



AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

SOUTHEAST REGIONAL COOPERATIVE, INC.
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DECEMBER 31, 2021 AND 2020

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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

Opinion

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, 2021 and 2020, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Regional Cooperative, Inc. (the "Organization") 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 audits in accordance with auditing standards generally accepted in the United States of America. 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

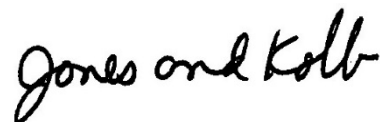
Auditor's Responsibilities for the Audit of the Financial Statements

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 generally accepted 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 generally accepted 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 the 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 the 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.



December 20, 2022

SOUTHEAST REGIONAL COOPERATIVE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

<u>ASSETS</u>		<u>2021</u>	<u>2020</u>
ASSETS			
Cash		\$ 175,499	\$ 551,309
Accounts receivable		494,145	41,665
Total assets		<u>\$ 669,644</u>	<u>\$ 592,974</u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Accounts payable and accrued expenses		\$ 564,782	\$ 73,790
Total liabilities		<u>564,782</u>	<u>73,790</u>
NET ASSETS			
Without donor restrictions		(197,695)	179,377
With donor restrictions		302,557	339,807
Total net assets		<u>104,862</u>	<u>519,184</u>
Total liabilities and net assets		<u>\$ 669,644</u>	<u>\$ 592,974</u>

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, 2021 AND 2020

	2021			2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT						
Program revenues						
Food sales	\$ 4,207,821	\$ -	\$ 4,207,821	\$ 461,917	\$ -	\$ 461,917
Freight	751,526	-	751,526	107,073	-	107,073
Other program revenues	146,111	-	146,111	132,689	-	132,689
Grants and contributions	300,000	3,501,915	3,801,915	319,400	371,429	690,829
Other income	5,000	-	5,000	-	-	-
Total revenues and support	<u>5,410,458</u>	<u>3,501,915</u>	<u>8,912,373</u>	<u>1,021,079</u>	<u>371,429</u>	<u>1,392,508</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>3,539,165</u>	<u>(3,539,165)</u>	<u>-</u>	<u>31,622</u>	<u>(31,622)</u>	<u>-</u>
EXPENSES						
Program services	9,251,162	-	9,251,162	975,341	-	975,341
Management and general	70,599	-	70,599	54,685	-	54,685
Fundraising	4,934	-	4,934	4,606	-	4,606
Total expenses	<u>9,326,695</u>	<u>-</u>	<u>9,326,695</u>	<u>1,034,632</u>	<u>-</u>	<u>1,034,632</u>
CHANGE IN NET ASSETS	<u>(377,072)</u>	<u>(37,250)</u>	<u>(414,322)</u>	<u>18,069</u>	<u>339,807</u>	<u>357,876</u>
NET ASSETS						
Beginning of year	179,377	339,807	519,184	161,308	-	161,308
End of year	<u>\$ (197,695)</u>	<u>\$ 302,557</u>	<u>\$ 104,862</u>	<u>\$ 179,377</u>	<u>\$ 339,807</u>	<u>\$ 519,184</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, 2021 AND 2020

	2021			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Food acquisition costs	\$ 5,313,718	\$ -	\$ -	\$ 5,313,718
Freight and packaging	3,720,328	-	-	3,720,328
Salaries, benefits and taxes	217,116	24,672	4,934	246,722
Professional fees	-	15,100	-	15,100
Office expenses	-	13,364	-	13,364
Travel	-	10,034	-	10,034
Information technology	-	3,132	-	3,132
Meetings and conferences	-	2,278	-	2,278
Insurance	-	1,809	-	1,809
Miscellaneous	-	210	-	210
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 9,251,162</u>	<u>\$ 70,599</u>	<u>\$ 4,934</u>	<u>\$ 9,326,695</u>

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

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenues and support received	\$ 8,459,893	\$ 1,584,277
Food acquisition costs	(4,895,998)	(528,532)
Freight	(3,656,458)	(252,844)
Salaries and benefits	(235,388)	(223,581)
Professional fees	23,625	(14,174)
Other operating expenses	<u>(71,484)</u>	<u>(13,837)</u>
Net cash (used in) provided by operating activities	<u>(375,810)</u>	<u>551,309</u>
NET (DECREASE) INCREASE IN CASH	(375,810)	551,309
CASH, beginning of year	<u>551,309</u>	<u>-</u>
CASH, end of year	<u><u>\$ 175,499</u></u>	<u><u>\$ 551,309</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, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Southeast Regional Cooperative, Inc. ("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). 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 seeks to reduce the average cost of acquisition for fresh produce while improving variety and freshness of produce, thereby extending the purchasing power of supported food banks. This is accomplished by negotiating and procuring excess donated produce and freight costs for participating food banks. Excess produce is sent to a contracted mixing facility where they aggregate straight commodity truckloads and cross-dock the produce to create mixed commodity truckloads. The mixed produce truckloads are delivered to member food banks.

B. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

C. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are 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 are perpetual in nature; for example, stipulating that those resources be maintained in perpetuity. The donors of these assets 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 gifts for which restrictions have not been met.

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

SOUTHEAST REGIONAL COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

without donor restrictions and reported in the Statements of Activities and Net Assets as "net assets released from restrictions."

D. The preparation of financial statements in conformity with U.S GAAP 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 revenues and expenses during the reported period. Actual results could differ from those estimates.

E. At times, SERC's cash balances may be in excess of federally insured limits. However, given the strength of the financial institution, management believes such excess deposits do not create significant loss exposure.

F. Accounts receivable, net of allowances for uncollectible amounts, are recorded at amounts of cash estimated as realizable. 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 receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. At December 31, 2021 and 2020, management believes that all accounts receivable are fully collectible. Therefore, no allowance for doubtful accounts is recorded in the accompanying financial statements.

G. 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. Additionally, the food banks are charged an administrative fee with each shipment. Participating food banks are invoiced a monthly subscription fee based on the total number of trucks or partial trucks to be received that month. Freight fees are based on actual costs for each delivery.

SERC recognizes contributions and grants when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts, if any, is included in contributions in the accompanying Statements of Activities and Net Assets. An allowance is made for uncollectible promises to give based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. 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. At December 31, 2021 and 2020, SERC records non-cash contributions at their estimated fair market value at the date of the contribution. Contributed services are recognized if

SOUTHEAST REGIONAL COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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 December 20, 2022, 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, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 175,499	\$ 551,309
Accounts receivable	<u>494,145</u>	<u>41,665</u>
Current financial assets	669,644	592,974
Less financial assets with Donor restrictions	<u>(302,557)</u>	<u>(339,807)</u>
Financial assets available for general expenditure	<u>\$ 367,087</u>	<u>\$ 253,167</u>

SOUTHEAST REGIONAL COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

3. RESTRICTED NET ASSETS

Net assets with restrictions at December 31, 2021 and 2020 are summarized as follows:

<u>Restriction</u>	<u>December 31, 2020</u>	<u>Contributions</u>	<u>Releases</u>	<u>December 31, 2021</u>
Subject to donor restrictions				
Purpose restricted:				
Perishable food distribution	\$ 18,378	\$ -	\$ -	\$ 18,378
Fresh to Go Box Program	321,429	3,501,915	(3,539,165)	284,179
Total	<u>\$ 339,807</u>	<u>\$ 3,501,915</u>	<u>\$ (3,539,165)</u>	<u>\$ 302,557</u>
<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	\$ (31,622)	\$ 18,378
Fresh to Go Box Program	-	321,429	-	321,429
Total	<u>\$ -</u>	<u>\$ 371,429</u>	<u>\$ (31,622)</u>	<u>\$ 339,807</u>

4. CONCENTRATIONS

At December 31, 2021 and 2020, approximately 22% and 87%, respectively, of accounts receivable were from two food banks. At December 31, 2021, approximately 43% of revenues was from one grantor.

5. 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, 2021 and 2020, SERC has accrued \$20,591 and \$14,376, respectively, related to this agreement.

SOUTHEAST REGIONAL COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

6. 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.