

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022



# **SOUTHEAST REGIONAL COOPERATIVE, INC.**

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**DECEMBER 31, 2023 AND 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Southeast Regional Cooperative, Inc.

### ***Opinion***

We have audited the financial statements of Southeast Regional Cooperative, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 Southeast Regional Cooperative, Inc. as of December 31, 2023 and 2022, and the change 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 (GAAS). 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 Southeast Regional Cooperative, 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 Southeast Regional Cooperative, Inc.'s ability to continue as a going concern for 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 GAAS 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, 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 Southeast Regional Cooperative, Inc.'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 Southeast Regional Cooperative, Inc.'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.

*Richards, Caulley & Associates, LLC*

Rome, Georgia

November 21, 2024

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,298,424	\$ 898,156
Accounts receivable, net of allowance for credit losses of \$115,902 and \$0	<u>778,254</u>	<u>963,104</u>
Total current assets	<u>2,076,678</u>	<u>1,861,260</u>
 Property and equipment, net	 <u>5,701</u>	 <u>-</u>
 Total assets	 <u><u>\$ 2,082,379</u></u>	 <u><u>\$ 1,861,260</u></u>
 <b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 827,006	\$ 693,999
Accrued expenses	<u>14,178</u>	<u>34,853</u>
Total liabilities	<u>841,184</u>	<u>728,852</u>
 Net assets		
Without donor restrictions	(191,647)	522,164
With donor restrictions	<u>1,432,842</u>	<u>610,244</u>
Total net assets	<u>1,241,195</u>	<u>1,132,408</u>
 Total liabilities and net assets	 <u><u>\$ 2,082,379</u></u>	 <u><u>\$ 1,861,260</u></u>

See accompanying independent auditor's report and notes to the financial statements

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>			
Program Revenues			
Contracted services	\$ 21,500	\$ -	\$ 21,500
Food sales	9,620,498	-	9,620,498
Freight	3,356,837	-	3,356,837
Other program revenues	1,101,124	-	1,101,124
Grants and contributions	-	1,406,747	1,406,747
Other income	2,095	-	2,095
Total support and revenue	<u>14,102,054</u>	<u>1,406,747</u>	<u>15,508,801</u>
Net assets released from restrictions	<u>584,149</u>	<u>(584,149)</u>	<u>-</u>
<b>Expenses</b>			
Program services	15,033,785	-	15,033,785
Management and general	239,162	-	239,162
Fundraising	11,165	-	11,165
Total operating expenses	<u>15,284,112</u>	<u>-</u>	<u>15,284,112</u>
Change in net assets	(597,909)	822,598	224,689
Net assets - beginning of year	<u>522,164</u>	<u>610,244</u>	<u>1,132,408</u>
Adjustment (1)	(115,902)	-	(115,902)
Net assets - end of year	<u><u>\$ (191,647)</u></u>	<u><u>\$ 1,432,842</u></u>	<u><u>\$ 1,241,195</u></u>

(1) Beginning net assets restated due to inception adjustment at adoption of ASU 2016-13, Topic 326, *Financial Instrument - Credit Losses*. Refer to Note 1 for more information.

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>			
Program Revenues			
Food sales	\$ 6,835,283	\$ -	\$ 6,835,283
Freight	1,608,748	-	1,608,748
Other program revenues	683,929	-	683,929
Grants and contributions	-	1,755,000	1,755,000
Other income	60,122	-	60,122
Total support and revenue	<u>9,188,082</u>	<u>1,755,000</u>	<u>10,943,082</u>
Net assets released from restrictions	<u>1,447,313</u>	<u>(1,447,313)</u>	<u>-</u>
<b>Expenses</b>			
Program services	9,676,801	-	9,676,801
Management and general	231,715	-	231,715
Fundraising	7,020	-	7,020
Total operating expenses	<u>9,915,536</u>	<u>-</u>	<u>9,915,536</u>
Change in net assets	719,859	307,687	1,027,546
Net assets - beginning of year	<u>(197,695)</u>	<u>302,557</u>	<u>104,862</u>
Net assets - end of year	<u><u>\$ 522,164</u></u>	<u><u>\$ 610,244</u></u>	<u><u>\$ 1,132,408</u></u>

See accompanying independent auditor's report and notes to the financial statements

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2023**

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	Program Services	Management and General	Fundraising	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Bad debt expense	\$ -	\$ 24,373	\$ -	\$ 24,373
Depreciation expense	-	1,006	-	1,006
Food acquisition costs	8,044,424	-	-	8,044,424
Freight and packaging	6,498,109	-	-	6,498,109
Information technology	-	31,746	-	31,746
Insurance	-	3,617	-	3,617
Meetings and conferences	-	6,651	-	6,651
Office expenses	-	41,635	-	41,635
Professional fees	-	31,821	-	31,821
Salaries, benefits and taxes	491,252	55,825	11,165	558,242
Travel	-	33,345	-	33,345
Miscellaneous	-	9,143	-	9,143
Total expenses	<u>\$ 15,033,785</u>	<u>\$ 239,162</u>	<u>\$ 11,165</u>	<u>\$ 15,284,112</u>

See accompanying independent auditor's report and notes to the financial statements



**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**

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	Program Services	Management and General	Fundraising	Total
Bad debt expense	\$ -	\$ 97,825	\$ -	\$ 97,825
Food acquisition costs	4,178,586	-	-	4,178,586
Freight and packaging	5,189,324	-	-	5,189,324
Information technology	-	15,850	-	15,850
Insurance	-	2,383	-	2,383
Meetings and conferences	-	2,686	-	2,686
Office expenses	-	33,252	-	33,252
Professional fees	-	26,827	-	26,827
Salaries, benefits and taxes	308,891	35,102	7,020	351,013
Travel	-	16,198	-	16,198
Miscellaneous	-	1,592	-	1,592
Total expenses	<u>\$ 9,676,801</u>	<u>\$ 231,715</u>	<u>\$ 7,020</u>	<u>\$ 9,915,536</u>

See accompanying independent auditor's report and notes to the financial statements

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>Cash inflow (outflow) from operating activities</b>		
Change in net assets	\$ 224,689	\$ 1,027,546
Depreciation	1,006	-
Provision for credit losses	24,373	97,825
Changes in assets and liabilities		
Accounts receivable	44,575	(566,784)
Accounts payable	133,007	158,489
Accrued expenses	(20,675)	5,581
Net cash provided by operating activities	<u>406,975</u>	<u>722,657</u>
<b>Cash inflow (outflows) from investing activities</b>		
Purchase of property and equipment	(6,707)	-
Net cash used by investing activities	<u>(6,707)</u>	<u>-</u>
Net increase in cash and cash equivalents	400,268	722,657
Cash and cash equivalents, beginning of year	<u>898,156</u>	<u>175,499</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,298,424</u></u>	<u><u>\$ 898,156</u></u>
<b>Supplemental disclosures of cash flow information</b>		
Transition adjustment for provision for credit losses	<u><u>\$ 115,902</u></u>	<u><u>\$ -</u></u>

See accompanying independent auditor's report and notes to the financial statements

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Southeast Regional Cooperative, Inc. ("the Cooperative"), have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Nature of activities

The Cooperative is a non-profit organization that was incorporated in 2017 and aims to provide food banks in the southeast region with a diverse range of fresh produce, emphasizing quality and variety. The primary mission of the program is to streamline the donation and purchase of produce at the most affordable cost, ensuring steady demand for growers, distributors, and other participants in the supply chain.

Basis of presentation

The financial statements have been prepared in accordance with US GAAP, which require the Cooperative to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Cooperative. These net assets may be used at the discretion of management and the board of directors.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Cooperative satisfying the specified purpose or the passage of time.

Net assets, revenues, and gains are classified based on the existence or absence of donor-imposed restrictions.

Net assets released from restrictions

When a donor-imposed restriction expires, resulting from a stipulated time restriction ending or a purpose restriction being accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Cash and cash equivalents

For purposes of the financial statements, the Cooperative considers all cash and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Allowance for credit losses

The allowance estimate derived from a review of the Cooperative's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Cooperative. The Cooperative believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Cooperative's portfolio segments have remained constant since the Cooperative's inception. However, due to operating statistics and economic metrics, the Cooperative is anticipating lower than expected credit losses than have been incurred in the past.

The Cooperative writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. The total amount of write-offs was \$24,373 and \$97,825 for the years ended December 31, 2023 and 2022, respectively.

The allowance for credit losses for the year ended December 31, 2023 is as follows:

	2023
Beginning balance	\$ -
Transition adjustment	115,902
Provision for credit losses	24,373
Write-offs	(24,373)
Recoveries	-
Ending balance	<u>\$ 115,902</u>

Property and Equipment

The Cooperative's policy is to capitalize property and equipment over \$2,500, lesser amounts are expensed. Property and equipment are carried at cost and depreciated over the estimated useful life of each asset. Depreciation is computed using the straight-line method. The estimated useful lives of property and equipment is five years. When assets are retired or otherwise disposed of, their costs and accumulated depreciation are removed from the accounts and resulting gains or losses are included in other income.

Revenue recognition policy

The Cooperative derives its revenues primarily from food sales. Revenue from food sales are recognized upon shipment of the product. Unconditional promises to give are recognized as support in the period promised. Contributions not previously pledged are recognized as support in the period received. Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. As of December 31, 2023 and 2022, there are no unconditional promises to give.

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Revenue recognition policy

Conditional promises to give depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional. Payments received on conditional promises to give are recognized as a liability and classified as unearned revenue on the statements of financial position until the gift becomes unconditional.

Recognition of increases in net assets

Contributions received are recorded as net assets with or without donor-imposed restrictions, depending on the existence and/or nature of any donor restrictions. Restricted contributions whose restrictions are met in the same reporting period are classified as unrestricted contributions in the statements of activities.

Contributions, which include unconditional promises to give, are recognized as revenues in the period received or promised. The Cooperative records other miscellaneous increases on the accrual basis of accounting.

Noncash contributions

Noncash contributions acquired by donation are stated at fair market value at the time of donation. Such donations are reported as contributions without donor restriction unless the donor has restricted the donated asset to 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 restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Cooperative reports expirations of donor restrictions when the donated or acquired assets are placed in service. Contributions of the free use of facilities are recognized at fair value at the date of the donation.

Income taxes

The Cooperative is a non-profit organization under IRC Section 501(c)(3) exempt from federal and state income taxes. Therefore, no provision has been made for income taxes in these financial statements. The income tax filings of the Cooperative are subject to audit by various taxing authorities, for three years from the date of filing. No interest or penalties assessed from tax jurisdictions were incurred or paid for the years ending December 31, 2023 and 2022.

Commitments

Food banks commit in advance to participate in the Cooperative 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 the Cooperative. The food banks are charged a fixed price per pound for produce based on truckloads delivered, without respect to commodities therein.

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Commitments

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.

Program service costs

The financial statements report certain categories of expenses that are attributable to more than one program or support function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The most significant expenses that are allocated include compensation and benefits and contributed personnel service to affiliates, which are allocated by time and effort. All other expenses are allocated directly by functional categories or indirectly based on a reasonable basis.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Concentrations

The Cooperative maintains cash deposits in high quality financial institutions. The balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. The Cooperative believes there is no significant risk with respect to these deposits.

New accounting pronouncements

Financial Accounting Standards Board (FASB) issued ASU 2016-13, *Financial Instrument – Credit Losses* (Topic 326), which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Cooperative adopted the standard effective January 1, 2023, utilizing a cumulative-effect adjustment for all financial assets measured at amortized cost. As a result of the adoption, we recorded a transition adjustment, which included an \$115,902 increase to the allowance for credit losses for trade receivables, which is presented on the balance sheet as a reduction to the total amount of trade receivables. In addition, the transition adjustment resulted in a decrease of \$115,902 to beginning retained earnings as of January 1, 2023, which represents the cumulative effect of adopting FASB ASC 326.

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Subsequent events

Management has evaluated subsequent events through November 21, 2024, the date the financial statements were available to be issued.

**NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Cooperative's financial assets available within one year of the statements of financial position dates for general expenditures are as follows:

	2023	2022
Cash	\$ 1,298,424	\$ 898,156
Accounts receivable	894,156	963,104
Allowance for credit losses	(115,902)	-
	2,076,678	1,861,260
Less financial assets with donor restrictions	(1,432,842)	(610,244)
Financial assets available for general expenditure	<u>\$ 643,836</u>	<u>\$ 1,251,016</u>

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of December 31, 2023 and 2022 consist of the following:

	2023	2022
Accounts receivable	\$ 894,156	\$ 963,104
Allowance for credit losses	(115,902)	-
	<u>\$ 778,254</u>	<u>\$ 963,104</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2023 and 2022:

	2023	2022
Equipment	\$ 6,707	\$ -
Less accumulated depreciation	(1,006)	-
	<u>\$ 5,701</u>	<u>\$ -</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$1,006 and \$0, respectively.

**SOUTHEAST REGIONAL COOPERATIVE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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**NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes at December 31, 2023 and 2022:

	2023	2022
Subject to expenditure for specific purpose:		
Perishable food distribution	\$ 18,378	\$ 18,378
Fresh to Go Box Program	1,414,464	591,866
	<u>\$ 1,432,842</u>	<u>\$ 610,244</u>

**NOTE 6 – CONCENTRATIONS**

At December 31, 2023, approximately 72% of accounts receivable and 85% of revenue were from two food banks. At December 31, 2022, approximately 79% of accounts receivable and 87% of revenue were from two food banks.

**NOTE 7 – EMPLOYEE BENEFIT PLAN**

The Cooperative has a 401(k) plan “Plan” to provide retirement benefits for its employees. Eligible employees may contribute a percentage of their annual compensation to the Plan, subject to annual maximum limits set by the Internal Revenue Service (\$22,500 for 2023 and \$20,500 for 2022). The Company complies with Safe Harbor Plan provisions at a rate of 5% of the eligible employee’s compensation.

For the years ended December 31, 2023 and 2022, employer-matching and non-elective contributions amounted to \$19,136 and \$6,476.