

BOUNTY & SOUL

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021



CERTIFIED PUBLIC ACCOUNTANTS

Bounty & Soul
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Bounty & Soul (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related disclosures to the financial statements.

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, 2021, 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.

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 Bounty & Soul 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 Bounty & Soul'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 Bounty & Soul'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 Bounty & Soul'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.

Report on Summarized Comparative Information

We have previously audited Bounty & Soul's 2020 financial statements, and our report dated September 22, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Solomon, PLLC

Asheville, North Carolina
December 9, 2022

Bounty & Soul
Statement of Financial Position

As of December 31, 2021

(With summarized comparative totals as of December 31, 2020)

	2021	2020
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 663,527	\$ 489,357
Grants and Contract Receivable	6,250	9,000
Contributions Receivable	5,331	3,131
Other Receivable	3,007	1,145
Prepaid Expenses	10,925	4,618
Total Current Assets	689,040	507,251
<u>Long-Term Assets</u>		
Prepaid - Long-Term	-	4,228
Property and Equipment, Net	70,573	71,425
Total Long-Term Assets	70,573	75,653
Total Assets	\$ 759,613	\$ 582,904
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 11,376	\$ 9,696
Wage and Payroll Tax Accrual	13,767	6,680
Total Current Liabilities	25,143	16,376
<u>Net Assets</u>		
Without Donor Restrictions	617,349	473,951
With Donor Restrictions	117,121	92,577
Total Net Assets	734,470	566,528
Total Liabilities and Net Assets	\$ 759,613	\$ 582,904

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

Bounty & Soul
Statement of Activities
Year Ended December 31, 2021

(With summarized comparative totals for the prior year)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Support				
Contributions	\$ 573,743	\$ 13,500	\$ 587,243	\$ 655,244
Grants and Contracts	23,500	136,315	159,815	218,000
In-Kind Contributions	1,792,375	-	1,792,375	1,975,984
Other Income	601	-	601	4,231
Net Assets Released From Restrictions	125,271	(125,271)	-	-
Total Support	2,515,490	24,544	2,540,034	2,853,459
Expenses				
Program Services	2,261,350	-	2,261,350	2,313,348
Management and General	53,438	-	53,438	55,825
Fundraising	57,304	-	57,304	52,962
Total Expenses	2,372,092	-	2,372,092	2,422,135
Change in Net Assets	143,398	24,544	167,942	431,324
Net Assets, Beginning of Year	473,951	92,577	566,528	135,204
Net Assets, End of Year	\$ 617,349	\$ 117,121	\$ 734,470	\$ 566,528

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

Bounty & Soul

Statement of Functional Expenses

Year Ended December 31, 2021

(With summarized comparative totals for the prior year)

	Program	Management and General	Fundraising	Total 2021	Total 2020
Payroll and Related Expenses:					
Salaries	\$ 225,047	\$ 30,402	\$ 24,794	\$ 280,243	\$ 214,742
Payroll Taxes	21,733	2,912	2,091	26,736	21,429
Employee Benefits	2,863	205	146	3,214	2,142
Total Payroll and Related	<u>249,643</u>	<u>33,519</u>	<u>27,031</u>	<u>310,193</u>	<u>238,313</u>
Advertising	6,219	1,159	5,552	12,930	6,720
Bank and Merchant Fees	-	-	-	-	6,903
Contract Services:					
Accounting	-	7,170	-	7,170	8,375
Professional Fundraising	-	-	11,180	11,180	22,779
Service Providers	72,403	-	-	72,403	43,362
Depreciation	14,354	1,267	1,267	16,888	13,816
Information Technology	1,980	870	4,025	6,875	6,647
Insurance	1,631	3,700	-	5,331	7,217
Market and Food Distribution Supplies	21,482	-	-	21,482	38,997
Miscellaneous Expenses	1,095	1,548	1,437	4,080	9,195
Occupancy	34,423	1,618	638	36,679	20,543
Office Expenses	8,369	2,587	6,174	17,130	3,253
Program Support and Supplies	5,162	-	-	5,162	-
Repairs and Maintenance	-	-	-	-	13,874
Truck Operations and Repairs	21,760	-	-	21,760	6,157
Subtotal Before In-Kind	<u>438,521</u>	<u>53,438</u>	<u>57,304</u>	<u>549,263</u>	<u>446,151</u>
In-Kind Donations Utilized:					
Food Distributed	1,822,829	-	-	1,822,829	1,975,984
Total Expenses	<u>\$2,261,350</u>	<u>\$ 53,438</u>	<u>\$ 57,304</u>	<u>\$2,372,092</u>	<u>\$2,422,135</u>

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

Bounty & Soul
Statement of Cash Flows
Year Ended December 31, 2021

(With summarized comparative totals for the prior year)

	2021	2020
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 167,942	\$ 431,324
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	16,888	13,816
(Increase)/Decrease in Operating Activities		
Grants and Contract Receivable	2,750	(6,500)
Contributions Receivable	(2,200)	2,997
Other Receivable	(1,862)	(992)
Prepaid Expenses	(2,079)	(8,846)
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	1,680	9,001
Wage and Payroll Tax Accrual	7,087	431
Net Cash Provided by Operating Activities	190,206	441,231
<u>Cash Flows from Investing Activities</u>		
Purchase of Equipment	(16,036)	(66,981)
Net Cash Used by Investing Activities	(16,036)	(66,981)
Net Change in Cash and Cash Equivalents	174,170	374,250
Cash and Cash Equivalents, Beginning of Year	489,357	115,107
Cash and Cash Equivalents, End of Year	\$ 663,527	\$ 489,357

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

Bounty & Soul
Disclosures to the Financial Statements
For the Year Ended December 31, 2021

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

Bounty & Soul is an innovative community-based non-profit that strives to improve and build healthier communities in low-income areas. Through our intersectional programming, we address the needs of the whole person by providing consistent, equitable access to nutritious, culturally relevant food, education, and a supportive community for all. Bounty & Soul distributes fresh, repurposed, and locally grown produce and other healthy foods through weekly community markets and healthy food box deliveries as well as provides health and wellness education and individualized nutrition counseling in a nurturing environment where people feel connected, inspired, and valued. In 2021, Bounty & Soul distributed 1,030,300 pounds of fresh produce and other nourishing foods; serving 1,900 individuals, representing 620 households on average per 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 and is funded primarily by contributions from the public and grants. 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 Accounting

The financial statements have been prepared on an accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit organizations.

Financial Statement Presentation

The classification of the organization's net assets, and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets – without donor restrictions and with donor restrictions – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes of net assets are defined as follows:

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

Net Assets With Donor Restrictions - Includes net assets that are subject to restrictions imposed by donors or grantors. Some donor and grantor restrictions are temporary in nature, such as those with a specified purpose or a timeframe for expenditure established by the donor or grantor. Other donor-imposed restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

The organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentration of Credit Risk

Financial instruments that potentially subject the organization to concentrations of credit risk consist principally of cash and cash equivalents. The organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed FDIC 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

Fair value is the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Certain valuation techniques are used to measure fair value. There are three broad levels as follows:

Level 1 – (the highest level) inputs are based on quoted prices in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date. For example, securities traded in an active market are valued using Level 1 inputs.

Level 2 – inputs are observable inputs other than quoted prices, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term.

Level 3 – inputs are unobservable inputs for the asset or liability, meaning the inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability, including inputs related to risk, which have been developed based on the best information available in the circumstances.

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.

Revenue Recognition

Revenue is recognized when earned by delivering services. 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 and Grants

Contributions and grants are recognized in support: (1) when the organization receives cash, securities or other assets from a donor or grantor, (2) when a donor conveys a promise to make a donation in the future, on an unconditional basis, and (3) when a grantor awards a grant to be paid in the future, on an unconditional basis. Contributions and grants with conditions, such as performance requirements, are not recognized until the conditions on which they depend have been substantially met.

In-Kind Contributions

The organization recognizes contributed goods and the use of facilities at estimated fair value on the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. When recognized, contributed services are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the 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 2021 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.

Summarized Comparative Data

The financial statements include certain prior year summarized comparative information. 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 audited financial statements for the year ended December 31, 2020, from which the summarized information was derived. Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

3. Liquidity and Availability

The organization's liquidity management plan includes investing 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:

<u>As of December 31:</u>	2021	2020
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 663,527	\$ 489,357
Grants and Contracts	6,250	9,000
Contributions Receivable	5,331	3,131
Other Receivable	3,007	1,145
Financial assets available to meet general expenditures over the next year	<u>\$ 678,115</u>	<u>\$ 502,633</u>

4. Cash and Cash Equivalents

Cash and cash equivalents balances consists of one checking account held at a local bank. The account is listed separately as follows:

<u>As of December 31:</u>	<u>2021</u>	<u>2020</u>
Operating Account	\$ 546,406	\$ 396,780
Funds Restricted by Grantor/Donor	117,121	92,577
Total Cash and Cash Equivalents	<u>\$ 663,527</u>	<u>\$ 489,357</u>

As of December 31, 2021, the organization had exceeded the FDIC limit in cash accounts by \$392,317. Management believes the organization is not exposed to any significant credit risk on its cash balances.

5. Receivable Balances

The amounts included in grants, contributions, and other receivables totaled \$14,588 and \$13,276 as of December 31, 2021 and 2020, respectively. The current year balances are considered fully collectible, with no allowance for doubtful accounts considered necessary.

6. Property and Equipment

Property and equipment consist of the following:

<u>As of December 31:</u>	<u>2021</u>	<u>2020</u>
Equipment and Furniture	\$ 134,444	\$ 118,409
Less: Accumulated Depreciation	(63,871)	(46,984)
Property and Equipment, Net	<u>\$ 70,573</u>	<u>\$ 71,425</u>

Depreciation expense was \$16,888 and \$13,816 for the years ended December 31, 2021, and 2020, respectively.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes:

<u>As of December 31:</u>	<u>2021</u>	<u>2020</u>
Food, Health and Wellness Education and Resources, and Community Outreach	\$ 1,790	\$ 88,047
Market (PTP) & Farmers Alliance	38,000	-
Deputy Director Position	64,815	-
Capital Campaign	10,000	-
Other	2,516	4,530
Total Net Assets with Donor Restrictions	<u>\$ 117,121</u>	<u>\$ 92,577</u>

8. In-Kind Contributions

The organization received over one million pounds of food from local farmers, growers, community gardens, MANNA Food Bank and partnering retail grocers Publix, Walmart, and Sam's Club for distribution to individuals in need. These donations have been valued at \$1.74 per pound based on prevailing rates used by food banks.

The total amounts reported as revenue and expense on the statement of activities were \$1,791,175 and \$1,975,984 for the years ended December 31, 2021 and 2020, respectively.

9. Operating Lease Obligations

Bounty & Soul leases office space on an annual basis, payable in monthly installments of \$800 starting October 2021 and future minimum lease payments for six months. Termination of the lease requires 90 days' notice. Annual rent expense was \$9,600 and \$9,300 for the years ended December 31, 2021, and 2020, respectively.

In May 2021, Bounty & Soul entered into a lease agreement for a warehouse to streamline its distribution activities. Terms of the lease are for two years, with rent ranging from \$2,737 to \$2,867 per month. The total rent expense for the warehouse for the year ended December 31, 2021, is \$16,436. Future minimum lease obligations consist of the following:

<u>Years ending December 31:</u>	<u>Office Rent</u>	<u>Warehouse</u>	<u>Total</u>
2022	\$ 4,800	\$ 13,683	\$ 18,483
2023	-	20,071	20,071
Total Remaining Obligations	<u>\$ 4,800</u>	<u>\$ 33,754</u>	<u>\$ 38,554</u>

10. Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the effects of the global situation on the organization's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial conditions, or liquidity for the fiscal year 2022.

11. Subsequent Events

Subsequent events have been evaluated through December 9, 2022, which is the date the financial statements were available to be issued.