



AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

SOUTHEAST REGIONAL COOPERATIVE, INC.
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DECEMBER 31, 2020 AND 2019

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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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and net assets, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jones and Kolb

September 9, 2021

SOUTHEAST REGIONAL COOPERATIVE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>		
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 551,309	\$ -
Accounts receivable	41,665	233,434
	<hr/>	<hr/>
Total assets	\$ 592,974	\$ 233,434
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 73,790	\$ 57,516
Outstanding checks in excess of bank balance	-	14,610
	<hr/>	<hr/>
Total liabilities	73,790	72,126
	<hr/>	<hr/>
NET ASSETS		
Without donor restrictions	179,377	161,308
With donor restrictions	339,807	-
	<hr/>	<hr/>
Total net assets	519,184	161,308
	<hr/>	<hr/>
Total liabilities and net assets	\$ 592,974	\$ 233,434
	<hr/> <hr/>	<hr/> <hr/>

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

SOUTHEAST REGIONAL COOPERATIVE, INC.
STATEMENTS OF ACTIVITIES AND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Program Revenues						
Food sales, net	\$ 461,917	\$ -	\$ 461,917	\$ 642,212	\$ -	\$ 642,212
Freight	107,073	-	107,073	327,109	-	327,109
SERC fees	43,800	-	43,800	95,400	-	95,400
State association fees	56,357	-	56,357	93,420	-	93,420
PPM admin fees	32,532	-	32,532	52,350	-	52,350
Grants and contributions	319,400	371,429	690,829	175,000	-	175,000
Total revenues and support	<u>1,021,079</u>	<u>371,429</u>	<u>1,392,508</u>	<u>1,385,491</u>	<u>-</u>	<u>1,385,491</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>31,622</u>	<u>(31,622)</u>	<u>-</u>	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>
EXPENSES						
Program services	975,341	-	975,341	1,324,591	-	1,324,591
Management and general	54,685	-	54,685	55,123	-	55,123
Fundraising	4,606	-	4,606	5,852	-	5,852
Total expenses	<u>1,034,632</u>	<u>-</u>	<u>1,034,632</u>	<u>1,385,566</u>	<u>-</u>	<u>1,385,566</u>
CHANGE IN NET ASSETS	18,069	339,807	357,876	74,925	(75,000)	(75)
NET ASSETS						
Beginning of year	161,308	-	161,308	86,383	75,000	161,383
End of year	<u>\$ 179,377</u>	<u>\$ 339,807</u>	<u>\$ 519,184</u>	<u>\$ 161,308</u>	<u>\$ -</u>	<u>\$ 161,308</u>

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

SOUTHEAST REGIONAL COOPERATIVE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			
	Program Services	Management and General	Fundraising	Total
Food acquisition costs	\$ 498,217	\$ -	\$ -	\$ 498,217
Freight	265,989	-	-	265,989
Salaries, benefits and taxes	202,661	23,030	4,606	230,297
Professional fees	-	14,700	-	14,700
State association fees	8,474	-	-	8,474
Travel	-	4,800	-	4,800
Meetings and conferences	-	4,453	-	4,453
Insurance	-	4,017	-	4,017
Office expenses	-	2,197	-	2,197
Information technology	-	1,488	-	1,488
Total	\$ 975,341	\$ 54,685	\$ 4,606	\$ 1,034,632

	2019			
	Program Services	Management and General	Fundraising	Total
Food acquisition costs	\$ 767,533	\$ -	\$ -	\$ 767,533
Freight	370,692	-	-	370,692
Salaries, benefits and taxes	171,671	17,558	5,852	195,081
Professional fees	283	13,450	-	13,733
State association fees	14,412	-	-	14,412
Travel	-	9,516	-	9,516
Meetings and conferences	-	2,812	-	2,812
Insurance	-	7,242	-	7,242
Office expenses	-	3,627	-	3,627
Information technology	-	918	-	918
Total	\$ 1,324,591	\$ 55,123	\$ 5,852	\$ 1,385,566

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

SOUTHEAST REGIONAL COOPERATIVE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenues and support received	\$ 1,584,277	\$ 1,315,021
Food acquisition costs	(528,532)	(719,378)
Freight	(252,844)	(363,617)
Salaries and benefits	(223,581)	(189,759)
Professional fees	(14,174)	(13,258)
Other operating expenses	(13,837)	(45,869)
	<u>551,309</u>	<u>(16,860)</u>
Net cash provided by (used in) operating activities		
	551,309	(16,860)
NET INCREASE (DECREASE) IN CASH		
	551,309	(16,860)
CASH, Beginning of year	<u>-</u>	<u>16,860</u>
CASH, End of year	<u>\$ 551,309</u>	<u>\$ -</u>

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

SOUTHEAST REGIONAL COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 and began operations in 2018. 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 of the Feeding America food banks in seven southeastern states (Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina and Tennessee).

B. In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The update also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows, arising from contracts with customers. SERC has adopted this update, along with all subsequent amendments (collectively, "ASC 606") for the year ended December 31, 2020, as management believes the standard improves the usefulness and understandability of SERC's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way SERC recognizes revenue and, therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosure of revenue has been enhanced in accordance with the standard.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* to further improve the scope and accounting guidance for revenue recognition; to assist entities distinguishing between contributions and exchange transactions; and to determine whether a contribution is conditional. During the year ended December 31, 2020, SERC adopted this standard which did not have a material impact on the accompanying financial statements.

C. 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.

SOUTHEAST REGIONAL COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
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D. 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 be 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.

E. 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.

F. 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, 2020 and 2019, management believes that all accounts receivables are fully collectible. Therefore, no allowance for doubtful accounts is recorded in the accompanying financial statements.

G. 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, 2020 and 2019, management believes all contributions receivable are fully collectible. Therefore, no allowance for uncollectible accounts is recorded in the accompanying financial statements.

SOUTHEAST REGIONAL COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

H. Food banks commit in advance to participate in the SERC program by selecting a set volume and frequency of mixed produce trucks to receive per week or month. The commodity mix for any truck will be based on what is in season, available on the secondary market, and/or of value to food banks as decided by SERC. The food banks are charged a fixed price per pound for produce based on truckloads delivered, without respect to commodities therein. Participating food banks are invoiced a monthly subscription fee based on the total number of trucks or partial trucks to be received that month. Transportation fees are based on actual costs for each delivery. Additionally, SERC recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. 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.

I. 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.

J. Subsequent events have been evaluated by management through September 9, 2021, the date these financial statements were available to be issued.

2. LIQUIDITY

As part of the SERC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 551,309	\$ -
Accounts receivable	<u>41,665</u>	<u>233,434</u>
Current financial assets	592,974	233,434
Less financial assets with Donor restrictions	<u>(339,807)</u>	<u>-</u>
Financial assets available for general expenditure	<u><u>\$ 253,167</u></u>	<u><u>\$ 233,434</u></u>

SOUTHEAST REGIONAL COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

3. RESTRICTED NET ASSETS

Net assets with restrictions at December 31, 2020 and 2019 are summarized as follows:

<u>Restriction</u>	<u>December 31, 2019</u>	<u>Contributions</u>	<u>Releases</u>	<u>December 31, 2020</u>
Subject to donor restrictions				
Purpose restricted:				
Perishable food distribution	\$ -	\$ 50,000	\$ (31,662)	\$ 18,338
Fresh to Go Box Program	-	321,429	-	321,429
Total	<u>\$ -</u>	<u>\$ 371,429</u>	<u>\$ (31,662)</u>	<u>\$ 339,767</u>

<u>Restriction</u>	<u>December 31, 2018</u>	<u>Contributions</u>	<u>Releases</u>	<u>December 31, 2019</u>
Subject to donor restrictions				
Time restricted	\$ 75,000	\$ -	\$ (75,000)	\$ -
Total	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ -</u>

4. PAYCHECK PROTECTION PROGRAM

During the year ended December 31, 2020, SERC entered into an unsecured note payable with a financial institution as part of the Paycheck Protection Program ("PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Funds from the note may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the note may be forgiven if they are used for qualifying expenses as described in the CARES Act. As of December 31, 2020, 100% of the note was forgiven and SERC recognized \$36,900 as grants revenue.

5. CONCENTRATIONS

At December 31, 2020 and 2019, approximately 87% and 84%, respectively, of accounts receivable were from two food banks. At December 31, 2020, approximately 43% of revenues was from one grantor.

SOUTHEAST REGIONAL COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

6. EMPLOYEE BENEFIT PLAN

The Executive Director's employment agreement provides that SERC will accrue 5% of the Executive Director's compensation for a retirement plan starting upon completion of one year of service. During the years ended December 31, 2020 and 2019, SERC has expensed and accrued \$12,638 and \$8,647, respectively, related to this agreement.

7. CORONAVIRUS PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus (COVID-19) as a pandemic, with the outbreak widespread in the U.S. SERC's operations are dependent on participation of food banks in its produce program and donations from grantors. The outbreak may have a material adverse impact on economic and market conditions, triggering a period of economic slowdown. This potential slowdown could lead to a decline in future revenues or collections of existing receivable balances.