

Lowcountry Food Bank, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021



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Independent Auditor's 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, 2022 and 2021 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also included our report dated July 12, 2023 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
July 12, 2023**

Lowcountry Food Bank, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 10,440,277	\$ 17,851,278
Inventories	1,749,130	1,443,289
Accounts receivable	190,124	133,631
Grants receivable	280,547	181,778
Prepaid expenses and other current assets	338,333	343,614
Unconditional promise to give, net	-	69,540
Investments	8,021,990	-
Interest in net assets of Foundation	1,193,549	1,110,927
Operating lease right-of-use assets	119,954	-
Property and equipment, net	6,442,441	6,819,432
	<u>28,776,345</u>	<u>27,953,489</u>
Total assets	<u>\$ 28,776,345</u>	<u>\$ 27,953,489</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 149,574	\$ 593,832
Accrued expenses	501,781	494,260
Foundation payable	-	16,423
Deferred revenue	158,396	103,500
Note payable	-	1,111,698
Operating lease liability	119,460	-
Capital lease payable	-	3,257
	<u>929,211</u>	<u>2,322,970</u>
Total liabilities	<u>929,211</u>	<u>2,322,970</u>
Net assets:		
Without donor restrictions	27,255,398	24,616,289
With donor restrictions	591,736	1,014,230
	<u>27,847,134</u>	<u>25,630,519</u>
Total net assets	<u>27,847,134</u>	<u>25,630,519</u>
Total liabilities and net assets	<u>\$ 28,776,345</u>	<u>\$ 27,953,489</u>

See accompanying notes.

Lowcountry Food Bank, Inc.
Statement of Activities
Year Ended December 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Donated inventory	\$ 62,640,826	\$ -	\$ 62,640,826
Shared maintenance revenue	1,773,683	-	1,773,683
Grants and contributions	7,807,536	2,705,925	10,513,461
United Way affiliates support	46,578	-	46,578
Gifts in kind	141,191	-	141,191
Special events	2,025,164	-	2,025,164
Program fees	1,928,682	-	1,928,682
Rental income	184,573	-	184,573
Miscellaneous income	2,298	-	2,298
Interest income	13,563	-	13,563
Change in interest in net assets of the Foundation	82,622	-	82,622
Net investment income	21,990	-	21,990
Gain on sale of assets	49,001	-	49,001
Total revenues, gains and other support	<u>76,717,707</u>	<u>2,705,925</u>	<u>79,423,632</u>
Net assets released from restrictions	<u>3,128,419</u>	<u>(3,128,419)</u>	<u>-</u>
Total revenue, gains and other support	<u>79,846,126</u>	<u>(422,494)</u>	<u>79,423,632</u>
Expenses and losses:			
Food distribution	73,931,249	-	73,931,249
Management and general	1,574,255	-	1,574,255
Fundraising	1,701,513	-	1,701,513
Total expenses and losses	<u>77,207,017</u>	<u>-</u>	<u>77,207,017</u>
Change in net assets	<u>2,639,109</u>	<u>(422,494)</u>	<u>2,216,615</u>
Net assets, beginning of year	<u>24,616,289</u>	<u>1,014,230</u>	<u>25,630,519</u>
Net assets, end of year	<u>\$ 27,255,398</u>	<u>\$ 591,736</u>	<u>\$ 27,847,134</u>

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>

See accompanying notes.

Lowcountry Food Bank, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	2022				
	Program Services	Supporting Services			
	Food Distribution	Management and General	Fundraising	Total Supporting Services	Total
Contract services	\$ 174,481	\$ 140,812	\$ -	\$ 140,812	\$ 315,293
Development and marketing	1,491	-	613,372	613,372	614,863
Donated and purchased food distributed	67,411,553	-	-	-	67,411,553
Financial fees	2,423	-	70,263	70,263	72,686
Insurance	257,707	74,116	2,471	76,587	334,294
Miscellaneous	32,358	10,309	-	10,309	42,667
Occupancy	307,237	20,326	-	20,326	327,563
Office expense	37,341	36,415	10,315	46,730	84,071
Professional fees	6,358	52,958	-	52,958	59,316
Program expenses	1,155,328	-	-	-	1,155,328
Repairs and maintenance	146,220	-	-	-	146,220
Salaries and related expenses	3,385,380	956,367	794,997	1,751,364	5,136,744
Special events and in-kind	13,534	1,028	200,697	201,725	215,259
Transportation	351,412	-	-	-	351,412
Total expenses before depreciation and interest	73,282,823	1,292,331	1,692,115	2,984,446	76,267,269
Depreciation	637,953	277,371	9,246	286,617	924,570
Interest	10,473	4,553	152	4,705	15,178
Total depreciation and interest	648,426	281,924	9,398	291,322	939,748
Total expenses	\$ 73,931,249	\$ 1,574,255	\$ 1,701,513	\$ 3,275,768	\$ 77,207,017

See accompanying notes.

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

	2021				
	Program Services	Supporting Services			
	Food Distribution	Management and General	Fundraising	Total Supporting Services	Total
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	72,112,538	1,608,644	1,173,438	2,782,082	74,894,620
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	655,042	284,801	9,493	294,294	949,336
Total expenses	\$ 72,767,580	\$ 1,893,445	\$ 1,182,931	\$ 3,076,376	\$ 75,843,956

See accompanying notes.

Lowcountry Food Bank, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,216,615	\$ 5,697,364
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	924,570	907,819
Amortization of right-of-use asset	133,358	-
Net gain on disposal of property and equipment	(49,001)	(33,000)
Donated inventory revenues	(62,640,826)	(62,994,758)
Donated food distribution expenses	61,956,219	62,241,680
Uncollectible funds	-	273,575
Unrealized gains on investments	(11,620)	-
Change in interest in net assets of the Foundation	(82,622)	(51,716)
Paycheck protection loan forgiveness	-	(730,040)
Changes in operating assets and liabilities:		
Unconditional promises to give	69,540	104,820
Accounts receivable	(56,493)	8,891
Grants receivable	(98,769)	(19,927)
Inventories	378,766	550,506
Prepaid expenses and other current assets	5,281	(25,646)
Accounts payable	(444,258)	300,117
Foundation payable	(16,423)	(1,042,788)
Accrued expenses	7,521	64,785
Deferred revenue	54,896	(388,527)
Operating lease liability	(133,852)	-
Net cash provided by operating activities	<u>2,212,902</u>	<u>4,863,155</u>
Investing activities:		
Purchases of property and equipment	(583,578)	(814,895)
Proceeds from sale of property and equipment	85,000	33,000
Purchases of investments, net	(8,010,370)	-
Net cash used by investing activities	<u>(8,508,948)</u>	<u>(781,895)</u>
Financing activities:		
Payments on note payable	(1,111,698)	(173,369)
Payments on capital lease payable	(3,257)	(6,369)
Net cash used by financing activities	<u>(1,114,955)</u>	<u>(179,738)</u>
Net (decrease) increase in cash and cash equivalents	(7,411,001)	3,901,522
Cash and cash equivalents, beginning of year	<u>17,851,278</u>	<u>13,949,756</u>
Cash and cash equivalents, end of year	<u>\$ 10,440,277</u>	<u>\$ 17,851,278</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 15,178</u>	<u>\$ 41,517</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, 2022 and 2021.

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, 2022 and 2021, 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, 2022 and 2021 related to Feeding America, have been adjusted to reflect a rate per pound of \$1.92 and \$1.79, 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.

Investments

The Organization carries investments in fixed income funds with readily determinable fair values at fair value. Unrealized and realized gains and losses are included in the increase in net assets without donor restrictions on the accompanying statement of activities.

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, 2022 and 2021. All unconditional promises to give expected to be received in one year therefore no discount was calculated. There were no unconditional promises to give in 2022.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value.

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, 2022 and 2021 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 \$13,775 and \$11,265 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 was \$431,111 and \$566,414, 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 \$158,396 and \$103,500 at December 31, 2022 and 2021, 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 allocation of expenses based on estimates made by management.

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. 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, 2022.

Adoption of New Accounting Standard

Effective January 1, 2022, the Organization adopted the requirements of ASU 2016-02, *Leases (Topic 842)*. The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance, (*Topic 840*), is the recognition of a right-of-use asset (ROU) and lease liability on the statement of financial position. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

As part of the transition to the new standard, the Organization elected to use the alternative transition method to measure and recognize leases that existed at January 1, 2022. For leases existing at the effective date, the Organization elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification and did not reassess what qualifies as an initial direct cost. The adoption did not have an impact on net assets. The adoption of *Topic 842* resulted in the recognition of operating ROU assets and lease liabilities of approximately \$253,312. The accounting for finance leases remained substantially unchanged with the adoption of *Topic 842*.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 12, 2023 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 statements of financial position date, comprise of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 10,440,277	\$ 17,851,278
Accounts receivable	190,124	133,631
Grants receivable	280,547	181,778
Investments	<u>8,021,990</u>	<u>-</u>
	<u>\$ 18,932,938</u>	<u>\$ 18,166,687</u>

3. Inventories

Inventories consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Non-USDA commodities	\$ 1,280,427	\$ 942,156
USDA commodities	<u>468,703</u>	<u>501,133</u>
	<u><u>\$ 1,749,130</u></u>	<u><u>\$ 1,443,289</u></u>

4. Unconditional Promise to Give, Net

Unconditional promise to give are comprised of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ -	\$ 69,540
One to five years	<u>-</u>	<u>-</u>
	-	69,540
Less present value discount	<u>-</u>	<u>-</u>
Unconditional promises to give – restricted, net	<u><u>\$ -</u></u>	<u><u>\$ 69,540</u></u>

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

5. Investments

Investments are stated at fair value and consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash	\$ 171,789	\$ -
Fixed Income	<u>7,850,201</u>	<u>-</u>
	<u><u>\$ 8,021,990</u></u>	<u><u>\$ -</u></u>

Net investment income is summarized as follows at December 31:

	<u>2022</u>	<u>2021</u>
Unrealized gains	\$ 11,620	\$ -
Interest and dividends	19,262	
Investment fees	<u>(8,892)</u>	<u>-</u>
Net investment income	<u><u>\$ 21,990</u></u>	<u><u>\$ -</u></u>

6. Fair Value Disclosures

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. All assets reported at fair value have been valued using a market approach.

The following tables sets forth by level within the fair value hierarchy the Organization's assets accounted for at fair value on a recurring basis as of December 31, 2022:

	Fair value at December 31, 2022	Fair value measurements at December 31, 2022 using:		
		Quoted prices In active markets for identical assets and liabilities (Level 1 inputs)	Quoted Prices for similar assets and liabilities (Level 2 inputs)	Significant Unobservable inputs (Level 3 inputs)
Assets measured at fair value:				
Fixed income	\$ 7,850,201	\$ 7,850,201	\$ -	\$ -
Total assets	\$ 7,850,201	\$ 7,850,201	\$ -	\$ -

The table above does not include cash of \$171,789 at December 31, 2022.

7. Property and Equipment, Net

Property and equipment consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 5,845,897	\$ 5,825,383
Land	1,200,000	1,200,000
Warehouse equipment	2,385,280	2,071,893
Transportation equipment	2,227,953	2,380,147
Furniture and office equipment	425,813	538,578
Leasehold improvements	118,889	119,525
Software	<u>247,960</u>	<u>247,960</u>
	12,451,792	12,383,486
Less accumulated depreciation	<u>(6,030,001)</u>	<u>(5,768,266)</u>
	6,421,791	6,615,220
Assets not yet placed in service	-	204,212
Construction in progress	<u>20,650</u>	<u>-</u>
Property and equipment, net	<u>\$ 6,442,441</u>	<u>\$ 6,819,432</u>

Depreciation expense totaled \$924,570 and \$907,819 for the years ended December 31, 2022 and 2021, respectively.

8. 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.

9. 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. The balance of the promissory note is \$- and \$1,111,698 as of December 31, 2022 and 2021, respectively. The Organization paid off the promissory note in full during 2022.

10. Leases

The Organization leases certain office equipment and operating facilities under the terms of non-cancellable operating leases. For leases with terms greater than 12 months, the related right-of-use assets and right-of-use obligations are recorded at the present value of lease payments over the term. The Organization has selected the practical expedient to use a risk-free discount rate when measuring the lease liabilities. Additionally, the Organization elected the practical expedient to combine lease and nonlease components in the contract as well as the portfolio approach to classify and measure leases.

As noted in Note 1, the Organization adopted ASC 842, *Leases*, effective January 1, 2022, using the alternative transition method, under which the prior period financial statements were not restate for the new guidance.

The components of lease expense and related classification in the accompanying statement of activities was as follows during 2022:

Operating lease cost (contract services)	\$ 134,910
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Cash paid for amounts included in the measurement of lease liabilities for the year ended December 31, 2022, is as follows:

Operating cash flows from operating leases	<u>\$ 133,852</u>
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The following table presents operating lease-related assets and liabilities at December 31, 2022:

Operating leases:	
Right-of-use assets - operating leases	<u>\$ 119,954</u>
Operating lease liabilities	<u>\$ 119,460</u>

Operating lease liability maturities are as follows:

2023	\$ 82,502
2024	20,492
2025	<u>17,746</u>
Total	120,740
Less: Interest	<u>1,280</u>
Operating lease liability	<u>\$ 119,460</u>

Other information:

Weighted-average remaining lease term – operating leases	1.69 years
Weighted-average discount rate – operating leases	0.97%

11. 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 \$1,194,000 and \$1,111,000 as of December 31, 2022 and 2021, respectively.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Acquisition, renovation of facilities and time restrictions	\$ -	\$ 69,540
Feeding programs	<u>591,736</u>	<u>944,690</u>
	<u>\$ 591,736</u>	<u>\$ 1,014,230</u>

Net assets with donor restrictions released from restrictions are as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Feeding programs	<u>\$ 3,128,419</u>	<u>\$ 2,824,307</u>

13. 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 14% and 10% of the total amount of donated food received during 2022 and 2021, respectively. The Organization paid a membership fee to Feeding America of \$6,724 for the years ended December 31, 2022 and 2021, respectively, based on food received. At December 31, 2022 and 2021, the Organization had an outstanding payable due to Feeding America in the amount of \$13,215 and \$71,419, respectively.

Additionally, the Organization is affiliated with Feeding the Carolinas. The Organization paid a membership fee to Feeding the Carolinas of \$9,115 for the years ended December 31, 2022 and 2021.

14. 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, 2022 and 2021 were \$156,347 and \$131,877, respectively.

15. 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.

Lowcountry Food Bank, Inc.
Notes to Financial Statements

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

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

Rent charged to operations was \$112,436 for the year ended December 31, 2021.

The Organization subleases office space to tenants-at-will, with monthly rental payments of \$14,168 subject to escalation ranging from 1.5% to 3% and expiring through November 2025. Total rental income recognized for the years ended December 31, 2022 and 2021 were \$184,573 and \$183,572, respectively. As of December 31, 2022 and 2021, the total cost and accumulated depreciation of the facility and improvements of which a portion is leased is approximately \$3,508,000 and \$3,729,000, respectively. Future minimum lease income under these leases is approximately as follows:

2023		106,000
2024		86,000
2025		73,000
	\$	<u>265,000</u>

16. 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.

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, 2022 and 2021, 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 July 12, 2023.

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 or significant deficiencies may exist that have not been identified.

**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
July 12, 2023**

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 Programs

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 programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditor's 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 each its major federal programs for the year ended December 31, 2022.

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 Auditor's 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.

Auditor's 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 "Auditor's 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.

FORVIS

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.

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
July 12, 2023**

Lowcountry Food Bank, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor Pass-through	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Expenditures	Passed through to Subrecipients
Grantor/Program or Cluster Title				
U.S. Department of Agriculture				
Passed through from the SC Department of Agriculture				
Food Distribution Cluster				
Emergency Food Assistance Program (Administrative Costs)	10.568	5000011130	\$ 552,887	\$ -
Emergency Food Assistance Program (Food commodities)	10.569	5000011130	6,535,653	6,535,653
COVID-19 Emergency Food Assistance Program (Food commodities)	10.569	5000011130	174,888	174,888
Commodity Supplemental Food Program (Administrative Costs)	10.565	5000011131	202,152	-
Commodity Supplemental Food Program (Food commodities)	10.565	5000011131	804,438	804,438
Total Food Distribution Cluster			8,270,018	7,514,979
Passed through from the SC Department of Social Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	4400027901/ 4400030302	764,622	-
Child and Adult Care Food Program	10.558	C11135F	445,461	-
Summer Food Service Program for Children	10.559	SF-6366	54,186	-
Total U.S. Department of Agriculture			9,534,287	7,514,979
U.S. Department of Homeland Security Direct Award				
Emergency Food and Shelter National Board Program	97.024	740800-007/ 738800-015/ 738400-008	112,945	-
Total Expenditures of Federal Awards			\$ 9,647,232	\$ 7,514,979

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, 2022. 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, 2022 reflects Assistance Listing changes issued through April 2022.

Lowcountry Food Bank, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s 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 auditor’s 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 10.561	Food Distribution Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance 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, 2022.

Section III – Federal Award Findings and Questioned Costs

There are no matters that are required to be reported for the year ended December 31, 2022.

Lowcountry Food Bank, Inc.
Summary of Prior Audit Findings
Year Ended December 31, 2022

Reference Number	Summary of Finding	Status
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None noted.