

**Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Independent Auditor's Report
and
Financial Statement
For the Year Ended December 31, 2020
*(With Summarized Comparative Information for 2019)***



THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Independent Auditor’s Report and Financial Statements
December 31, 2020
(With Summarized Comparative Information for 2019)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Feeding Northeast Florida
Jacksonville, Florida

Opinion

We have audited the accompanying financial statements of Regional Food Bank of Northeast Florida, Inc. (DBA Feeding Northeast Florida) (Organization), a nonprofit organization, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 the Organization as of December 31, 2020, and the changes in net assets and its cash flows for the year 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. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility 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, including omissions, 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.

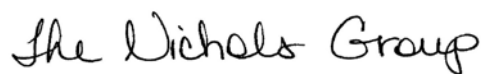
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Source and Expenditure of City Grant Funds are presented for purposes of additional analysis and are 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 1, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



The Nichols Group, PA
Certified Public Accountants
Fleming Island, Florida

May 18, 2021

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Statements of Financial Position
As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 6,429,594	\$ 734,605
Investments	-	92,431
Accounts receivable	353,110	47,002
Grants receivable	73,135	113,264
Prepaid expenses and other assets	72,025	45,639
Contributions and promises to give, net	577,806	695,220
Inventories	623,032	868,771
Property and equipment, net	4,275,252	3,462,511
Total assets	<u>\$ 12,403,954</u>	<u>\$ 6,059,443</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 261,133	\$ 232,458
Accrued expenses	139,250	79,128
Deferred revenue	61,664	63,216
Paycheck Protection Program loan	341,052	-
Feeding America loan	330,625	503,125
Total liabilities	<u>1,133,724</u>	<u>877,927</u>
Net assets:		
Without donor restrictions	10,635,154	4,890,811
With donor restrictions	635,076	290,705
Total net assets	<u>11,270,230</u>	<u>5,181,516</u>
Total liabilities and net assets	<u>\$ 12,403,954</u>	<u>\$ 6,059,443</u>

See accompanying notes.

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Statement of Activities
For the Year Ended December 31, 2020
(With Summarized Comparative Totals for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020</u>	<u>2019</u>
REVENUES, GAINS, AND OTHER SUPPORT:				
Private support revenue	\$ 4,732,903	\$ -	\$ 4,732,903	\$ 1,037,123
Grant applications revenue	4,193,152	1,098,524	5,291,676	1,531,372
Online giving revenue	1,260,823	-	1,260,823	-
Direct mail revenue	413,421	-	413,421	216,674
Special events revenue	58,854	-	58,854	131,433
Cause marketing revenue	393,666	-	393,666	380,990
Value of contributed inventory	52,619,378	-	52,619,378	29,022,024
Value of contributed warehouse	-	-	-	2,437,834
Value of in-kind, other	112,278	-	112,278	34,900
Operating revenue	250,318	-	250,318	624,918
Interest income	178	-	178	9,560
Investment return	51,226	-	51,226	25,459
Lease income	12,000	-	12,000	4,000
Insurance proceeds	13,088	-	13,088	-
Miscellaneous	4,911	-	4,911	3,999
Net assets released from restrictions:				
Satisfaction of time and program restrictions	754,153	(754,153)	-	-
Total revenues, gains, and other support	<u>\$ 64,870,349</u>	<u>\$ 344,371</u>	<u>\$ 65,214,720</u>	<u>\$ 35,460,286</u>
EXPENSES:				
Program services	\$ 58,011,055	\$ -	\$ 58,011,055	\$ 31,486,805
Supporting activities:				
Management and general	446,134	-	446,134	321,840
Fundraising	668,817	-	668,817	872,080
Total expenses	<u>59,126,006</u>	<u>-</u>	<u>59,126,006</u>	<u>32,680,725</u>
Change in net assets	5,744,343	344,371	6,088,714	2,779,561
Net assets, beginning of year	4,890,811	290,705	5,181,516	2,401,955
Net assets, end of year	<u>\$ 10,635,154</u>	<u>\$ 635,076</u>	<u>\$ 11,270,230</u>	<u>\$ 5,181,516</u>

See accompanying notes.

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Statement of Functional Expenses
For the Year Ended December 31, 2020,
(With Summarized Comparative Totals for 2019)

	Program Services	Management and General	Fundraising	2020	2019
Salaries and wages	\$ 1,885,201	\$ 190,774	\$ 357,454	\$ 2,433,429	\$ 1,633,927
Employee benefits and payroll taxes	247,886	21,749	63,031	332,666	302,847
Total salaries and benefits	<u>2,133,087</u>	<u>212,523</u>	<u>420,485</u>	<u>2,766,095</u>	<u>1,936,774</u>
Building maintenance	256,629	-	-	256,629	81,982
Direct mail and special events	-	-	22,935	22,935	232,242
Donated food and non-food redistributed	53,074,965	-	-	53,074,965	28,665,809
Purchased food distributed and direct program supplies	1,165,358	-	-	1,165,358	423,654
Insurance	12,652	69,920	3,790	86,362	82,119
Accounting, banking and audit fees	-	73,739	-	73,739	38,537
Maintenance and rental of equipment	373,733	-	-	373,733	173,594
Meetings, conferences, and transportation	22,344	11,231	250	33,825	43,608
Miscellaneous	26,025	3,127	122	29,274	8,939
Dues and subscriptions	5,111	23,881	7,623	36,615	45,753
Occupancy	80,831	-	-	80,831	89,318
Office expenses and supplies	172,436	20,278	2,223	194,937	128,567
Postage and shipping	-	43	7,632	7,675	7,707
Printing and publications	-	23,773	84,960	108,733	97,697
Professional and contractual fees	-	949	98,534	99,483	55,755
IT Support and telephone	100,726	6,670	20,263	127,659	142,471
Trucking, freight, and fuel costs	147,007	-	-	147,007	188,294
Utility costs	148,484	-	-	148,484	95,179
Loss on disposals of equipment	49,788	-	-	49,788.00	-
Total expenses before depreciation:	57,769,176	446,134	668,817	58,884,127	32,537,999
Depreciation of property and equipment	241,879	-	-	241,879	142,726
Total expenses	<u>\$ 58,011,055</u>	<u>\$ 446,134</u>	<u>\$ 668,817</u>	<u>\$ 59,126,006</u>	<u>\$ 32,680,725</u>

See accompanying notes.

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,088,714	\$ 2,779,561
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	241,879	142,726
Donation of exchange traded products and stock	(4,719)	(46,338)
Donation of warehouse	-	(2,437,834)
Loss on disposal of equipment	49,788	-
Net realized and unrealized gain on investments	(18,731)	(15,899)
Net increase (decrease) in cash flow from changes in:		
Accounts receivable	(306,108)	179,894
Grants and contributions receivable	157,543	(113,264)
Prepaid expenses and other assets	(26,386)	26,626
Accounts payable and accrued expenses	88,797	(93,098)
Deferred revenue	(1,552)	33,656
Inventory	245,739	(425,749)
Net cash provided by operating activities	6,514,964	30,281
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,104,408)	(322,438)
Proceeds from sale of investments	115,881	-
Net cash used in investing activities	(988,527)	(322,438)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paydown on Feeding America loan	(172,500)	(186,875)
Proceeds from Paycheck Protection Program loan	341,052	-
Net cash provided by (used) in financing activities	168,552	(186,875)
Net increase (decrease) in cash and cash equivalents	5,694,989	(479,032)
Cash and cash equivalents at beginning of year	734,605	1,213,637
Cash and cash equivalents at end of year	\$ 6,429,594	\$ 734,605

See accompanying notes.

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Notes to the Financial Statements
December 31, 2020
(With Summarized Comparative Information for 2019)

1. Nature of Organization

Regional Food Bank of Northeast Florida, Inc. (DBA Feeding Northeast Florida) referred to herein as the Organization, a Florida not-for-profit corporation organized on March 5, 2014 to serve as a clearing house to collect, store, and redistribute surplus food to charitable 501(c)(3) organizations that operate on-site or emergency food distribution services.

Donors, such as processors, wholesalers, distributors, restaurants and resorts, provide the Organization with usable food that is not saleable because the food has been overproduced, discontinued, or will soon be out-of-date.

2. Summary of Significant Accounting Policies

A. Basis of Accounting and Use of Estimates

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

B. Functional Allocation of Expenses

The costs of providing program services and supporting activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Expenses are recorded at the time they are incurred in the program directly benefiting for the costs. Certain other costs incurred for the benefit of the entire organization such as employee benefits, space occupancy, insurance, and technology are allocated to the programs and supporting services benefited. Expenses that are common to program services, management and general and fundraising are allocated based on management's determination.

C. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

D. Income Tax Status

The Organization is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service (IRS) not to be a private foundation within the meaning of Section 509(a) of the Code. However, income from certain activities not directly related to the tax-exempt purpose may be subject to taxation as unrelated business income.

The Organization's IRS filings are subject to review and examination by federal authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The IRS filings for the years ended December 31, 2018 and later will be open to examination by federal authorities. For the years ended December 31, 2020 and 2019, there were no interest or penalties recorded or included in the financial statements.

Regional Food Bank of Northeast Florida, Inc.
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E. Cash and Cash Equivalents and Investments

For the purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Organization's investment securities consist of money market funds, common stock and exchange-traded funds. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of the Organization's investments could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

It is the policy of the Organization, under the guidance of its Finance Committee, to follow an investment practice that balances the following fundamental goals:

- Assure minimal principal risk
- Achieve the highest investment returns
- Match present and future liquidity needs
- Foster mutually beneficial relationships with Jacksonville-based financial institutions

The Finance Committee reviews its investment policies on an annual basis.

F. Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts and are recorded net of contractual adjustments and an allowance for doubtful accounts. The allowance for doubtful accounts is estimated by management based on the Organization's prior years' experience when available and a review of the current status of the existing receivables. Adjustments to the allowance for doubtful accounts are recorded to an expense account. When management determines that a receivable is uncollectible, it is removed from accounts receivable and is charged to the allowance for doubtful accounts. No allowance is established at December 31, 2020 or 2019 as management believes all amounts are collectible.

G. Inventories

Purchased food inventory is stated at the lower of cost (determined on first-in, first-out basis) or market. Donated food inventory continues to be valued at the approximate average wholesale value of one pound of donated product at the national level which was determined to be \$1.74 and \$1.62, respectively, during 2020 and 2019, based on a study performed by Feeding America.

H. Compensated Absences

The Organization accrues accumulated paid time off (PTO) when earned by the employee. Generally, PTO must be taken during the calendar year earned. However, up to 120 hours may be carried forward per calendar year. Eligible employees who end their employment with the Organization are reimbursed for unused PTO, which is capped at 120 hours.

I. Revenue Recognition

The Organization's resources as presented on the statements of activities and changes in net assets include revenue, gains, and other support. Revenue consists of fees earned for the performance of Organization services, public support such as contributions and grants, investment income which consists of interest, rents and other revenue or support. Public support

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such as contributions and grants are unconditional gifts to the Organization of cash or other assets in a voluntary nonreciprocal transfer by another entity.

Revenue, gains, and other support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses and losses are reported as decreases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as "unrestricted" support without donor restrictions.

Contributions, including unconditional promises to give, less an allowance for uncollectible accounts, are recognized as revenue in the period made or received. Pledges are discounted, using a market discount rate, to present value for collections expected in future years. Accretion of the discount in subsequent years is also recorded as contribution revenue. At December 31, 2020 and 2019, there were \$589,515 and \$719,515 in undiscounted pledges outstanding, respectively. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. The Organization also receives indications of intent to support, which are commitments that are open-ended and subject to unilateral change by the donor. The amounts are not measurable since the commitments do not express a term or period. Thus, they are not considered to be unconditional promises to give and are not recognized prior to the receipt of the contribution. The Organization believes that all pledges receivable at December 31, 2020 and 2019, which are scheduled to be collected during 2021 and 2020, respectively, will be fully collected. Accordingly, no allowance for uncollectible accounts is required.

J. Property and Equipment

Purchased property and equipment are stated at cost. Donated property and equipment are stated at estimated fair market value at the date of donation. It is the policy of the Organization to expense assets in the period purchased if the assets cost \$2,000 or less individually. Assets, defined as those items purchased or donated with a probable future economic benefit to the organization, costing in excess of \$2,000 individually will be capitalized and depreciated in accordance with the Organization's depreciation policies. Repairs and improvements to real property and leasehold improvements will be capitalized if they cost in excess of \$5,000 individually.

Depreciation is computed on a straight-line method over the estimated useful lives of the related assets which may range from 3 to 40 years.

K. Concentration of Credit Risk

The Organization solicits food on behalf of participating local social service agencies or programs, substantially all of which are 501(c)3 organizations. These agencies contribute to the costs of food collection and storage by paying the Organization a "handling fee" for items received. The fee is determined through a combination of a maximum limit determined by Feeding America and Organization discretion as to mix of products assessed and level of fee charged.

The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000. At December 31, 2020 and 2019, the Organization had \$5,169,842 and \$125,098 uninsured

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funds at Bank of America, respectively.

At December 31, 2020 and 2019, the Organization's largest receivables are for four unconditional promises to give due from two individuals and two foundations totaling \$589,515 and for five unconditional promises to give due from two individuals and three foundations totaling \$719,515, respectively. In addition, the Organization receives a substantial amount of its support from private agencies. A significant reduction in funding from these sources, if it were to occur, may have an effect on the Organization's programs and activities.

L. Fair Value of Financial Instruments

The Organization's financial instruments are cash and cash equivalents, investments, prepaid expenses and deposits, short-term receivables, long-term receivables, accounts payable and accrued expenses. These are recorded at their fair values.

M. Long-Lived Assets

The Organization follows the policy of lifting restrictions on contributions of cash and other assets received for the acquisition of long-lived assets when the long-lived assets are acquired. In accordance with generally accepted accounting principles, long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market value and third-party independent appraisals, as considered necessary. No impairment charges have been recorded in the accompanying financial statements related to long-lived assets.

N. New Accounting Pronouncements

In 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contributions) and for distinguishing between conditional and unconditional contributions. The requirements of this statement are for the Organization for the year ending December 31, 2020. The adoption of this standard had no significant impact on the financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires entities to recognize all leased assets as assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. The requirements of this statement, originally effective for the Organization for the year ending December 31, 2020, have been extended until for the year ending December 31, 2022. The Organization is currently evaluating the impact of ASU 2016-02 may have on its financial statements.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or

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other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets an entity has received. The new standard is effective for the Organization for the year ending December 31, 2022. Early adoption is permitted.

O. Reclassifications

For comparability, certain 2019 amounts have been reclassified to conform with classifications adopted in 2020. The reclassifications have no effect on reported amounts of net assets or change in net assets.

3. Restrictions on net assets

The long-term portions of contributions receivable are temporarily restricted due to the future payments supporting future organizational activities, therefore, implying time restrictions. Net assets with time restrictions were \$258,291 and \$290,705 at December 31, 2020 and 2019 respectively. Net assets with donor restrictions available for specific purposes were \$376,785 and \$0 at December 31, 2020 and 2019 respectively.

4. Liquidity and availability of financial assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,429,594	\$ 734,605
Accounts receivable	353,110	47,002
Grants receivable	73,135	113,264
Investments	-	92,431
Contributions receivable	<u>577,806</u>	<u>695,220</u>
Subtotal of financial assets	7,433,645	1,682,522
Amounts not available for general expenditures within one year:		
Feeding America loan debt service	(158,125)	(158,125)
Time restricted:		
Contributions receivable, long-term portion	(258,291)	(290,705)
Donor-restricted for program expenses:		
Restricted - Jim Moran Foundation	(91,308)	-
Restricted - Florida Blue	(83,979)	-
Restricted - Feeding America Grant	<u>(201,498)</u>	<u>-</u>
Total donor-restricted for program expenses	(376,785)	-
Total restricted	<u>(635,076)</u>	<u>(290,705)</u>
Total unavailable for general expenditures within one year	(793,201)	(448,830)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,640,444</u>	<u>\$ 1,233,692</u>

As part of the Organization's liquidity management, management has chosen to put \$300,000 in various interest-bearing accounts as a cash reserve to protect the organization against short-term interruptions of cash flow.

5. Investments and fair value measurements

All investments are recorded at fair value. Fair value is defined as the price that one would receive by selling an asset or pay to transfer a liability in an orderly transaction among market participants at the measurement date. The Organization did not hold any investments as of December 31, 2020. Investments held as of December 31, 2019 included equity securities and exchange-traded funds.

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(DBA Feeding Northeast Florida)
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Equity securities held are valued at the daily closing price as reported by the custodian. These equity securities held included common stocks.

Exchange-traded funds (ETF) are valued at the daily closing price as reported by the fund. The Vanguard FTSE Developed Markets ETF employs an indexing investment approach designed to track the performance of the Financial Times Stock Exchange (FTSE) Developed All Cap ex US Index, a market-capitalization-weighted index that is made up of approximately 3,885 common stocks of large-, mid-, and small-cap companies located in Canada and the major markets of Europe and the Pacific region. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

Investment returns for the years ended December 31, 2020 and 2019, as follows:

	2020	2019
Return on investments:		
Interest and dividends	\$ 2,378	\$ 9,560
Net change in unrealized gains	-	15,899
Realized gains	48,848	-
Total return on investments	\$ 51,226	\$ 25,459

The Organization follows the guidance of ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. Level 1 assets include common stock and exchange-traded funds.

Level 2: Inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2019, are as follows:

Investments	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable Inputs (Level 3)
Equities:				
Common stocks	\$ 41,542	\$ 41,542	\$ -	\$ -
Exchange-traded funds (ETF):				
Vanguard Developed Markets Index Fund ETF Shares (VEA)	50,889	50,889		
Total investments	\$ 92,431	\$ 92,431	\$ -	\$ -

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6. Inventories

Inventories consisted of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Donated food	\$ 447,378	\$ 763,154
Purchased food	175,654	105,617
	<u>\$ 623,032</u>	<u>\$ 868,771</u>

7. Contributions and promises to give

Contributions and promises to give as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 319,515	\$ 404,515
Between one and five years	<u>270,000</u>	<u>315,000</u>
	\$ 589,515	\$ 719,515
Less:		
Discount to present value	<u>(11,709)</u>	<u>(24,295)</u>
Total contributions and promises to give, net	<u>\$ 577,806</u>	<u>\$ 695,220</u>

At December 31, 2020 and 2019, contributions and promises to give to be received between one and five years are discounted using rates between 1.08 % and 2.01 % through the expected term of the contribution and promises to give receivable.

8. Property and Equipment

The following is a summary of the components of property and equipment for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 146,270	\$ 146,270
Building and improvements	2,345,207	2,312,484
Leasehold improvements	28,020	28,020
Vehicles	1,323,754	510,339
Warehouse equipment	965,581	787,446
Less: Accumulated depreciation	<u>(533,580)</u>	<u>(322,048)</u>
Total	<u>\$ 4,275,252</u>	<u>\$ 3,462,511</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$241,879 and \$142,726 respectively.

9. In-kind Donations

Contributions of assets, materials, and facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the financial statements as an asset or expense and

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revenue. For the years ended December 31, 2020 and 2019, in-kind contributions included donated food inventory valued at approximately \$52,619,378 and \$29,056,925, respectively. Contributed food inventory was redistributed to charitable organizations at a value of approximately \$53,074,967 and \$28,665,809, respectively for the years ended December 31, 2020 and 2019. For the year ended December 31, 2019, a 45,928 square foot cold storage facility located at 1814 Industrial Boulevard, Jacksonville, Florida with a fair market value of \$2,437,834 was donated. In addition, the Organization receives contributed time related to various program services and construction projects. These contributed services are recorded at their estimated fair value at the date of service if they meet the following criteria: (a) the services would have otherwise been purchased by the Organization, and (b) the services required specialized skills. For the years ended December 31, 2020 and 2019, the Organization recognized contributed services, meeting the above criteria, in the amount of \$112,278 and \$34,900, respectively. Donated use of facilities is recognized as expense and revenue. There was no donated use of facilities for the year ended December 31, 2020 or 2019.

A substantial number of unpaid volunteers have made significant contributions of their time to provide assistance to the Organization in its program and support activities. During the years ended December 31, 2020 and 2019, part-time volunteers provided 18,795 hours and 24,559 hours valued at \$281,925 and \$368,385, respectively to the Organization. The value of contributed time has not been recorded in the accompanying financial statements since specialized skills were not required.

10. Deferred Revenue

Deferred revenue includes payments made by agencies in advance of shopping in the warehouse to purchase food from the Organization for \$49,664 and \$39,216 at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, deferred revenue also includes prepaid rental of office space at the Industrial Boulevard warehouse in the amount of \$12,000 and \$24,000, respectively.

11. Compensated Absences

The Organization's liability for compensated absences was \$51,757 and \$33,018 and was included in accrued expenses as of December 31, 2020 and 2019, respectively. This represents amounts owed to employees under the Organization's paid leave policy.

12. Long-term debt

Feeding America

The Organization executed a loan agreement with Feeding America on May 22, 2014 that provided for borrowings of up to \$750,000 as a revolving line of credit. The line of credit was made available to finance the development of the Organization's warehouse, food distribution and administrative facilities in Jacksonville, Florida. The Organization was not required to pay interest on any principal outstanding under the loan agreement for the first two years. The Organization was to pay Libor plus 2% interest on any principal outstanding in year three and forward. The line of credit was available until December 31, 2017 unless otherwise terminated as provided in the Agreement.

As of December 31, 2016, the Organization had used all \$750,000 of the line of credit. No principal and interest payments were made during 2016 or 2017, which caused the loan to go

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into default. On December 27, 2017, a forbearance agreement and first amendment was entered into by and between the Organization and Feeding America.

Under the terms of the agreement, the parties agreed to amend the loan agreement as follows:

The Organization may repay the principal amount of the loan without prepayment premium. Any principal amount of the loan that is repaid or prepaid may not be re-borrowed.

The line of credit matures and is due and payable in full on December 31, 2022.

The Organization is required to pay principal every quarter beginning March 31, 2019 until the expiration date of December 31, 2022 or, if earlier, until the remaining unpaid balance is paid in full.

During the forbearance period, the loan shall not bear interest and the Organization shall not be required to pay interest on the outstanding principal amount of the Loan.

For the year ended December 31, 2020 and 2019, the Organization paid \$172,500 and \$186,875, respectively of principal amount.

Paycheck Protection Program

On April 15, 2020, the Organization entered into a Loan Agreement with Bank of America pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act in the amount of \$341,052. The note bears interest at 1% and is subject to a payment deferral period of six months. However, the note and related interest are subject to forgiveness when the proceeds of the loan are used to fund payroll and other allowable expenses as defined by the PPP. Loan proceeds were received April 17, 2020. The Organization plans on requesting and expects to receive loan forgiveness as provided under PPP during the year ended December 31, 2021.

The Organization's long-term debt consists of the following:

	<u>2020</u>	<u>2019</u>
Feeding America loan	\$ 330,625	\$ 503,125
Paycheck Protection Program loan	341,052	-
Less current portion	<u>(158,125)</u>	<u>(158,125)</u>
	<u>\$ 513,552</u>	<u>\$ 345,000</u>

Future scheduled maturities of long-term debt of the Feeding America loan are as follows:

Year ending	
December 31,	
2021	158,125
2022	<u>172,500</u>
	<u>\$ 330,625</u>

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13. Operating Leases (lessee)

On March 27, 2014, the Organization entered into a one- year operating lease agreement for approximately 21,000 square feet of warehouse space commencing on May 1, 2014. This agreement has been extended annually since its inception and is currently set to end on April 30, 2021. As of December 31, 2020, the future minimum lease payments are \$27,798 payable in the 2021 fiscal year.

The Organization leases trucks under month-to-month operating leases with 60 days notice to terminate. These leases include a four refrigeration trailers and two refrigeration trucks.

Beginning in October 2018, the Organization is leasing copier equipment under a 63-month lease term which automatically renews for successive one-year periods, subject to annual increases. The monthly payment for the year ended December 31, 2020 was \$513.

Rental expense for all operating leases was \$198,083 and \$182,573 for the years ended December 31, 2020 and 2019, respectively.

14. Operating Lease (lessor)

The Organization, as lessor, has entered into an operating lease with Beach Trading Company, a Florida Corporation that occupies a portion of the Organization's warehouse located at 1814 Industrial Boulevard for the right to use, for storage purposes, portions of the garage and of the freezer and cooler space. The lease is for approximately 27 months, ending on December 31, 2021. Future minimum lease payments remaining for which the lease has been negotiated is \$12,000 for the year ended December 31, 2021.

15. Related Party Transactions

As discussed in Note 12, Feeding America , the Organization has an outstanding balance due to Feeding America for the years ended December 31, 2020 and 2019 of \$330,625 and \$503,125 respectively.

For the years ended December 31, 2020 and 2019, the Organization recorded \$155,558 and \$408,500 respectively, in cash donations, pledges and in-kind services from companies and foundations that have representatives who are members of the Organization's board of directors.

For the years ended December 31, 2020 and 2019, the Organization recorded purchases of food totaling \$1,201 and \$60,559, respectively, of which the Organization was paid a shared maintenance fee of \$415 and \$6,645, respectively from City Rescue Mission that had a representative who was a member of the Organization's board of directors. The reduction in cost was because during 2020, the Organization only charged for 3,908 pounds of food, while donating 23,560 pounds, because of COVID. In addition, for the year ended December 31, 2020, the Organization recorded payments to Wingard (whose CEO is a member of the Organization's board of directors) for public relation services of \$27,396.

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16. Impact of the Corona Virus

In March of 2020, the Coronavirus pandemic caused significant shifts in how the Organization meets the needs of those facing hunger in Northeast Florida. These shifts have been accompanied by significant increases in short and long-term operating expenses as a result.

The shifts include:

- An unprecedented spike in the number of those facing hunger as a result of the economy shutting down, and the slow economic recovery for those hit hardest.
- Severe reductions in food donations at the retail level resulting from increased demand and supply chain issues, and, at the community level with a nearly complete elimination of food drives and food collections. Both factors resulted in the need to purchase millions of pounds of food outside normal operations.
- The need to add a large number of temporary full-time staff to process millions of pounds of more food than previous years.
- Transitioning the Organization's standard food distribution processes to adhere to new social distancing guidelines.
- Fees normally charged to agencies were waived beginning in March 2020 through the end of the year, resulting in food distributed at no cost to the agencies. This included both food that was donated to and purchased by the Organization, as well as delivery fees.

The impact of the Coronavirus pandemic on the Organization, its partner agencies in the emergency food network, and those who are looking for help, many for the first time, is profound. The only constant is the need to adapt and pivot to the unpredictable nature of the pandemic to make sure that the needs of those served are being met now, and in the weeks and months ahead. Increased need will be a reality long after the pandemic has subsided.

17. Subsequent Events

Subsequent to year end, the operating lease for the Jacksonville warehouse was extended for another year to end April 30, 2022 for substantially the same terms.

On January 20, 2021, the Organization's Loan Agreement with Bank of America pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act was paid in full (including applicable interest) by the Small Business Administration.

On April 26, 2021, the Organization entered into a non-binding Sale and Purchase Agreement with an independent third party for the purchase of property located in North Jacksonville for a purchase price of \$3.5 million with a 60 day due diligence.

In preparing these financial statements, management of the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through May 18, 2021, which is the date the financial statements were available to be issued and determined there were no other matters to disclose.

ADDITIONAL INFORMATION

**Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Schedule of Source and Expenditure of City Grant Funds
Per Ordinance Code Chapter 118
City of Jacksonville Public Service Grants for Fiscal Year 2019/2020 Audit**

**City FY 2019-2020
Grant #10565 - 1
Jacksonville Food
Desert Mobile Pantry
(FD-MP)**

RECEIPT OF CITY FUNDS

Amount of award (per City budget ordinance)	\$	45,489
Actual funds received from City in last audit period		(31,553)
Actual amount received this period		(9,387)
Amount due from the City		(4,549)
Amount remaining to be distributed	<u>\$</u>	<u>-</u>

EXPENDITURES OF CITY FUNDS	<u>(Unaudited) Budgeted</u>	<u>Actual 10/01/2019- 12/31/2019</u>	<u>Actual 01/01/2020 - 12/31/2020</u>	<u>Remaining Balance</u>
Direct client expenses:				
Client food	\$ 38,347	\$ 26,195	\$ 12,152	\$ -
Total direct client expenses	38,347	26,195	12,152	-
Employee compensation:				
Sr. Manager of Agency Relations	3,412	2,559	853	-
Client Services Specialist	3,730	2,799	931	-
Total employee compensation	7,142	5,358	1,784	-
TOTAL EXPENDITURES OF CITY FUNDS	<u>\$ 45,489</u>	<u>\$ 31,553</u>	<u>\$ 13,936</u>	<u>\$ -</u>

**Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Schedule of Source and Expenditure of City Grant Funds
Per Ordinance Code Chapter 118
City of Jacksonville Public Service Grants for Fiscal Year 2019/2020 Audit**

**City FY 2019-2020
Grant #10565 - 02
Jacksonville Fresh
Harvest Delivery
Program**

RECEIPT OF CITY FUNDS

Amount of award (per City budget ordinance)	\$	149,521
Actual funds received from City in last audit period		(25,439)
Actual amount received this period		(124,082)
Amount due from the City		-
Amount remaining to be distributed	<u>\$</u>	<u>-</u>

EXPENDITURES OF CITY FUNDS	<u>(Unaudited) Budgeted</u>	<u>Actual 10/01/2019- 12/31/2019</u>	<u>Actual 01/01/2020- 12/31/2020</u>	<u>Remaining Balance</u>
Direct client expenses:				
Client food - Produce Purchases	\$ 112,120	\$ 17,582	\$ 94,538	\$ -
Total direct client expenses	112,120	17,582	94,538	-
Equipment expenses:				
Rental & leases - equipment	12,441	3,157	9,284	-
Total equipment expenses	12,441	3,157	9,284	-
Office expenses:				
Office and other supplies	5,760	-	5,760	-
Total office and other supplies	5,760	-	5,760	-
Employee compensation:				
Driver	19,200	4,700	14,500	-
Total employee compensation	19,200	4,700	14,500	-
TOTAL EXPENDITURES OF CITY FUNDS	<u>\$ 149,521</u>	<u>25,439</u>	<u>124,082</u>	<u>\$ -</u>

**Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Schedule of Source and Expenditure of City Grant Funds
Per Ordinance Code Chapter 118
City of Jacksonville Public Service Grants for Fiscal Year 2019/2020 Audit**

**City FY 2019-2020
Grant # 616270-21
Mobile Market
Program (MMP)
Grant**

RECEIPT OF CITY FUNDS

Amount of award (per City budget ordinance)	\$	149,966
Actual funds received from City in last audit period		-
Actual amount received this period		-
Amount due from the City		(68,586)
Amount remaining to be distributed	\$	81,380

EXPENDITURES OF CITY FUNDS	(Unaudited) Budgeted	Actual 01/01/2020- 12/31/2020	Remaining Balance
Direct Client Expenses			
Client food	\$ 139,212	\$ 63,209	\$ 76,003
Total equipment expenses	139,212	63,209	76,003
Employee compensation:			
Sr. Manager of Agency Relations	5,423	2,712	2,711
Client Services Specialist	5,331	2,665	2,666
Total employee compensation	10,754	5,377	5,377
TOTAL EXPENDITURES OF CITY FUNDS	\$ 149,966	\$ 68,586	\$ 81,380