



**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2018**

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
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**DECEMBER 31, 2018**

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**Jones and Kolb**  
Certified Public Accountants  
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Southeast Regional Cooperative, Inc.  
Atlanta, Georgia

We have audited the accompanying financial statements of Southeast Regional Cooperative, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Regional Cooperative, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

July 23, 2019

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

**ASSETS**

<b>ASSETS</b>	
Cash	\$ 16,860
Accounts receivable	95,464
Contributions receivable	<u>67,500</u>
 Total assets	 <u><u>\$ 179,824</u></u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>	
Accounts payable and accrued expenses	<u>\$ 18,441</u>
 Total liabilities	 <u>18,441</u>
 <b>NET ASSETS</b>	
Without donor restrictions	86,383
With donor restrictions	<u>75,000</u>
 Total net assets	 <u>161,383</u>
 Total liabilities and net assets	 <u><u>\$ 179,824</u></u>

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

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>			
Program Revenues			
Food sales, net	\$ 720,499	\$ -	\$ 720,499
Freight	453,262	-	453,262
SERC fees	112,200	-	112,200
State association fees	86,434	-	86,434
Grants and contributions	189,293	75,000	264,293
Total revenues and support	<u>1,561,688</u>	<u>75,000</u>	<u>1,636,688</u>
<b>EXPENSES</b>			
Program services	1,437,202	-	1,437,202
Management and general	35,505	-	35,505
Fundraising	2,598	-	2,598
Total expenses	<u>1,475,305</u>	<u>-</u>	<u>1,475,305</u>
<b>CHANGE IN NET ASSETS</b>	86,383	75,000	161,383
<b>NET ASSETS</b>			
Beginning of year	-	-	-
End of year	<u>\$ 86,383</u>	<u>\$ 75,000</u>	<u>\$ 161,383</u>

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

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
Food acquisition cost	\$ 774,688	\$ -	\$ -	\$ 774,688
Freight	457,203	-	-	457,203
Salaries, benefits and taxes	114,293	12,989	2,598	129,880
Professional fees	51,996	9,522	-	61,518
State association fees	39,022	-	-	39,022
Travel	-	8,996	-	8,996
Office expenses	-	2,468	-	2,468
Meetings and conferences	-	771	-	771
Information technology	-	535	-	535
Other expenses	-	224	-	224
<b>Total</b>	<b><u>\$ 1,437,202</u></b>	<b><u>\$ 35,505</u></b>	<b><u>\$ 2,598</u></b>	<b><u>\$ 1,475,305</u></b>

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

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Revenues and support received	\$ 1,473,724
Food acquisition costs	(770,388)
Freight	(457,203)
Salaries and benefits	(129,880)
Professional fees	(61,518)
Other operating expenses	<u>(37,875)</u>
Total adjustments	<u>16,860</u>
Net cash provided by operating activities	<u>16,860</u>
<b>NET INCREASE IN CASH</b>	16,860
<b>CASH, Beginning of year</b>	<u>-</u>
<b>CASH, End of year</b>	<u><u>\$ 16,860</u></u>

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

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Southeast Regional Cooperative, Inc. ("SERC") seeks to provide fresh produce to food banks in the southeast region, focusing on quantity, quality, and variety. SERC is designed to aggregate produce demand from food banks throughout the southeast and match that demand with surplus produce from the southeast states and across the country. The mission of the program is to facilitate donations of produce and purchases at the lowest possible cost and to provide a consistent level of demand to growers, distributors and other supply chain participants. SERC was incorporated under the laws of the state of Georgia in 2017 as a non-stock, not-for-profit corporation. On May 16, 2018, the Internal Revenue Service determined SERC is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and specifically a Type 1 supporting organization. SERC is a supporting organization of the Feeding America food banks in seven southeastern states and began operations in 2018.

B. The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

C. SERC classifies net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. SERC records contributions of cash and other assets as net assets without donor restrictions unless specifically restricted by the donor. All other restricted contributions are recorded as an increase in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Net Assets as "net assets released from restrictions." Accordingly, net assets of SERC and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operation of SERC.

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions may temporary in nature; for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature; for example, stipulating that resources be maintained in perpetuity. The donors of these assets would generally permit SERC to use all of the income earned on related investments for general or specific purposes. More specifically, items included in net assets with donor restrictions are contributions for which restrictions have not been met.

D. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

E. Accounts receivable are recorded at net realizable value. On a periodic basis, SERC evaluates receivable balances and establishes an allowance for doubtful accounts, based on the history of past write-offs, age of the receivables, collection and current economic considerations. Accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. At December 31, 2018, management believes that all accounts receivable are fully collectible. Therefore, no allowance for doubtful accounts is recorded in the accompanying financial statements.

F. Contributions receivable to be received in one year or less are reported at net realizable value. Contributions to be received after one year, net of an allowance for uncollectible amounts, are initially reported at fair value, estimated by discounting them to their present value at a risk-adjusted rate. Thereafter, amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment, considering such factors as prior collection history, type of contribution, relationship with donor, and other relevant factors. At December 31, 2018, management believes all contributions receivable are fully collectible. Therefore, no allowance for uncollectible accounts is recorded in the accompanying financial statements.

G. SERC records non-cash contributions at their estimated fair market value at the date of the contribution. Contributed services are recognized if the services received (a) create or enhance nonfinancial assets and (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

H. The accompanying financial statements report certain categories of expenses that are attributable to one or more functions of SERC, which are defined as program services, management and general and fundraising. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits are allocated on the basis of estimates of time and effort. The remainder of the expenses are primarily allocated through a specific identification to the functional expense category due to the nature of the expense.

I. Subsequent events have been evaluated by management through July 31, 2019, the date these financial statements were available to be issued.

**2. RESTRICTED NET ASSETS**

At December 31, 2018, net assets with donor restrictions represent amounts restricted for expenditure in 2019 operations.

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**3. CONCENTRATIONS**

During the year ended December 31, 2018, approximately 16% of revenues and support was from one grantor.

At December 31, 2018, approximately 52% of accounts receivable was from one food bank and contributions receivable was from one donor.

**4. EMPLOYEE BENEFIT PLAN**

The Executive Director's employment agreement provides that SERC will contribute five percent of the Executive Director's compensation upon completion of one year of service. During the year ended December 31, 2018, SERC has expensed and accrued \$3,325 related to this agreement.

**5. LIQUIDITY**

The Association has \$179,824 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and accounts and contributions receivable. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date.