

BOUNTY & SOUL

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019



CERTIFIED PUBLIC ACCOUNTANTS

Bounty & Soul
Table of Contents
Year Ended December 31, 2019

Independent Auditor's Report.....	1 - 2
Financial Statements:	
<i>Statement of Financial Position</i>	3
<i>Statement of Activities</i>	4
<i>Statement of Functional Expenses</i>	5
<i>Statement of Cash Flows</i>	6
Notes to Financial Statements	7 - 11



CORLISS &
SOLOMON
PLLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bounty & Soul
Black Mountain, North Carolina

We have audited the accompanying financial statements of Bounty & Soul (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bounty & Soul as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Basis of Accounting

Discussed in Note 2 to the financial statements, the entity elected to change its basis of accounting from the modified cash basis of accounting to accounting principles generally accepted in the United States of America, effective January 1, 2019. Our opinion is not modified with respect to this matter.

Carliss & Salaman, PLLC

Asheville, North Carolina

September 22, 2020

Bounty & Soul
Statement of Financial Position
 As of December 31, 2019

Assets

Current Assets

Cash and Cash Equivalents	\$	115,107
Grants Receivable		2,500
Contributions Receivable		6,128
Accounts Receivable		153
Total Current Assets		123,888

Long-Term Assets

Property and Equipment, Net		18,260
Total Long-Term Assets		18,260

Total Assets	\$	142,148
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Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$	695
Payroll and Tax Accrual		6,249
Total Current Liabilities		6,944

Net Assets

Without Donor Restrictions		80,371
With Donor Restrictions		54,833
Total Net Assets		135,204

Total Liabilities and Net Assets	\$	142,148
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The accompanying notes are an integral part of these financial statements.

Bounty & Soul
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grants	\$ 10,000	\$ 55,500	\$ 65,500
Contributions	344,055	21,600	365,655
In-Kind Contributions	1,434,775	-	1,434,775
Other Income	5,751	560	6,311
Net Assets Released From Restrictions	62,036	(62,036)	-
Total Support	1,856,617	15,624	1,872,241
Expenses			
Program Services	1,726,547	-	1,726,547
Management and General	58,823	-	58,823
Fundraising	38,389	-	38,389
Total Expenses	1,823,759	-	1,823,759
Change in Net Assets	32,858	15,624	48,482
Net Assets at Beginning of Year	47,513	39,209	86,722
Net Assets, End of Year	\$ 80,371	\$ 54,833	\$ 135,204

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

Bounty & Soul
Statement of Functional Expenses
Year Ended December 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 176,372	\$ 23,792	\$ 7,219	\$ 207,383
Payroll Taxes	19,652	3,241	604	23,497
Employee Benefits	-	4,061	-	4,061
Total-Salaries and Benefits	<u>196,024</u>	<u>31,094</u>	<u>7,823</u>	<u>234,941</u>
Program Food and Market Supplies	6,170	-	-	6,170
Food Donated for Distribution	1,434,775	-	-	1,434,775
Total-Direct Program	<u>1,440,945</u>	<u>-</u>	<u>-</u>	<u>1,440,945</u>
Advertising	1,697	1,630	-	3,327
Assistance to Individuals	247	-	-	247
Bank Charges and Fees	1,440	814	657	2,911
Conference and Meetings	-	275	-	275
Contract Services	41,144	4,638	11,176	56,958
Depreciation	2,764	2,764	2,764	8,292
Equipment and Repairs	5,725	-	-	5,725
Information Technology	1,465	3,714	-	5,179
Fundraising Fees	-	-	13,813	13,813
Insurance	2,698	3,149	-	5,847
Postage and Shipping	-	139	381	520
Printing and Copying	2,411	163	319	2,893
Rent, Utilities and Repairs	15,744	1,056	1,456	18,256
Supplies	3,162	266	-	3,428
Travel	9,137	9,121	-	18,258
Other Expenses	1,944	-	-	1,944
Total-Other Expenses	<u>89,578</u>	<u>27,729</u>	<u>30,566</u>	<u>147,873</u>
Total Expenses	<u>\$ 1,726,547</u>	<u>\$ 58,823</u>	<u>\$ 38,389</u>	<u>\$ 1,823,759</u>

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

Bounty & Soul
Statement of Cash Flows
Year Ended December 31, 2019

Cash Flows from Operating Activities

Change in Net Assets	\$	48,482
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation		8,292
(Increase)/Decrease in Operating Activities		
Grants Receivable		2,500
Contributions Receivable		3,952
Accounts Receivable		(153)
Prepaid Expenses		2,456
Increase/(Decrease) in Operating Liabilities		
Accounts Payable		695
Payroll and Tax Accrual		2,499
Net Cash Provided by Operating Activities		68,723

Cash Flows from Investing Activities

Property and Equipment		(9,969)
Net Cash Used by Investing Activities		(9,969)
Net Change in Cash and Cash Equivalents		58,754
Cash and Cash Equivalents, Beginning of Year		56,353
Cash and Cash Equivalents, End of Year	\$	115,107

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

Bounty & Soul
Notes to Financial Statements
For the Year Ended December 31, 2019

1. Description of the Organization, Corporate and Tax-Exempt Status

Bounty & Soul (a non-profit organization) strives to improve and build healthier communities in low-income areas. Bounty & Soul distributes fresh, repurposed and locally grown produce and other healthy foods and provides interactive health and wellness education and individualized counseling in a nurturing environment where people feel connected, inspired and valued. In 2019, Bounty & Soul distributed 859,000 pounds of fresh produce and other nourishing foods, serving an average of 277 households/760 individuals each week from Buncombe County and surrounding areas.

Bounty & Soul was established in 2014 as a nonprofit corporation under the laws of the State of North Carolina. It qualifies for exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue code.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require an organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

As stated in the auditor's report, the entity elected to change its basis of accounting from the modified cash basis of accounting to the accounting principles generally accepted in the United States of America, effective January 1, 2019. Management believes the modified cash basis better reflects the overall activities of the organization, and in particular, the presentation of membership revenue. There were no changes to the beginning of year net assets as a result of the change.

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, the organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial assets that potentially subject the organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Fair Value Measurements

In accordance with U.S. GAAP, Bounty & Soul follows "Fair Value Measurements." This standard establishes a single definition of fair value and a framework for measuring fair value in financial statements under U.S. GAAP. Fair value is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at an agreed upon measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market."

Food Inventories

Food inventories represent donated and purchased food. Donated food inventory and the related food revenue and amounts distributed are valued at the approximate average wholesale value of one pound of donated at the national level. The approximate value of food inventory per pound was \$1.67.

Property and Equipment

Property and equipment purchases are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The capitalization threshold is \$5,000 per item.

Support and Revenue Recognition

Revenue is recognized when earned. Program services fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, and unconditional promises to give, or notification or beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. As restrictions expire, net assets are reclassified to net assets without donor restrictions and are reported on the statement of activities as "Net Assets Released from Restrictions."

In-Kind Contributions

The organization recognizes contributed goods and the use of facilities at estimated fair value on the date of receipt. Contributed services are recognized in the financial statements if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When recognized, contributed services are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses that are attributable to more than one program or supporting function, require managements allocation on a reasonable basis that is consistently applied. The primary allocation basis used by management for personnel expenses and applicable overhead expenses is estimated based on employee time and effort.

Income Taxes/Uncertain Tax Positions

Bounty & Soul is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Under the Code, however, income from certain activities not related to an organization's tax-exempt purpose may be subject to taxation as unrelated business income. Bounty & Soul had no income from unrelated business activities during the 2019 fiscal year and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). Bounty & Soul believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

New Accounting Pronouncements

The organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the organization's financial reporting.

In May 2014, the Financial accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, as well as other disclosures. The standard is effective for annual reporting periods beginning after December 15, 2018. The organization has adopted the new standard for calendar year 2019 with modified prospective application. Accordingly, the summarized prior period comparative statements for 2018 have not been adjusted. Impacts to the 2018 financial statements from the revenue recognition standards are not considered significant and not required to be adjusted during the transition period.

3. Liquidity and Availability

The organization's liquidity management plan is to invest cash in excess of daily requirements in a money market account. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following (see following page):

Financial Assets at year end:	
Cash and Cash Equivalents	\$ 115,107
Grants Receivable	2,500
Contributions Receivable	6,128
Accounts Receivable	153
Total Financial Assets	<u>123,888</u>
Less amounts not available to be used in one year:	
Net Assets With Donor Restrictions	54,833
Less net assets with purpose restrictions to be met in less than a year	<u>(52,333)</u>
Total not available to be used in one year	<u>2,500</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 121,388</u></u>

Bounty & Soul has established a goal of maintaining operational cash of 50% (6 months) of the current annual operating budget to assure adequate cash flow.

4. Cash and Cash Equivalents

Cash and cash equivalents balances were as follows as of December 31, 2019:

Operating Account	\$ 60,274
Funds Restricted by Grantor/Donor	54,833
Total Cash and Cash Equivalents	<u><u>\$ 115,107</u></u>

5. Property and Equipment

Property and equipment consist of the following as of December 31, 2019:

Equipment and Furniture	\$ 51,428
Less: Accumulated Depreciation	<u>(33,168)</u>
Property and Equipment, Net	<u><u>\$ 18,260</u></u>

Depreciation expense was \$8,292 for the year ended December 31, 2019.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of December 31, 2019:

CFWNC	\$ 30,000
Harry Chapin Foundation	5,000
TRF	6,262
Mitford Foundation	5,031
Publix Charities	2,247
Other	6,293
Total Net Assets with Donor Restrictions	<u><u>\$ 54,833</u></u>

7. In-Kind Contributions

The organization received approximately 859,000 pounds of healthy food items from local farmers, growers, community gardens, MANNA Food Bank and partnering retail grocers Publix, Walmart and Sam's Club. Such healthy food donations have been valued at \$1.67 per pound as in-kind donations of food which it then provides to clients as part of its program services. The total value of in-kind donations of \$1,434,775 for the year ended December 31, 2019 was reported as both revenue and expense on the statement of activities.

8. Operating Lease Obligations

Bounty & Soul leases office space on annual basis payable in monthly installments of \$775. Annual rent expense was \$9,210 for the year ended December 31, 2019.

9. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of the geographical area in which the organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the organization, to date, the organization is expecting a decline in revenue through the remainder of 2020. A subsequent potential decline in foundation grants and major/individual contributions make it reasonably possible that the organization is vulnerable to the risk of a near-term impact.

Subsequent events have been evaluated through September 22, 2020, which is the date the financial statements were available to be issued.