

BOUNTY & SOUL

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022



CERTIFIED PUBLIC ACCOUNTANTS

Bounty & Soul
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INDEPENDENT AUDITORS' 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, 2022, 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, 2022, 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 Auditors' 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.

Auditors' 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 auditors' 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 2021 financial statements, and our report dated December 9, 2022, 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, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Solomon, PLLC

Asheville, North Carolina

October 25, 2023

Bounty & Soul
Statement of Financial Position

As of December 31, 2022

(With summarized comparative totals as of December 31, 2021)

	2022	2021
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 875,304	\$ 663,527
Grants and Contract Receivable	12,771	6,250
Contributions Receivable	13,809	5,331
Other Receivable	3,461	3,007
Prepaid Expenses	4,169	10,925
Total Current Assets	909,514	689,040
<u>Long-Term Assets</u>		
Property and Equipment, Net	108,135	70,573
Right-of-Use Assets	145,388	-
Total Long-Term Assets	253,523	70,573
Total Assets	\$ 1,163,037	\$ 759,613
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 22,435	\$ 11,376
Wage and Payroll Tax Accrual	8,631	13,767
Current Operating Lease Liability	29,528	-
Total Current Liabilities	60,594	25,143
<u>Long-Term Liabilities</u>		
Operating Lease Liability	116,294	-
Total Long Term Liability	116,294	-
<u>Net Assets</u>		
Without Donor Restrictions	747,417	617,349
With Donor Restrictions	238,732	117,121
Total Net Assets	986,149	734,470
Total Liabilities and Net Assets	\$ 1,163,037	\$ 759,613

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

Bounty & Soul
Statement of Activities
Year Ended December 31, 2022

(With summarized comparative totals for the prior year)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Support				
Contributions	\$ 621,104	\$ -	\$ 621,104	\$ 587,243
Grants and Contracts	46,729	465,247	511,976	159,815
In-Kind Contributions	1,950,673	-	1,950,673	1,792,375
Program Income	72,078	-	72,078	-
Special Events/Other Income	18,315	-	18,315	601
Net Assets Released from Restrictions	343,636	(343,636)	-	-
Total Support	3,052,535	121,611	3,174,146	2,540,034
Expenses				
Program Services	2,750,915	-	2,750,915	2,261,350
Management and General	88,558	-	88,558	53,438
Fundraising	82,995	-	82,995	57,304
Total Expenses	2,922,467	-	2,922,467	2,372,092
Change in Net Assets	130,068	121,611	251,679	167,942
Net Assets, Beginning of Year	617,349	117,121	734,470	566,528
Net Assets, End of Year	\$ 747,417	\$ 238,732	\$ 986,149	\$ 734,470

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

Bounty & Soul
Statement of Functional Expenses
Year Ended December 31, 2022

(With summarized comparative totals for the prior year)

	Program	Management and General	Fundraising	Total 2022	Total 2021
Payroll and Related Expenses:					
Salaries	\$ 460,910	\$ 38,549	\$ 59,220	\$ 558,679	\$ 280,243
Payroll Taxes	37,783	3,160	4,855	45,798	26,736
Employee Benefits	8,670	596	829	10,095	3,214
Total Payroll and Related	<u>507,364</u>	<u>42,305</u>	<u>64,904</u>	<u>614,572</u>	<u>310,193</u>
Advertising	1,578	-	3,609	5,187	12,930
Contract Services:					
Accounting	-	20,579	-	20,579	7,170
Legal Fees	-	4,416	-	4,416	-
Professional Fundraising	-	-	2,878	2,878	11,180
Service Providers	62,271	2,826	-	65,097	72,403
Information Technology		1,808	4,774	6,582	6,875
Food Distribution Supplies	17,537	-	-	17,537	21,482
Food Purchases	64,216	-	-	64,216	30,454
Insurance	3,275	4,022	180	7,477	5,331
Miscellaneous Expenses	12,490	-	-	12,490	4,080
Occupancy	48,466	1,444	560	50,470	36,679
Office Expenses	9,050	9,234	4,570	22,854	17,130
Program Support and Supplies	37,458	-	-	37,458	5,162
Travel	-	404	-	404	-
Truck Operations and Repairs	24,311	-	-	24,311	21,760
Subtotal Expenses	<u>788,016</u>	<u>87,038</u>	<u>81,475</u>	<u>956,528</u>	<u>562,829</u>
Depreciation	17,226	1,520	1,520	20,266	16,888
In-Kind Donations Utilized:					
Food Distributed	1,945,673	-	-	1,945,673	1,792,375
Total Expenses	<u>\$ 2,750,915</u>	<u>\$ 88,558</u>	<u>\$ 82,995</u>	<u>\$ 2,922,467</u>	<u>\$ 2,372,092</u>

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

Bounty & Soul
Statement of Cash Flows
Year Ended December 31, 2022

(With summarized comparative totals for the prior year)

	2022	2021
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 251,679	\$ 167,942
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	20,266	16,888
(Increase)/Decrease in Operating Activities		
Grants and Contract Receivable	(6,521)	2,750
Contributions Receivable	(8,478)	(2,200)
Other Receivable	(454)	(1,862)
Prepaid Expenses	6,756	(2,079)
Right-Of-Use Asset Adjustment	434	-
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	11,059	1,680
Wage and Payroll Tax Accrual	(5,136)	7,087
Net Cash Provided by Operating Activities	269,605	190,206
<u>Cash Flows from Investing Activities</u>		
Purchase of Equipment	(57,828)	(16,036)
Net Cash Used by Investing Activities	(57,828)	(16,036)
Net Change in Cash and Cash Equivalents	211,777	174,170
Cash and Cash Equivalents, Beginning of Year	663,527	489,357
Cash and Cash Equivalents, End of Year	\$ 875,304	\$ 663,527
Supplemental Disclosure:		
Right of Use Asset	\$ 145,388	\$ -

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

Bounty & Soul
Disclosures to the Financial Statements
For the Year Ended December 31, 2022

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

Bounty & Soul is a community-based non-profit that works to improve food and health equity in Western North Carolina. Our mission is to connect, share, and celebrate nutritious food, education, and community in the WNC region. Participants are under-resourced households in Buncombe, NC, and surrounding counties who experience food insecurity and health inequities. With no prerequisites for eligibility, all may feel comfortable seeking services. Through our interconnected programs, we address food insecurity, the health and well-being of the whole person, and the sustainability of the local food system through an equity and trauma-informed lens. In 2022, Bounty & Soul distributed 1,080,118 pounds of fresh produce and other nourishing foods; serving 106,527 individuals, representing 32,848 households, 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.

Contributions and Grants Receivable

Contributions and grants receivable, without conditions, and expected to be collected within one year are recorded at net realizable value; those expected to be collected in more than one year are recorded at the present value of their future cash flows, using a risk adjusted interest rate. Any provision for uncollectible receivables is estimated by management based on historical collection experience.

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.

Program Service Revenue

In accordance with U.S. GAAP, the organization follows *ASU 2014-09, Revenue from Contracts with Customers*, (Topic 606), which 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 Healthy Opportunities Pilot (HOP) is an innovative program that allows nonprofit human service organizations (HSO) to receive Medicaid reimbursements from private health plans for services they provide relating to food, housing transportation and personal safety. Bounty & Soul participates in this pilot as an HSO delivering healthy food boxes to qualifying Medicaid members.

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.

Leases

The organization has adopted Accounting Standards Update (ASU) *No. 2016-02 Leases (Topic 842)* as management believes the standard improves the usefulness and understandability of the organization's financial reporting. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases, except for short-term leases of less than 12 months. The new standard represents an improvement over the previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The standard was effective for annual reporting periods beginning after December 15, 2021. During the transition period, implementation is presented retrospectively at the beginning of the period of adoption through a cumulative-effective adjustment and no adjustment to the prior year's financial statements presented. The Organization adopted (ASU) *No. 2016-02 Leases (Topic 842)* effective January 1, 2022, and utilized all of the available practical expedients.

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 the 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 management 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 2022 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, 2021, 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>	<u>2022</u>	<u>2021</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 875,304	\$ 663,527
Grants and Contracts	12,771	6,250
Contributions Receivable	13,809	5,331
Other Receivable	3,461	3,007
Financial assets available to meet general expenditures over the following year	<u>\$ 905,345</u>	<u>\$ 678,115</u>

4. Cash and Cash Equivalents

Cash and cash equivalents balances consists of the following:

<u>As of December 31:</u>	<u>2022</u>	<u>2021</u>
Checking Account	\$ 669,065	\$ 663,527
Money Market Account	206,239	-
Total Cash and Cash Equivalents	<u>\$ 875,304</u>	<u>\$ 663,527</u>

As of December 31, 2022, the organization had exceeded the FDIC limit in cash accounts by \$611,837. Management believes the organization is not exposed to any significant credit risk on its cash balances. Net assets with Donor Restrictions were not required to be held in separate bank accounts. The organization continues to track restricted cash available in checking accounts for upcoming programs totaling \$278,603 as of December 31, 2022.

5. Receivable Balances

The amounts included in grants, contributions, and other receivables totaled \$30,041 and \$14,588 as of December 31, 2022 and 2021, respectively. The current year balances are considered fully collectible, with no allowance for doubtful accounts considered necessary.

6. Property and Equipment

Property and equipment consists of the following:

<u>As of December 31:</u>	<u>2022</u>	<u>2021</u>
Equipment and Furniture	\$ 72,392	\$ 32,037
Vehicles	119,880	102,407
Less: Accumulated Depreciation	(84,137)	(63,871)
Property and Equipment, Net	<u>\$ 108,135</u>	<u>\$ 70,573</u>

Depreciation expenses were \$20,266 and \$16,888 for the years ended December 31, 2022, and 2021, 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>2022</u>	<u>2021</u>
Food Distribution, Health & Wellness Education & Resources, Community Outreach	\$ 52,142	\$ 39,790
Health Opportunity Program	79,740	-
Deputy Director Position and Staff Support	85,000	64,815
Strategic Planning for Future Growth	21,850	10,000
Other	-	2,516
Total Net Assets With Donor Restrictions	<u>\$ 238,732</u>	<u>\$ 117,121</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, Trader Joe's, Whole Foods, and Sam's Club for distribution to individuals in need. These donations have been valued at \$1.86 per pound based on prevailing rates used by food banks.

The total amounts reported as expenses on the statement of activities were \$1,945,673 and \$1,792,375 for the years ended December 31, 2022, and 2021, respectively.

9. Operating Lease Obligations

In 2022, Bounty & Soul implemented lease standard *ASU 2016-02* during the year to record leases as assets and liabilities on the financial statements. Bounty and Soul began leasing an office in October 2022 and a warehouse in November 2022. The lease agreements are reflected as a right-of-use asset and an operating lease liability on the statement of financial position. The present value of the right-of-use asset and lease liability uses an accepted risk-free discount rate and accounts for lease and non-lease components as a single lease component. The assets and liabilities reflected on the financial statements for the right-of-use asset for \$145,388 and operating lease liabilities were \$145,822 as of December 31, 2022. Average lease payments recorded for the lease term are 2,039 per month. The weighted average remaining lease term is 54 months, and the weighted average discount rate was 4.24%. Required lease liability by year for the remainder of the lease term is as follows:

<u>Years Ending December 31:</u>	
2023	\$ 35,028
2024	36,276
2025	35,066
2026	28,881
2027	25,062
Total Undiscounted Cash Flows	<u>160,313</u>
Less: Present Value Discount	<u>(14,491)</u>
Total Lease Liabilities	<u><u>\$ 145,822</u></u>

10. Subsequent Events

Subsequent events have been evaluated through October 25, 2023, which is the date the financial statements were available to be issued.