

SELMA AREA FOOD BANK, INC.

DECEMBER 31, 2023

FINANCIAL STATEMENTS

SELMA AREA FOOD BANK, INC.

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Branum & Company, P.C.

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Selma Area Food Bank, Inc.

Opinion

We have audited the accompanying financial statements of Selma Area Food Bank, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 Selma Area Food Bank, Inc. as of December 31, 2023, 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 of 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 Selma Area Food Bank, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Selma Area Food Bank, Inc.'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 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 judgement 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 Selma Area Food Bank, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Selma Area Food Bank, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Branum & Company, P.C.

Greenville, Alabama
November 1, 2024

SELMA AREA FOOD BANK, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023

ASSETS

CURRENT ASSETS:

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 266,890 |
| Accounts receivable | 65,541 |
| Marketable securities | <u>245,726</u> |
| Total current assets | <u>578,157</u> |

PROPERTY AND EQUIPMENT, AT COST:

| | |
|--------------------------------|----------------|
| Property and equipment | 419,341 |
| Less: Accumulated depreciation | <u>241,243</u> |
| Total property and equipment | <u>178,098</u> |

| | |
|--------------|--------------------------|
| Total assets | <u><u>\$ 756,255</u></u> |
|--------------|--------------------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

| | |
|---------------------------|---------------|
| Accounts payable | \$ 11,908 |
| Accrued liabilities | <u>4,001</u> |
| Total current liabilities | <u>15,909</u> |

| | |
|-------------------|---------------|
| Total liabilities | <u>15,909</u> |
|-------------------|---------------|

NET ASSETS:

| | |
|----------------------------|----------------|
| With donor restrictions | - |
| Without donor restrictions | <u>740,346</u> |

| | |
|----------------------------------|--------------------------|
| Total liabilities and net assets | <u><u>\$ 756,255</u></u> |
|----------------------------------|--------------------------|

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

SELMA AREA FOOD BANK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

| | |
|-----------------------------------|--------------------------|
| PUBLIC SUPPORT AND REVENUE: | |
| Donations | \$ 136,970 |
| Grants | 251,511 |
| Shared maintenance fees | 110,449 |
| In-kind contribution | 42,500 |
| USDA reimbursement | 60,237 |
| Investment income | 30,397 |
| Other income | <u>1,000</u> |
| Total public support and revenue | <u>633,064</u> |
| EXPENSES: | |
| Program services | 494,485 |
| General and administrative | 33,909 |
| Fundraising | <u>7,925</u> |
| Total expenses | <u>536,319</u> |
| | |
| Increase (decrease) in net assets | 96,745 |
| | |
| NET ASSETS AT BEGINNING OF YEAR | <u>643,601</u> |
| | |
| NET ASSETS AT END OF YEAR | <u><u>\$ 740,346</u></u> |

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

SELMA AREA FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Program Services | General and Administrative | Fundraising | Total |
|--------------------------------|---------------------|----------------------------------|-------------|------------|
| Salaries | \$ 174,546 | \$ 19,394 | | \$ 193,940 |
| Employee benefits | 22,276 | 2,475 | | 24,751 |
| Payroll taxes | 13,449 | 1,494 | | 14,943 |
| Total personnel | 210,271 | 23,363 | - | 233,634 |
| Purchases | 90,924 | | | 90,924 |
| Truck fuel | 31,787 | | | 31,787 |
| Advertising & public relations | 15,077 | | \$ 6,462 | 21,539 |
| Depreciation | 33,961 | | | 33,961 |
| Dues and subscriptions | 1,197 | | | 1,197 |
| Insurance expense | 8,856 | 2,214 | | 11,070 |
| Miscellaneous | 2,820 | | | 2,820 |
| Office supplies and expense | 11,700 | 1,463 | 1,463 | 14,626 |
| Taxes & Licenses | 1,424 | | | 1,424 |
| Telephone | 2,594 | 137 | | 2,731 |
| Accounting | | 2,550 | | 2,550 |
| Pest control | 1,140 | 60 | | 1,200 |
| Rent expense | 40,375 | 2,125 | | 42,500 |
| Repairs and maintenance | 6,315 | 332 | | 6,647 |
| Warehouse expense | 4,406 | | | 4,406 |
| Utilities | 31,638 | 1,665 | | 33,303 |
| Total functional expenses | \$ 494,485 | \$ 33,909 | \$ 7,925 | \$ 536,319 |

See Auditors' Report on supplementary information.

SELMA AREA FOOD BANK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
Increase (Decrease) in Cash and Cash Equivalents

| | |
|--|--------------------------|
| CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES: | |
| Increase (decrease) in net assets | \$ 96,745 |
| Adjustments to reconcile change in net assets to cash from (used for) operating activities: | |
| Depreciation | 33,961 |
| (Increase) decrease in fair value of investments | (21,508) |
| (Increase) decrease in accounts receivable | (65,541) |
| (Increase) decrease in inventory | 29,115 |
| Increase (decrease) in accounts payable | 5,319 |
| Increase (decrease) in accrued liabilities | <u>4,001</u> |
| Net cash from (used for) operating activities | <u>82,092</u> |
| CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES: | |
| Acquisition of property and equipment | <u>(6,582)</u> |
| Net cash from (used for) investing activities | <u>(6,582)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 75,510 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>191,380</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 266,890</u></u> |
| SUPPLEMENTAL DATA: | |
| Interest paid | \$ - |
| Non-cash donations | 42,500 |

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

SELMA AREA FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization - Selma Area Food Bank, Inc. (the Organization) is an Alabama nonprofit organization operating as a central clearing house for collecting, sorting, storing and distributing food products and supplies to qualified member agencies. The Organization primarily serves four counties in central Alabama: Dallas, Perry, Wilcox and Marengo. Feeding America, the food bank network of which Selma Area Food Bank, Inc. is a member, designates certain counties for each food bank in order to assure equitable distribution of available foods. There are nine Feeding America food banks in Alabama, each with a specific area. Any charitable, nonprofit organization within the assigned Feeding America service area may apply to become a member of the Organization. As part of the application process, the applying organization documents its exemption with the Internal Revenue Service under Section 501(c)(3), certifies that the food will be stored in a clean, sanitary, and secure condition, that the food will not be sold, bartered, swapped, or traded, and that it will maintain records of accountability. After reviewing the application, the Organization's staff visits the member organization to review the program. The staff prepares a report to the Board of Directors which by formal resolution either accepts or rejects the application for membership based upon merit.

Basis of accounting and presentation - The accounting records of the Organization are maintained using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation - The Organization's net assets, revenue, expenses, gains, or losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations.

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are classified in the class if the donor limited their use.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

SELMA AREA FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Expirations of net assets with donor restrictions (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.

Cash and cash equivalents - For the purposes of cash flows, the Organization considers all cash and liquid investments with a maturity of three months or less to be cash equivalents. Restricted cash and cash equivalents are limited in use to payments designated by the various grant agreements which were advanced prior to year-end and not spent.

Accounts receivable - All accounts receivable are considered by management to be collectible; therefore, no allowance for doubtful accounts has been provided.

Functional allocation of expenses - The costs of providing various programs and 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 are attributable to more than one program or supporting function and are allocated 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 time and effort.

Support - All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions. Contributions received with donor-imposed conditions are restrictions that are in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Contributed services - For the year ended December 31, 2023, donated services have been reflected in the statements at the estimated fair market value of such services except for individual's volunteer time which does not meet the criteria for recognition as contributed services. However, a substantial number of volunteers have donated significant amounts of their time to the Organization's program services.

Property and equipment - Significant additions and improvements with a cost of \$1,000 or more are capitalized. Disbursements for maintenance, repairs and minor renovations are recorded as expenses as incurred. All property and equipment are recorded at cost at date of acquisition or fair value at date of

SELMA AREA FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

donation in the case of gifts. Property and equipment acquired with grant monies are considered to be owned by the Organization while used for general operations. Depreciation is computed using straight line method over the estimated useful lives of the assets in service. The estimated useful lives used to compute depreciation are as follows:

| | |
|----------------------------|-------------|
| Property and equipment | 5 - 7 years |
| Buildings and improvements | 39 years |

Use of estimates - 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Investments - Investments are stated at cost. Interest and dividends are recognized when received. Realized gains and losses are recognized when investments are sold. Unrealized gains and losses are not recognized until a sale occurs.

Shared maintenance fees - The Organization distributes food to approximately 46 agencies that are charged a handling fee on a per pound basis, not to exceed nineteen cents per pound. These charges are reflected as shared maintenance fees in the accompanying financial statements.

Donations - Donations of noncash assets are recorded at their fair values in the period received.

Income tax status - The Organization qualifies as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is made in the financial statements. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Subsequent events - Subsequent events have been evaluated through November 1, 2024, which is the date the financial statements were issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Organization has \$578,157 of financial assets available within one year of the financial position date December 31, 2023, to meet cash needs for general expenditures, that is, without donor or other restrictions limiting their use, consisting of cash and cash equivalents of \$266,890, accounts receivable of \$65,541, and marketable securities of \$245,726.

SELMA AREA FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 - CASH:

The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses on such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4 - INVESTMENTS:

Investments consist primarily of securities traded on the national stock exchange. Securities are stated at market value.

Investments in marketable securities at December 31, 2023, consist of the following:

| | <u>COST</u> | <u>FAIR VALUE</u> |
|-------------------|-------------------|-----------------------|
| Equity securities | \$ 135,379 | \$ 158,379 |
| ETF mutual funds | 90,030 | 87,347 |
| Totals | <u>\$ 225,409</u> | <u>\$ 245,726</u> |

Net investment return is reported in the statement of activities and consists of income from investments (interest and dividend income, realized and unrealized capital gains and losses) less any external investment expenses.

Investment income includes \$23,734 increase in fair value over cost in the years ended December 31, 2023.

NOTE 5 - DONATED FACILITIES:

The Organization is provided office and warehouse space at no charge from the Montgomery Food Bank. The fair market value of the office space is \$42,500 per year. The rent expense and offsetting donation from the Montgomery Food Bank are included in the financial statements. The office space is used for general and administrative activities of the Organization. In valuing the fair market of rent for the building, the Organization estimated the fair value on the basis of recent comparable rental prices in the area.

NOTE 6 - LEASES:

For the year ended December 31, 2022, the Organization accounted for capital leases under ASC Topic 840. As of January 1, 2023, the Organization adopted the provisions of ASC Topic 842, using the modified retrospective transition method. The adoption of this standard resulted in no cumulative effect adjustment.

There were no finance leases at the conclusion of calendar year 2023.