



Financial Statements

for

INTER-FAITH FOOD SHUTTLE

Years Ended June 30, 2023 and 2022
with Report of Independent Auditors

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Report of Independent Auditors

Board of Directors
Inter-Faith Food Shuttle
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Inter-Faith Food Shuttle (the Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 audits. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS and *Government 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 GAAS and *Government 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Dean Dotson Allen Ford, PLLC

Raleigh, North Carolina
October 5, 2023

INTER-FAITH FOOD SHUTTLE
Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,687,424	\$ 4,194,421
Investments	4,338,985	2,204,865
Accounts receivable	329,946	78,916
Inventory-in-kind	439,623	503,180
Prepaid expenses	<u>550,046</u>	<u>441,924</u>
Total current assets	8,346,024	7,423,306
Property and equipment:		
Buildings and leasehold improvements	580,179	538,891
Vehicles and equipment	<u>1,632,355</u>	<u>1,330,669</u>
	2,212,534	1,869,560
Less accumulated depreciation	<u>(1,143,645)</u>	<u>(993,358)</u>
Property and equipment, net	1,068,889	876,202
Other assets:		
Right of use assets (leases), net	<u>471,121</u>	<u>-</u>
Total assets	<u>\$ 9,886,034</u>	<u>\$ 8,299,508</u>

See accompanying notes.

INTER-FAITH FOOD SHUTTLE
 Statements of Financial Position
 June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 373,671	\$ 371,754
Paid time off accrual	42,072	40,616
Deferred revenue	27,800	-
Current portion of lease obligations - operating	<u>219,303</u>	<u>-</u>
Total current liabilities	662,846	412,370
Noncurrent liabilities:		
Noncurrent portion of lease obligations - operating	<u>258,394</u>	<u>-</u>
Total liabilities	921,240	412,370
Net assets:		
Without donor restrictions	7,839,998	7,326,063
With donor restrictions	<u>1,124,796</u>	<u>561,075</u>
Total net assets	<u>8,964,794</u>	<u>7,887,138</u>
Total liabilities and net assets	<u>\$ 9,886,034</u>	<u>\$ 8,299,508</u>

See accompanying notes.

INTER-FAITH FOOD SHUTTLE

Statement of Activities
Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Food donations in-kind	\$ 19,549,808	\$ -	\$ 19,549,808
Grants	3,022,775	1,010,909	4,033,684
Donations:			
Businesses	957,416	-	957,416
Individuals	1,881,886	-	1,881,886
Churches	107,925	-	107,925
Civic groups	54,945	-	54,945
Foundations	483,087	-	483,087
In-kind donations	61,787	-	61,787
Fees for services	648,150	-	648,150
Gain on sale of equipment	4,265	-	4,265
Net realized and unrealized gain on investments	129,506	-	129,506
Interest and dividend income	67,650	-	67,650
	26,969,200	1,010,909	27,980,109
Net assets released from restriction	447,188	(447,188)	-
Total revenues, gains, and other support	27,416,388	563,721	27,980,109
Expenses:			
Program services:			
Food distribution in-kind	19,613,365	-	19,613,365
Other food distribution	2,681,482	-	2,681,482
Total food distribution	22,294,847	-	22,294,847
Job training/food service	658,040	-	658,040
Nutrition/farm and garden	2,630,602	-	2,630,602
Total program services	25,583,489	-	25,583,489
Supporting services:			
Fundraising	539,572	-	539,572
Administrative	779,392	-	779,392
Total supporting services	1,318,964	-	1,318,964
Total expenses	26,902,453	-	26,902,453
Change in net assets	513,935	563,721	1,077,656
Net assets, beginning of year	7,326,063	561,075	7,887,138
Net assets, end of year	\$ 7,839,998	\$ 1,124,796	\$ 8,964,794

See accompanying notes.

INTER-FAITH FOOD SHUTTLE

Statement of Activities
Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Food donations in-kind	\$ 17,428,888	\$ -	\$ 17,428,888
Grants	853,828	518,075	1,371,903
Donations:			
Businesses	1,057,146	43,000	1,100,146
Individuals	2,184,442	-	2,184,442
Churches	103,417	-	103,417
Civic groups	71,580	-	71,580
Foundations	740,054	-	740,054
In-kind donations	66,655	-	66,655
Fees for services	233,526	-	233,526
Gain on sale of equipment	1,244	-	1,244
Net realized and unrealized loss on investments	(318,274)	-	(318,274)
Interest and dividend income	27,671	-	27,671
	22,450,177	561,075	23,011,252
Net assets released from restriction	415,461	(415,461)	-
Total revenues, gains, and other support	22,865,638	145,614	23,011,252
Expenses:			
Program services:			
Food distribution in-kind	17,392,282	-	17,392,282
Other food distribution	1,986,489	-	1,986,489
Total food distribution	19,378,771	-	19,378,771
Job training/food service	634,119	-	634,119
Nutrition/farm and garden	2,155,383	-	2,155,383
Total program services	22,168,273	-	22,168,273
Supporting services:			
Fundraising	503,836	-	503,836
Administrative	642,321	-	642,321
Total supporting services	1,146,157	-	1,146,157
Total expenses	23,314,430	-	23,314,430
Change in net assets	(448,792)	145,614	(303,178)
Net assets, beginning of year	7,774,855	415,461	8,190,316
Net assets, end of year	\$ 7,326,063	\$ 561,075	\$ 7,887,138

See accompanying notes.

INTER-FAITH FOOD SHUTTLE
Statement of Functional Expenses
Year ended June 30, 2023

	Program Services				Supporting Services			Total
	Food Distribution	Job Training/ Food Service	Nutrition/ Farm and Garden	Total Program Services	Fundraising	Administrative	Total Supporting Services	
Food distribution in-kind	\$ 19,613,365	\$ -	\$ -	\$ 19,613,365	\$ -	\$ -	\$ -	\$ 19,613,365
Salaries	644,111	330,952	1,074,858	2,049,921	291,165	489,392	780,557	2,830,478
Food	1,060,441	160,506	779,695	2,000,642	11	-	11	2,000,653
Awards and grants	320,137	150	64,052	384,339	-	-	-	384,339
Employee benefits	61,042	37,911	88,916	187,869	12,893	46,693	59,586	247,455
Facility costs	54,483	31,328	121,296	207,107	-	34,052	34,052	241,159
Payroll taxes	47,429	24,469	79,962	151,860	22,213	35,883	58,096	209,956
Depreciation	51,078	31,034	114,132	196,244	-	2,913	2,913	199,157
Vehicle maintenance	184,997	2,122	2,431	189,550	-	-	-	189,550
Fundraising	232	9	826	1,067	119,141	18	119,159	120,226
Warehouse supplies	59,285	705	43,558	103,548	-	269	269	103,817
Vehicle gasoline	83,166	2,979	15,407	101,552	-	-	-	101,552
Technology	16,519	2,030	23,897	42,446	20,313	20,681	40,994	83,440
Insurance	24,702	7,321	18,715	50,738	-	23,666	23,666	74,404
Farm expense	-	-	64,945	64,945	-	-	-	64,945
Travel/staff development	23,938	1,961	19,275	45,174	1,123	13,833	14,956	60,130
Miscellaneous	15,593	-	35,712	51,305	-	7,367	7,367	58,672
Maintenance	8,598	2,690	30,024	41,312	3,589	9,945	13,534	54,846
Subcontractors	170	-	883	1,053	31,500	7,500	39,000	40,053
Professional fees	-	-	375	375	6,385	23,718	30,103	30,478
Printing/copying	173	239	6,954	7,366	19,836	158	19,994	27,360
Bank charges	7	139	80	226	-	25,329	25,329	25,555
Utilities	284	128	24,869	25,281	-	-	-	25,281
Postage and freight	15,868	1,084	1,782	18,734	4,195	1,856	6,051	24,785
Food service supplies	1,104	19,275	1,444	21,823	-	53	53	21,876
Dues and subscriptions	125	240	249	614	-	17,640	17,640	18,254
Business gifts/recognition	487	89	2,165	2,741	73	11,451	11,524	14,265
Office supplies	856	100	5,002	5,958	389	6,368	6,757	12,715
Training	605	155	8,299	9,059	303	207	510	9,569
Advertising	145	130	315	590	6,240	75	6,315	6,905
Uniforms/laundry	4,912	294	484	5,690	-	167	167	5,857
Licenses and taxes	995	-	-	995	203	77	280	1,275
Interest and penalties	-	-	-	-	-	81	81	81
Total functional expenses	<u>\$ 22,294,847</u>	<u>\$ 658,040</u>	<u>\$ 2,630,602</u>	<u>\$ 25,583,489</u>	<u>\$ 539,572</u>	<u>\$ 779,392</u>	<u>\$ 1,318,964</u>	<u>\$ 26,902,453</u>

See accompanying notes.

INTER-FAITH FOOD SHUTTLE
Statement of Functional Expenses
Year ended June 30, 2022

	Program Services				Supporting Services			Total
	Food Distribution	Job Training/ Food Service	Nutrition/ Farm and Garden	Total Program Services	Fundraising	Administrative	Total Supporting Services	
Food distribution in-kind	\$ 17,392,282	\$ -	\$ -	\$ 17,392,282	\$ -	\$ -	\$ -	\$ 17,392,282
Salaries	578,978	352,768	968,191	1,899,937	278,790	404,747	683,537	2,583,474
Food	845,730	122,509	494,024	1,462,263	22	2,574	2,596	1,464,859
Facility costs	54,740	31,476	112,773	198,989	-	34,213	34,213	233,202
Employee benefits	52,024	36,508	76,543	165,075	18,806	32,690	51,496	216,571
Payroll taxes	43,115	26,013	71,404	140,532	20,652	29,831	50,483	191,015
Depreciation	31,730	31,034	119,446	182,210	511	3,433	3,944	186,154
Vehicle maintenance	120,733	773	12,176	133,682	-	-	-	133,682
Fundraising	263	26	809	1,098	128,740	51	128,791	129,889
Farm expense	505	-	97,507	98,012	-	-	-	98,012
Vehicle gasoline	76,964	2,650	8,081	87,695	-	-	-	87,695
Miscellaneous	64,959	3,524	11,853	80,336	-	-	-	80,336
Technology	10,610	1,284	23,829	35,723	17,242	17,520	34,762	70,485
Warehouse supplies	32,554	229	36,560	69,343	6	-	6	69,349
Insurance	25,428	8,928	15,447	49,803	-	19,295	19,295	69,098
Maintenance	8,117	492	29,393	38,002	1,566	6,825	8,391	46,393
Travel/staff development	7,009	156	6,937	14,102	4,377	12,747	17,124	31,226
Printing/copying	616	-	10,589	11,205	15,501	3,765	19,266	30,471
Professional fees	2,101	-	1,658	3,759	2,880	22,250	25,130	28,889
Bank charges	2	98	67	167	111	27,436	27,547	27,714
Postage and freight	17,199	34	2,811	20,044	3,342	1,937	5,279	25,323
Utilities	99	206	20,834	21,139	-	-	-	21,139
Food service supplies	382	14,845	2,982	18,209	316	129	445	18,654
Dues and subscriptions	5,549	144	54	5,747	489	10,547	11,036	16,783
Office supplies	677	26	5,180	5,883	582	6,595	7,177	13,060
Awards and grants	100	-	12,558	12,658	-	-	-	12,658
Business gifts/recognition	119	-	4,090	4,209	579	5,486	6,065	10,274
Advertising	245	-	1,659	1,904	6,667	-	6,667	8,571
Subcontractors	1,646	-	3,452	5,098	2,350	-	2,350	7,448
Training	749	197	4,476	5,422	104	142	246	5,668
Uniforms/laundry	3,546	78	-	3,624	-	25	25	3,649
Licenses and taxes	-	120	-	120	203	79	282	402
Interest	-	1	-	1	-	4	4	5
Total functional expense	\$ 19,378,771	\$ 634,119	\$ 2,155,383	\$ 22,168,273	\$ 503,836	\$ 642,321	\$ 1,146,157	\$ 23,314,430

See accompanying notes.

INTER-FAITH FOOD SHUTTLE
 Statements of Cash Flows
 Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,077,656	\$ (303,178)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	199,157	186,154
Gain on sale of property and equipment	(4,265)	-
Lease expense - operating leases	274,181	-
Net realized and unrealized (gain) loss on investments	(129,506)	318,274
In-kind food contributions received	(19,549,808)	(17,428,888)
In-kind food contributions expensed	19,613,365	17,392,282
Increase (decrease) in cash due to changes in:		
Accounts receivable	(251,030)	(40,362)
Prepaid expenses	(108,122)	(127,761)
Accounts payable and accrued expenses	1,917	165,419
Paid time off accrual	1,456	3,525
Deferred revenue	27,800	-
Operating lease obligations	<u>(267,605)</u>	<u>-</u>
Net cash provided by operating activities	885,196	165,465
Cash flows from investing activities:		
Purchase and sale of investments, net	(2,004,614)	(199,260)
Proceeds from sale of property and equipment	49,105	176,227
Purchase of property and equipment	<u>(436,684)</u>	<u>(175,397)</u>
Net cash used in investing activities	<u>(2,392,193)</u>	<u>(198,430)</u>
Net decrease in cash	(1,506,997)	(32,965)
Cash and cash equivalents, beginning of year	<u>4,194,421</u>	<u>4,227,386</u>
Cash and cash equivalents, end of year	\$ <u>2,687,424</u>	\$ <u>4,194,421</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 7	\$ 5

See accompanying notes.

INTER-FAITH FOOD SHUTTLE

Notes to the Financial Statements

1. Description of the Organization

The Inter-Faith Food Shuttle (the Organization) was incorporated as a not-for-profit organization in 1990. Key programs include: recycling food by collecting excess perishable food and distributing it to non-profit agencies charged with feeding needy people, culinary job-training and food service programs, farms and community gardens seeking to link low-income people to the local food movement, and nutrition education courses. The Organization is an affiliate of Feeding America and the Triangle United Way.

Revenues consist primarily of public grants and donations.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Organization in the preparation of its financial statements:

Adoption of Recently Issued Accounting Standards

Effective July 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and associated amendments. This standard requires all leases to be recognized on the Organization's statement of financial position as a right-of-use (ROU) asset and a lease liability, unless the lease is a short-term lease (generally a lease with a term of twelve months or less). The Organization recognizes: 1) a lease liability for the Organization's obligation to make payments under the lease agreement, measured on a discounted basis; and 2) a ROU asset that represents the Organization's right to use, or control the use of, the specified asset for the lease term.

The Organization recognized and measured its leases at July 1, 2022 in accordance with Accounting Standards Codification (ASC) Topic 842 using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Amounts as of and for the year ended June 30, 2022 are accounted for in accordance with previous guidance (ASC Topic 840).

The Organization elected the "package of practical expedients" under the transition guidance within ASC Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore measured the ROU assets and lease liabilities using the remaining portion of the lease term upon adoption of ASC 842.

The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

INTER-FAITH FOOD SHUTTLE

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Leases

Lease assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines if an arrangement is, or contains, a lease at inception of the agreement, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization has made an accounting policy election not to recognize right-of-use (ROU) assets and lease liabilities for leases with a term of 12 months or less. Lease expense for such leases is recognized on a straight-line basis over the lease term. For all other leases, they are classified as either finance or operating leases.

Operating leases are included in operating lease ROU assets, and operating lease liabilities (current and non-current) in the statement of financial position. Finance leases are included in property and equipment, and finance lease liabilities (current and noncurrent) in the statement of financial position. Operating lease expense is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term.

Operating and finance lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date of the lease, and are reduced by any lease incentives.

As most of the Organization's leases do not provide an implicit rate, the Organization has made an accounting policy election to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Lease terms may include options to extend or terminate the lease. Where management concludes that it is reasonably certain that a renewal or termination option will be exercised, that renewal period or termination option is used to determine the lease term and the related payments that are reflected in the ROU asset and lease liability.

INTER-FAITH FOOD SHUTTLE

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Leases, continued

Some of the Organization's leases include variable lease payments. Variable lease payments are only included in measuring ROU assets and lease liabilities if they depend on an index or a rate, or are in substance fixed payments. Variable payments that are not included in measuring the ROU assets are expensed when incurred. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Lease agreements with lease and non-lease components are generally accounted for separately based upon the standalone price of the separate lease and non-lease components at the commencement date of the lease. The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for the Organization's real estate leases. The non-lease components generally relate to the separate payments made to the lessor based on the lessor's property and casualty insurance costs and the property taxes assessed on the property, as well as a portion of the common area maintenance costs associated with the property. The non-lease components are variable in nature and are recorded in variable lease expense in the period incurred.

Cash and Cash Equivalents

The Organization considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Cash includes cash on hand and cash in banks including interest bearing accounts and investments in cash equivalents. The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

At June 30, 2023 and 2022, the Organization had uninsured amounts of \$2,521,025 and \$4,023,585, respectively.

Accounts Receivable

Accounts receivable are comprised of fees for services performed by the Organization and a sales tax receivable. Management deems all receivables to be collectible.

Inventory

Inventory consists of donated food on hand at year-end. The donated food is valued at \$1.93 and \$1.92 per pound for the years ended June 30, 2023 and 2022, respectively. This valuation was obtained by Feeding America, the Organization's national affiliate. The Organization had approximately 227,800 and 262,100 pounds of donated food on hand at June 30, 2023 and 2022, respectively.

INTER-FAITH FOOD SHUTTLE

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

In-Kind Donations

The Organization receives various in-kind donations, primarily in the form of donated food which is utilized when received in the Food distribution program. The food is valued and reported at estimated fair value, using the food per pound valuation from Feeding America. It also receives and reports the fair market value of donated equipment, and items to be raffled. The time of volunteer workers who collect, prepare, and deliver food is not valued or reported.

Property and equipment

The Organization has a capitalization threshold of \$2,500. Property and equipment are stated at cost if purchased and fair market value if donated and are depreciated on the straight-line basis over their useful lives.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment, equipment replacement and strategic initiatives.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

INTER-FAITH FOOD SHUTTLE

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Revenue and Revenue Recognition

Fee for Services

The Organization provides meal preparation and delivery for various organizations. Revenue is recognized as the services are completed. Receivables arising from contracts with others totaled \$4,749 and \$4,383 at June 30, 2023 and 2022, respectively. As of July 1, 2021, the balance of receivables was \$20,038.

Disaggregation of Revenue

In the following table, revenue recognized through Topic 606 is disaggregated by major services line and timing of revenue recognition.

	<u>2023</u>	<u>2022</u>
Major services:		
Fees for services	\$ <u>648,150</u>	\$ <u>233,526</u>
Timing of revenue recognition:		
Services transferred at a point in time	\$ <u>648,150</u>	\$ <u>233,526</u>

The Organization assesses certain economic factors and the potential for significant changes in those economic factors and its impact on the nature, amount, timing and uncertainty of revenue and cash flows. Common factors ordinarily impacting the Organization would be the food needs and crises in the local area and the capacity of other organizations to service them. These factors have been assessed and management feels they have limited impact on the performance of the Organization.

Advertising

The Organization charges all advertising expense to operations when incurred. Total marketing expense was \$6,905 and \$8,571 for the years ended June 30, 2023 and 2022, respectively.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). If there was unrelated business income, it is subject to tax under IRC Section 512. There was no such taxable income for the years ended June 30, 2023 and 2022, and thus no provision for income tax has been recorded.

Accordingly, the accompanying financial statements do not include a provision for income taxes. For the years ended June 30, 2023 and 2022, there were no uncertain tax positions.

The Organization's previous three tax years are open to examination by Federal tax jurisdiction. The Organization has not been informed by any tax authorities that any of these tax years are under examination as of June 30, 2023.

INTER-FAITH FOOD SHUTTLE

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through October 5, 2023 the date the financial statements were available to be issued.

3. Liquidity and Availability

The Organization manages its liquid resources by focusing on obtaining grants, contributions, and fundraising projects to ensure the entity has adequate funds to cover the programs that are being conducted. The Organization prepares detailed budgets and has been active in managing costs to ensure the entity remains liquid.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2023</u>
Cash and cash equivalents	\$ 2,687,424
Investments	4,338,985
Accounts receivable	<u>329,946</u>
Financial assets at June 30	7,356,355
Less: those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	
Restricted by donor with time or purpose restrictions	<u>1,124,796</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,231,559</u>

4. Investments

Investments consist of the following as of June 30:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity funds	\$ 808,317	\$ 985,137	\$ 872,047	\$ 967,860
Bond funds	<u>3,326,216</u>	<u>3,353,848</u>	<u>1,364,249</u>	<u>1,237,005</u>
	<u>\$ 4,134,533</u>	<u>\$ 4,338,985</u>	<u>\$ 2,236,296</u>	<u>\$ 2,204,865</u>

INTER-FAITH FOOD SHUTTLE

Notes to the Financial Statements, continued

4. Investments, continued

Investment return, net, consists of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Investment and interest income, net of expenses of \$11,793 and \$12,694 in 2023 and 2022, respectively	\$ 67,650	\$ 27,671
Net realized and unrealized gain (loss) on investments	<u>129,506</u>	<u>(318,274)</u>
Investment return	<u>\$ 197,156</u>	<u>\$ (290,603)</u>

5. Fair Value Measurements

The Organization has determined the fair value of certain assets as follows:

	<u>Fair Value Measurement Using</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2023</u>				
Equity funds	\$ 985,137	\$ 985,137	\$ -	\$ -
Bond funds	<u>3,353,848</u>	<u>3,353,848</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 4,338,985</u>	<u>\$ 4,338,985</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Fair Value Measurement Using</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2022</u>				
Equity funds	\$ 967,860	\$ 967,860	\$ -	\$ -
Bond funds	<u>1,237,005</u>	<u>1,237,005</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,204,865</u>	<u>\$ 2,204,865</u>	<u>\$ -</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based primarily on assumptions that management believes market participants would utilize in pricing the asset. Valuation techniques utilized to determine fair value are consistently applied.

INTER-FAITH FOOD SHUTTLE

Notes to the Financial Statements, continued

5. Fair Value Measurements, continued

The following methods and assumptions were used by the Organization in estimating the fair value of its financial assets. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Equity funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Bond funds: Valued using a yield curve matrix derived from quoted prices for similar assets in active markets.

6. Line of Credit

The Organization has a \$250,000 line of credit with First Horizon. Interest is due monthly at the rate of prime plus .75%. The Organization did not have an outstanding balance on the line of credit at June 30, 2023 and 2022.

7. Leases

The Organization has operating leases for its operating facilities, a warehouse, vehicles and certain office equipment that have initial terms ranging from 2 to 6 years and expire through August 2027. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Some leases include one or more options to renew, generally at the Organization's sole discretion, with renewal terms that can extend the lease term up to 3 years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Organization, the lessor or both parties.

The Organization is also a sub-lessor in a real estate lease. The lease which began in 2006 has been extended with amendments and currently runs through December 2023.

The components of lease expense for the year ended June 30, 2023, was as follows:

Operating lease cost	\$ 274,181
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Lease expense for the year ended June 30, 2022 was \$247,421.

Supplemental cash flow information related to leases for the year ended June 30, 2023, was as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 284,855
Non-cash investing and financing activities:	
Additions to ROU Assets obtained from:	
Operating lease liabilities	\$ 745,302

INTER-FAITH FOOD SHUTTLE

Notes to the Financial Statements, continued

7. Leases, continued

The weighted average remaining operating lease term was 2.52 years as of June 30, 2023.

The weighted average discount rate for operating leases was 3.17% as of June 30, 2023.

Maturities of operating lease liabilities as of June 30, 2023 were as follows:

<u>Years ending June 30:</u>	
2024	\$ 222,936
2025	146,870
2026	115,395
2027	11,897
2028	<u>102</u>
Total Lease Payments	497,200
Less: Imputed Interest	<u>19,503</u>
	<u>\$ 477,697</u>

8. Employee Benefit Plan

The Organization has a Simple IRA plan covering all full-time employees meeting plan requirements. Under the plan, the Organization matches dollar for dollar up to 3% of each eligible employee's salary. Plan expenses incurred by the Organization were \$59,730 and \$53,188 for the years ended June 30, 2023 and 2022, respectively.

9. Net Assets

Net assets with donor restrictions as of June 30 are restricted for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Expansion	\$ 22,764	\$ 167,900
Child hunger programs	110,909	170,500
Senior hunger programs	100,000	200,175
Food recovery	791,123	-
Other	<u>100,000</u>	<u>22,500</u>
	<u>\$ 1,124,796</u>	<u>\$ 561,075</u>

INTER-FAITH FOOD SHUTTLE

Notes to the Financial Statements, continued

9. Net Assets, continued

Net assets without donor restrictions are composed of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 7,139,998	\$ 6,626,063
Operating reserve	<u>700,000</u>	<u>700,000</u>
	<u>\$ 7,839,998</u>	<u>\$ 7,326,063</u>

10. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions as of June 30 are as follows:

	<u>2023</u>	<u>2022</u>
COVID-19 support	\$ 43,000	\$ 221,000
Backpack buddies	250,175	112,328
Expansion	145,136	82,133
Food recovery	<u>8,877</u>	<u>-</u>
	<u>\$ 447,188</u>	<u>\$ 415,461</u>

11. Related Party Transactions

The Organization is an affiliate with Feeding America. Feeding America, a 501(c)(3) organization, is the nation's largest hunger-relief organization.

In 1999, the Organization joined with Meals on Wheels to create Food Runners Collaborative, Inc. (Food Runners). The Organization and Food Runners have several common board members.

The Organization pays Food Runners for facility usage. The Organization paid Food Runners \$137,003 and \$136,851 in facility costs for the years ended June 30, 2023 and 2022, respectively, and it owed Food Runners \$11,218 and \$11,616 at June 30, 2023 and 2022, respectively.

12. Functional Expenses

The statement of functional expenses is an integral part of the audit report. All direct program revenues and expenses have been allocated to the Organization's strategic focus areas outlined in its mission. Program services include food distribution and service, job training, and activities related to nutrition, farm and gardens. Supporting services include administrative and fundraising.

INTER-FAITH FOOD SHUTTLE

Notes to the Financial Statements, continued

12. Functional Expenses, continued

For Program services, all direct program costs are allocated to the related focus area. For Supporting services, expenses are allocated based on use, tracked during the year. Payroll and benefits are allocated based on hours worked, and rent is allocated on percent of space used. Certain roles, such as finance and HR, are allocated entirely to Support services.

Inter-Faith Food Shuttle
Schedule of Expenditure of Federal Awards
June 30, 2023

Federal Grantor/Program Title	Federal Assistance Listing Number	Federal Expenditures
Coronavirus state and local fiscal recovery funds	21.027	\$ <u>762,186</u>

Notes to Schedule

1. Basis of Presentation

The accompanying schedule of expenditure of federal awards (the Schedule) includes the federal award activity of Inter-Faith Food Shuttle (the Organization) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirement of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Report of Independent Auditors on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Directors
Inter-Faith Food Shuttle
Raleigh, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Inter-Faith Food Shuttle (the Organization), which comprise the Organization's statement of financial position as of June 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2023

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors
Inter-Faith Food Shuttle
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards, continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dean Dotson Allen Ford, PLLC

Raleigh, North Carolina
October 5, 2023

**Report of Independent Auditors on Compliance
for Each Major Federal Program and on Internal
Control over Compliance Required by the Uniform Guidance**

Board of Directors
Inter-Faith Food Shuttle
Raleigh, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Inter-Faith Food Shuttle's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget's (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* (GAAS) issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Board of Directors
Inter-Faith Food Shuttle

Report of Independent Auditors on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance, continued

Report on Compliance for Each Major Federal Program, continued

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned duties, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program won't be prevented, or detected and corrected, on a timely basis.

Board of Directors
Inter-Faith Food Shuttle
Report of Independent Auditors on Compliance for Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance, continued

Report on Internal Control Over Compliance, continued

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dean Dotson Allen Ford, PLLC

Raleigh, North Carolina
October 5, 2023

Inter-Faith Food Shuttle
Schedule of Findings and Questioned Costs
June 30, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified?	___ Yes	_X_ No
Significant deficiency identified that is not considered to be material weakness?	___ Yes	_X_ None Reported
Noncompliance material to financial statements noted?	___ Yes	_X_ No

Federal Awards

Internal control over major programs:

Material weakness identified?	___ Yes	_X_ No
Significant deficiency identified that is not considered to be material weakness?	___ Yes	_X_ None Reported

Type of auditor's report issued on compliance for each major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	___ Yes	_X_ No
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Identification of major programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus state and local fiscal recovery funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	___ Yes	_X_ No
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Section II – Financial Statement Findings

No matters reported

Section III – Federal Award Findings and Questioned Costs

No matters reported