TCK PROVIDENCE, INC.

Winston-Salem, North Carolina

Financial Statements

Year Ended June 30, 2022

TCK PROVIDENCE, INC.

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CARTER
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
TCK Providence, Inc.

Opinion

We have audited the accompanying financial statements of TCK Providence, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 TCK Providence, Inc. as of June 30, 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 TCK Providence, 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 TCK Providence, Inc.'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 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 TCK Providence, 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 TCK Providence, 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.

Carter, P.C.

Asheville, North Carolina
December 8, 2022

TCK PROVIDENCE, INC.

Statement of Financial Position
June 30, 2022

Assets	
Current assets:	
Cash and equivalents	$ 1,312,249
Accounts receivable, net	467,731
Other receivables	25,490
Food inventories	25,195
Total current assets	1,830,665
Property and equipment	152,595
Total assets	$ 1,983,260
Liabilities and net assets	
Current liabilities:	
Accounts payable and accrued expenses	$ 367,968
Deferred revenue	44,947
Total current liabilities	412,915
Net assets:	
Without donor restrictions	1,301,345
With donor restrictions	269,000
Total net assets	1,570,345
Total liabilities and net assets	$ 1,983,260

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

TCK PROVIDENCE, INC.

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions and private grants	$ 46,821	$ 269,000	$ 315,821
Government grants	855,140		855,140
In-kind contributions - related party	2,324,806		2,324,806
Catering	1,886,273		1,886,273
Restaurant	223,296		223,296
Manor	189,909		189,909
School	30,246		30,246
Other income	19		19
Total revenues and other support	5,556,510	269,000	5,825,510
Expenses			
Program services	4,405,958		4,405,958
Supporting services	656,397		656,397
Total expenses	5,062,355		5,062,355
Increase in net assets before other loss	494,155	269,000	763,155
Other loss			
Loss on disposal of property and equipment	(15,320)		(15,320)
Increase in net assets	478,835	269,000	747,835
Net assets at beginning of year	822,510		822,510
Net assets at end of year	$ 1,301,345	$ 269,000	$ 1,570,345

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

TCK PROVIDENCE, INC.

Statement of Functional Expenses
Year Ended June 30, 2022

		Supporting Services			
	Program Services	Administrative	Fundraising Expenses	Total Supporting Services	Total
Salaries & wages	$ 1,537,731	$ 285,375	$ 64,025	$ 349,400	$ 1,887,131
Payroll taxes	118,441	20,952	4,798	25,750	144,191
Employee benefits	206,803	38,635	6,501	45,136	251,939
Contract services	88,010				88,010
Total salaries & related	1,950,985	344,962	75,324	420,286	2,371,271
Operational	1,862,946				1,862,946
Transportation	300,227				300,227
Occupancy	141,052	17,631	17,631	35,262	176,314
Administrative	64,046	130,364	9,588	139,952	203,998
Training & travel	10,208	9,908	9,908	19,816	30,024
Office supplies	9,246	8,973	8,973	17,946	27,192
Advertising & marketing			16,883	16,883	16,883
Bad debt	10,000				10,000
Miscellaneous	32,243				32,243
Total expenses before depreciation	4,380,953	511,838	138,307	650,145	5,031,098
Depreciation	25,005	3,126	3,126	6,252	31,257
Total expenses	$ 4,405,958	$ 514,964	$ 141,433	$ 656,397	$ 5,062,355

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

TCK PROVIDENCE, INC.

Statement of Cash Flows
Year Ended June 30, 2022

Cash flows from operating activities	
Increase in net assets	$ 747,835
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	31,257
Bad debt expense	10,000
Loss on disposal of property and equipment	15,320
Changes in working capital - sources (uses):	
Accounts receivable	(160,334)
Other receivables	(11,097)
Food inventories	3,210
Accounts payable and accrued expenses	(7,976)
Deferred revenue	5,320
Net cash provided by operating activities	633,535
Cash flows from investing activities	
Purchase of property and equipment	(24,075)
Increase in cash and equivalents	609,460
Cash and equivalents at beginning of year	702,789
Cash and equivalents at end of year	$ 1,312,249

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

Note 1 - Summary of Significant Accounting Policies

Organization

TCK Providence, Inc. (Organization) is a nonprofit entity established to provide culinary training, hunger relief, and social enterprise opportunities to the community through its restaurant and catering operations. The Organization was incorporated as a nonprofit organization under the laws of the State of North Carolina on March 25, 2014. The Organization operates the Triad Community Kitchen Training program to provide food service training to individuals. The Organization also operates a production kitchen that manufactures prepackaged food products for purchase and distribution by various food banks within North Carolina.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization’s tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization has also been classified as a publicly-supported charitable organization and is exempt from state taxes under North Carolina General Statute 105-130.11(a).

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization’s management and Board of Directors.

- *Net assets with donor restrictions*: Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Organization has a fiduciary responsibility to follow the donors’ instructions. Net assets with donor restrictions generally result from donor-restricted contributions and grants. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Support is recorded 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. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions. The Organization has adopted a policy to classify donor restricted support as without donor restrictions to the extent that restrictions were met in the reporting period the support was recognized.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Non-operating activities are limited to the loss on disposal of property and equipment and other activities considered to be more unusual or nonrecurring in nature.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than accounts receivable, approximates fair value due to the relatively short-term nature of the financial instruments.

Amounts recognized for accounts receivable approximates fair value due to the allowance for doubtful accounts applied to outstanding balances.

Cash and Equivalents

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

Note 1 - Summary of Significant Accounting Policies (continued)

Accounts and Other Receivables

Accounts receivable consist of uncollateralized customer obligations for food sales and services provided. The Organization provides credit to certain customers. Receipts of payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. The Organization has not experienced significant difficulties in collecting accounts receivable and therefore does not assess finance charges. Management believes its billing and collection policies are adequate to minimize potential credit risk. In reviewing aged receivables, management considers their knowledge of customers, historical losses, and current economic conditions in establishing the allowance for doubtful accounts. The Organization writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited back to the allowance account in the period the payment is received.

Other receivables consist primarily of sales tax receivables. Other receivables are considered by management to be fully collectible and therefore no allowance for uncollectible accounts has been recorded.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in contributions and private grants. Management provides for probable uncollectible amounts through a provision for uncollectible promises to give.

Food inventories

Inventories consist of food and beverages and are valued at the lower of cost or net realizable value as determined on the first-in, first-out (FIFO) method.

Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed. The Organization has adopted an accounting policy to capitalize all property and equipment with a cost greater than $5,000 and estimated useful life extending beyond one year. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from two to ten years.

Note 1 - Summary of Significant Accounting Policies (continued)

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at the estimated fair value at the date of the gift. The Organization reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

Donated Assets

Donated marketable securities are recorded as contributions at their estimated fair value at the date of donation. Donated materials and equipment are reflected as in-kind contributions at their estimated fair value at the date of donation. Noncash donated assets are described in Note 7.

Donated Services

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 by the Organization. Donated services are described in Note 7.

Revenue Recognition

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return of the asset or right of release of the obligation - are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Catering and restaurant revenue consists of food preparation services for customers. These services predominately contain a single performance obligation and revenue is recognized at a point in time when the services are provided. Payments received in advance are deferred to the applicable period in which the related service occurs.

Manor revenue consists primarily of short-term lodging to customers and revenue is recognized on the straight-line basis as services and facilities are provided in accordance with the underlying agreement. Payments in advance are deferred to the applicable period in which the related lodging stay occurs.

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

School revenue consists of providing culinary training services to customers. Revenue is recognized on the straight-line basis as training services are provided.

Advertising

The Organization uses advertising to promote various programs. Advertising costs are not expected to extend beyond the current period and are expensed as incurred. Advertising expense for the year ended June 30, 2022, was $16,883.

Functional Allocation of Expenses

The costs of providing program and supporting services activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain categories of expenses are attributable to programs and support. All expenses except for contract services, operational, transportation, advertising & marketing, bad debt, and miscellaneous are allocated on the basis of a combination of estimates of time and effort and the square footage of building space in which the programs are operated. Contract services, operational, transportation, bad debt, and miscellaneous are directly attributable to program services. Advertising & marketing is directly attributable to fundraising expenses, which is a supporting service.

Newly Adopted Accounting Pronouncements

During the year ended June 30, 2022, the Organization adopted the requirements of the following standards set by the Financial Accounting Standards Board (FASB). The implementation of each of these standards did not materially impact the Organization's financial statements.

- Accounting Standards Update (ASU) No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software.

- ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies and expands the presentation and disclosure requirements of contributed nonfinancial assets for nonprofit entities for the purpose of enhancing transparency of such contributions received. These additional note disclosures are included in Note 7, In-kind Contributions.

Note 1 - Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new standard, lessees will recognize a right-of-use asset and lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The lease liability will be equal to the present value of lease payments. For statement of activity purposes, leases continue to be classified as either operating or finance. Operating leases will result in straight-line expense, while finance leases will result in accelerated expense recognition, comparable to current capital leases. Classification will be based on criteria similar to those applied to current lease accounting. Additional disclosures will be required to provide details of revenue and expense recognized and expected to be recognized from existing agreements. The new standard will be effective beginning July 1, 2022. The Organization is currently evaluating the effect this ASU will have on its financial statements.

Note 2 - Net Assets

Net assets are described as follows:

At June 30	2022
Net assets without donor restrictions:	
Undesignated	$ 1,123,555
Investment in property and equipment	152,595
Investment in inventories	25,195
Net assets without donor restrictions	1,301,345
Net assets with donor restrictions:	
Subject to expenditure for specified purpose or period:	
Senior meals	150,000
Summer feeding	49,000
Trauma and resilience	60,000
Nutrition for children	10,000
Net assets with donor restrictions	269,000
Total net assets	$ 1,570,345

Note 3 - Liquidity and Availability of Financial Assets

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization seeks to maintain sufficient liquid assets to cover three months of operating expenditures.

Note 3 - Liquidity and Availability of Financial Assets (continued)

The following reflects the liquidity and availability of the Organization's financial assets:

At June 30	2022
Financial assets:	
Cash and equivalents	$ 1,312,249
Accounts receivable, net	467,731
Other receivables	25,490
Total financial assets	1,805,470
Amounts not available for general expenditure:	
Net assets with donor restrictions	(269,000)
Net financial assets available to meet cash needs for general expenditures within one year	$ 1,536,470

Note 4 - Contract Assets and Liabilities

Accounts receivable represent the Organization's contract assets with an unconditional right to receive consideration from customers. Accounts receivable are recorded at invoiced amounts or amounts expected to be receivable based on contractual terms without conditions less an allowance for doubtful accounts. The following table provides information about contract assets:

At June 30	2022	2021
Accounts receivable	$ 477,731	$ 317,397
Less, allowance for doubtful accounts	(10,000)	
Accounts receivable, net	$ 467,731	$ 317,397

Contract liabilities are recorded when a customer pays consideration, or the Organization has a right to an amount of consideration that is unconditional, before the transfer of a good or performance of a service to the customer. Thus, the Organization has an obligation to transfer the good or service to the customer at a future date. Contract liabilities are reported as deferred revenue in the accompanying statement of financial position and are comprised of customer deposits for catering and manor services.

Significant changes in contract liabilities from contracts with customers are as follows:

Year Ended June 30	2022
Deferred revenue, beginning of year	$ 39,627
Revenue recognized during the fiscal year that was included in deferred revenue	(39,627)
Increase in deferred revenue due to cash received during year	44,947
Total deferred revenue	$ 44,947

Note 5 - Property and Equipment

Property and equipment consist of the following:

At June 30	2022
Equipment	$ 612,249
Vehicles	101,267
Software	6,701
	720,217
Less, accumulated depreciation	(567,622)
Property and equipment	$ 152,595

Depreciation expense for the year ended June 30, 2022, was $31,257.

Note 6 - Related Party Transactions

The Organization operates under common operational control with Second Harvest Food Bank of Northwest North Carolina, Inc. ("Second Harvest"). Second Harvest provides support to the Organization through various administrative services and contributions. During the year ended June 30, 2022, the Organization recognized catering revenue of $34,121 and in-kind contributions of $2,231,356 from Second Harvest. As of June 30, 2022, the Organization's had an outstanding receivable balance of $6,191 from Second Harvest. During the year ended June 30, 2022, the Organization purchased products from Second Harvest in the amount of $21,531. Accounts payable to Second Harvest as of June 30, 2022, was $6,367.

Note 7 - In-kind Contributions

The Organization uses donated space and equipment from Second Harvest. In addition, Second Harvest donates payroll costs to the Organization. Payroll donations have been recognized in the financial statements as salaries and wages, payroll taxes, and employee benefits. The Organization also received donated food products from Second Harvest that are used in the Triad Community Kitchen training program.

In-kind contributions are summarized as follows:

Year Ended June 30	2022
Salaries and related	$ 2,209,356
Food products	93,450
Rent	22,000
In-kind contributions	$ 2,324,806

Donor restrictions and use - All in-kind contributions are without donor restrictions. For the year ended June 30, 2022, donated services and rent related to program services, administrative, and fundraising. Donated food products relate to program services.

Note 7 - In-kind Contributions (continued)

Fair valuation techniques - Donated services represent actual salaries, payroll taxes, and benefits paid to the Organization's staff by Second Harvest. Donated rental space is valued based on market rates per square foot occupied by the Organization. Donated food products are valued at the approximate average wholesale value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology, prepared by Feeding America. The value per pound of inventory as determined by Feeding America for the year ended June 30, 2022, was $1.92.

Note 8 - Commitments and Contingencies

Lease Commitments

The Organization leases equipment under an operating lease agreement that matures in September 2023. Payments under operating leases for the years ended June 30, 2022, were $2,446. The future minimum rental obligations under all operating leases are as follows:

Years Ending June 30		
2023	$	2,446
2024		408
2025		
2026		
2027		
Total minimum lease payments	$	2,854

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Organization carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any year since inception.

Government Assisted Programs

The Organization has received proceeds from governmental agencies. Periodic audits of these grants and third-party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the agreements. Such audits could result in the refund or reimbursement to the grantor or third-party agencies. Management believes that refunds or reimbursements, should any be determined, would be immaterial. No provisions have been made in the accompanying financial statements for the repayment of any grant monies or third-party reimbursements.

Note 9 - Concentrations of Credit Risk

The Organization maintains its cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation up to $250,000. The uninsured cash balance at June 30, 2022, was $1,066,315.

Major Donor

Major donors exist when revenue from a single donor equals 10% or more of the Organization's total contributions and private grants revenue. Contributions from one such donor were $199,000, during the year ended June 30, 2022.

See Note 6 for related party concentration disclosure.

Major Grantor

Major grantors exist when revenue from a single source equals 10% or more of the Organization's total governmental grant revenue. Governmental grants from two such grantors were $606,940 and $210,572, during the year ended June 30, 2022. This funding includes receipts as a direct response to the novel coronavirus epidemic to provide meal services to the elderly in the amount of $168,825. Accounts receivable from these grantors were $112,285 and $0 as of June 30, 2022, respectively.

Note 10 - Income Taxes

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions material to the financial statements.

Open Tax Years

The Organization's Return of Organization Exempt From Income Tax (Form 990) for the years ended June 30, 2021, 2020, and 2019, are subject to examination by the IRS, generally for three years after they were filed.

Note 11 - Subsequent Events

Management has evaluated subsequent events through December 8, 2022, which is the date the financial statements were available to be issued.