest in net assets of the Foundation	(51,716)	(1,059,211)
Paycheck protection loan forgiveness	(730,040)	-
Changes in operating assets and liabilities:		
Unconditional promises to give	104,820	(148,875)
Accounts receivable	8,891	(28,127)
Grants receivable	(19,927)	267,723
Inventories	550,506	474,998
Prepaid expenses and other current assets	(25,646)	(157,576)
Accounts payable	300,117	(174,459)
Foundation payable	(1,042,788)	1,059,211
Accrued expenses	64,785	98,096
Deferred revenue	(388,527)	409,827
Net cash provided by operating activities	<u>4,863,155</u>	<u>10,327,082</u>
Investing activities:		
Purchases of property and equipment	(814,895)	(1,201,050)
Proceeds from sale of property and equipment	33,000	6,000
Net cash used by investing activities	<u>(781,895)</u>	<u>(1,195,050)</u>
Financing activities:		
Payments on note payable	(173,369)	(167,811)
Proceeds from Paycheck Protection Program loan	-	730,040
Payments on capital lease payable	(6,369)	(6,080)
Net cash (used) provided by financing activities	<u>(179,738)</u>	<u>556,149</u>
Net increase in cash and cash equivalents	3,901,522	9,688,181
Cash and cash equivalents, beginning of year	<u>13,949,756</u>	<u>4,261,575</u>
Cash and cash equivalents, end of year	<u>\$ 17,851,278</u>	<u>\$ 13,949,756</u>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	<u>\$ 41,517</u>	<u>\$ 50,760</u>
<b>Non-Cash Financing and Investing Activities</b>		
Interest in net assets of Foundation	<u>\$ 51,716</u>	<u>\$ 1,059,211</u>

See accompanying notes.

## Notes to Financial Statements

### 1. Organization and 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 on the Statement of Activities as net assets released from restrictions. The Organization had no permanently restricted net assets at December 31, 2021 and 2020.

#### ***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, 2021 and 2020, the Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

***Inventories 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, 2021 and 2020 related to Feeding America, have been adjusted to reflect a rate per pound of \$1.79 and \$1.74, 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, 2021 and 2020. All unconditional promises to give are expected to be received in one year therefore no discount was calculated in 2021.

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.

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, 2021 and 2020 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 \$11,265 and \$62,400 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020 was \$566,414 and \$423,108, 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 \$103,500 and \$492,027 at December 31, 2021 and 2020, respectively.

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

The costs of providing the various program and activities have been summarized on a functional basis on 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, 2021.

**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 the 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 financial statements.

**Subsequent Events**

Subsequent to year end, the Organization paid off the remaining balance of the note payable with an outstanding balance of \$1,111,698.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 30, 2022 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 17,851,278	\$ 13,949,756
Accounts receivable	133,631	142,522
Grants receivable	<u>181,778</u>	<u>161,851</u>
	<u>\$ 18,166,687</u>	<u>\$ 14,254,129</u>

**3. Inventories**

Inventories consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Non-USDA commodities	\$ 942,156	\$ 925,277
USDA commodities	<u>501,133</u>	<u>315,440</u>
	<u>\$ 1,443,289</u>	<u>\$ 1,240,717</u>

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

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

Unconditional promise to give are comprised of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 69,540	\$ 181,925
One to five years	<u>-</u>	<u>276,350</u>
	<b>69,540</b>	458,275
Less present value discount	<u>-</u>	<u>(10,340)</u>
Unconditional promises to give – restricted, net	<u><b>\$ 69,540</b></u>	<u><b>\$ 447,935</b></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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Building and improvements	\$ 5,825,383	\$ 5,549,728
Land	1,200,000	1,200,000
Warehouse equipment	2,071,893	1,879,235
Transportation equipment	2,380,147	2,477,442
Furniture and office equipment	538,578	481,809
Leasehold improvements	119,525	74,127
Software	<u>247,960</u>	<u>223,133</u>
	<b>12,383,486</b>	11,885,474
Less accumulated depreciation	<u>(5,768,266)</u>	<u>(4,973,118)</u>
	<b>6,615,220</b>	6,912,356
Assets not yet placed in service	<u>204,212</u>	<u>-</u>
Property and equipment, net	<u><b>\$ 6,819,432</b></u>	<u><b>\$ 6,912,356</b></u>

Depreciation expense totaled \$907,819 and \$838,400 for the years ended December 31, 2021 and 2020, 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 including incurred interest of \$6,347 was forgiven by the Small Business Administration and recognized as income in 2021.

## 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 December 31,</u>	
2022	\$ 178,999
2023	184,801
2024	190,726
2025	196,971
2026	203,355
Thereafter	<u>156,846</u>
	<u>\$ 1,111,698</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 \$40,620 and \$36,589 for 2021 and 2020, respectively, and accumulated depreciation of \$29,468 and \$21,747, respectively, is included on the statement of financial position as property and equipment as of December 31, 2021 and 2020, respectively. Depreciation expense reported in the statement of activities includes \$7,721 and \$7,318 for the equipment under capital lease as of December 31, 2021 and 2020, respectively.

**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>		
2022	\$	6,111
2023		<u>855</u>
Total minimum lease payments		6,966
Less amount representing interest at 9.8%		<u>(3,709)</u>
Present value of minimum lease payments	\$	<u><u>3,257</u></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 \$1,111,000 and \$1,059,000 as of December 31, 2021 and 2020, respectively.

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Acquisition, renovation of facilities and time restrictions	\$ 69,540	\$ 447,935
Feeding programs	<u>944,690</u>	<u>606,039</u>
	<u>\$ 1,014,230</u>	<u>\$ 1,053,974</u>

Net assets with donor restrictions released from restrictions are as follows for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Feeding programs	<u>\$ 2,824,307</u>	<u>\$ 3,466,699</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 17% of the total amount of donated food received during 2021 and 2020, respectively. The Organization paid a membership fee to Feeding America of \$6,724 and \$- for the years ended December 31, 2021 and 2020, respectively, based on food received. At December 31, 2021 and 2020, the Organization had an outstanding payable due to Feeding America in the amount of \$71,419 and \$89,869, respectively.

Additionally, the Organization is affiliated with Feeding the Carolinas. The Organization paid a membership fee to Feeding the Carolinas of \$4,558 and \$14,108 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020 were \$131,877 and \$120,849, respectively.

### **13. Operating Facilities**

The Organization leases the Yemassee operating facility as a tenant-at-will, with monthly rental payments of \$1,750 to \$1,857.

The Organization leases the Myrtle Beach operating facility under an operating lease agreement requiring monthly rental payments from \$7,543 to \$7,848. The lease agreement expires July 1, 2023.

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

2022	\$	115,000
2023		<u>64,000</u>
	\$	<u><u>179,000</u></u>

Rent charged to operations was \$112,436 and \$115,583 for the years ended December 31, 2021 and 2020, respectively.

**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 \$14,058 subject to escalation ranging from 1.5% to 3% and expiring through November 2025. Total rental income recognized for the years ended December 31, 2021 and 2020 was \$183,572 and \$121,088, respectively. As of December 31, 2021 and 2020, the total cost and accumulated depreciation of the facility and improvements of which a portion is leased is approximately \$3,729,000 and \$3,716,000, respectively. Future minimum lease income under these leases is approximately as follows:

2022	\$	171,000
2023		83,000
2024		86,000
2025		73,000
		<hr/>
	\$	413,000

**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, 2021 and 2020, 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 30, 2022.

### **Report on 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.

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## **Report on 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.

**FORVIS, LLP**

**Greenville, South Carolina  
June 30, 2022**

## 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

#### ***Opinion on the Major Federal Program***

We have audited Lowcountry Food Bank, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal program for the year ended December 31, 2021. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2021.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 "Auditors' Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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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.

**FORVIS,LLP**

**Greenville, South Carolina  
June 30, 2022**

Lowcountry Food Bank, Inc.  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing 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	\$ 852,018	\$ -
Emergency Food Assistance Program (Food commodities)	10.569	5000011130	7,970,202	7,970,202
COVID-19 Emergency Food Assistance Program (Food commodities)	10.569	5000011130	898,045	898,045
Commodity Supplemental Food Program (Administrative Costs)	10.565	5000011131	174,506	-
Commodity Supplemental Food Program (Food commodities)	10.565	5000011131	<u>570,837</u>	<u>570,837</u>
<b>Total Food Distribution Cluster</b>			<u>10,465,608</u>	<u>9,439,084</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	4400019913/ 4400025270	714,872	-
Child and Adult Care Food Program	10.558	C11135F	98,179	-
Summer Food Service Program for Children	10.559	SF-6366	39,981	-
Trade Mitigation Program Eligible Recipient Agency Operational Funds (Food Costs)	10.178	N/A	<u>413,291</u>	<u>413,291</u>
Total U.S. Department of Agriculture			<u>11,731,931</u>	<u>9,852,375</u>
<b>U.S. Department of Homeland Security</b>				
<b>Direct Award</b>				
Emergency Food and Shelter National Board Program	97.024	740800-007/ 738800-015/ 738400-008	<u>132,438</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 11,864,369</u>	<u>\$ 9,852,375</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, 2021. 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. Contingencies

The Organization's federal programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect the Organization's continued participation in the specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

### 4. Categorization of Expenditures

The categorization of expenditures by program included in the Schedule is based upon the grant documents. Changes in the categorization of expenditures occur based upon revisions to the Assistance Listing, which is issued in June and December of each year. The Schedule for the year ended December 31, 2021 reflects Assistance Listing changes issued through July 2021 and addendum dated December 2021 and January 2022.

**Lowcountry Food Bank, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2021**

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**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>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.568, 10.569 and 10.565	Food Distribution Cluster

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, 2021.

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

There are no matters that are required to be reported for the year ended December 31, 2021.