# Daily Bread, Inc. and Subsidiary

## CONSOLIDATED FINANCIAL STATEMENTS

**December 31, 2023**

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**REPORT**



**CONSOLIDATED FINANCIAL STATEMENTS**

Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

321.255.0088
386.336.4189 (fax)
CRIcpa.com

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Daily Bread, Inc. and Subsidiary
Melbourne, Florida

## *Qualified Opinion*

We have audited the accompanying consolidated financial statements of Daily Bread, Inc. and Subsidiary (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion section of our report, the consolidated financial statements referred to above presents fairly, in all material respects, the financial position of the Organization 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 for Qualified Opinion*

We did not obtain sufficient appropriate audit evidence about the amount recognized for the in-kind contributions collected because records were not maintained for all in-kind donations. We were unable to obtain sufficient appropriate audit evidence about in-kind contributions by other auditing procedures.

We conducted our audit in accordance with the 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 Consolidated Financial Statement 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

## *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted accounting standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

- Conclude whether, in our judgement, 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 we identified during the audit.

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
August 22, 2024

| *December 31,* | **2023** |
|---|---|
| **ASSETS** | |
| Current assets | |
| Cash and cash equivalents | $ **197,959** |
| Grants receivable | **17,594** |
| Inventory | **154,976** |
| Investments | **1,018,048** |
| Beneficial interest in Community Foundation | **105,900** |
| Prepaid expenses | **2,416** |
| Total current assets | **1,496,893** |
| Noncurrent assets | |
| Property and equipment, net | **1,563,819** |
| Financing lease right-of-use assets, net | **3,922** |
| Total noncurrent assets | **1,567,741** |
| Total assets | $ **3,064,634** |
| **LIABILITIES AND NET ASSETS** | |
| Liabilities | |
| Accounts payable | $ **14,986** |
| Accrued payroll | **15,188** |
| Accrued vacation | **9,644** |
| Deferred revenue | **20,000** |
| Current portion of finance lease liabilities | **1,036** |
| Total current liabilities | **60,854** |
| Long-term Liabilities | |
| Finance lease liabilities, less current portion | **2,974** |
| Total liabilities | **63,828** |
| NET ASSETS | |
| Without donor restrictions | **3,000,806** |
| Total net assets | **3,000,806** |
| Total liabilities and net assets | $ **3,064,634** |

| *For the year ended December 31,* | | 2023 | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| **Revenues** | | | |
| Contributions | $ 619,808 | $ - | $ 619,808 |
| Grants | - | 706,881 | 706,881 |
| Special events | 170,526 | - | 170,526 |
| Miscellaneous revenue | 1,185 | - | 1,185 |
| Net realized and unrealized loss on investments | 45,896 | - | 45,896 |
| Interest income | 26,257 | - | 26,257 |
| In-kind contributions | 1,245,883 | - | 1,245,883 |
| Net assets released from restrictions | 706,881 | (706,881) | - |
| Total revenues | 2,816,436 | - | 2,816,436 |
| **Expenses** | | | |
| Program services | | | |
| Food distribution | 1,072,409 | - | 1,072,409 |
| Outreach/fresh start | 988,915 | - | 988,915 |
| Meal services | 501,758 | - | 501,758 |
| Providence place | 35,800 | - | 35,800 |
| Supporting services | | | |
| Management and general | 246,894 | - | 246,894 |
| Fundraising | 154,619 | - | 154,619 |
| Total expenses | 3,000,395 | - | 3,000,395 |
| Change in net assets | (183,959) | - | (183,959) |
| Net assets, beginning of year | 3,184,765 | - | 3,184,765 |
| Net assets, end of year | $ 3,000,806 | $ - | $ 3,000,806 |

# Daily Bread, Inc. and Subsidiary
## Consolidated Statement of Functional Expenses

| *For the year ended December 31, 2023* | **PROGRAM SERVICES** Food Distribution | Outreach/ Fresh Start | Meal Services | Providence Place | **SUPPORTING SERVICES** Management & General | Fundraising | Totals |
|---|---|---|---|---|---|---|---|
| **Expenses** | | | | | | | |
| Salaries | **$ 58,437** | **$ 314,090** | **$ 143,623** | **$ -** | **$ 93,440** | **$ 95,814** | **$ 705,404** |
| Employee benefits | **6,174** | **33,185** | **15,175** | **-** | **22,869** | **10,123** | **87,526** |
| Operating facility expense | **28,587** | **30,081** | **56,939** | **-** | **11,157** | **2,907** | **129,671** |
| Program facility expense | **157** | **52** | **52** | **-** | **5,219** | **-** | **5,480** |
| Program expense | **229** | **583,489** | **19,299** | **-** | **541** | **-** | **603,558** |
| Office supples | **-** | **-** | **-** | **-** | **5,020** | **998** | **6,018** |
| Professional services | **-** | **-** | **-** | **35,800** | **27,260** | **-** | **63,060** |
| Program travel expense | **-** | **4,640** | **-** | **-** | **19** | **-** | **4,659** |
| Administrative expense | **783** | **1,107** | **1,594** | **-** | **56,442** | **-** | **59,926** |
| Fundraising expense | **-** | **-** | **-** | **-** | **-** | **42,194** | **42,194** |
| Miscellaneous expense | **-** | **-** | **-** | **-** | **21,095** | **-** | **21,095** |
| Interest expense | **-** | **-** | **-** | **-** | **181** | **-** | **181** |
| In-kind food expense | **966,690** | **-** | **241,672** | **-** | **-** | **-** | **1,208,362** |
| Subtotal expense before depreciation | **1,061,057** | **966,644** | **478,354** | **35,800** | **243,243** | **152,036** | **2,937,134** |
| Depreciation/amortization | **11,352** | **22,271** | **23,404** | **-** | **3,651** | **2,583** | **63,261** |
| Total expenses reported by function | **$ 1,072,409** | **$ 988,915** | **$ 501,758** | **$ 35,800** | **$ 246,894** | **$ 154,619** | **$ 3,000,395** |

| *For the year ended December 31,* | | **2023** |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ | (183,959) |
| Adjustments to reconcile change in net assets | | |
| to net cash used in operating activities: | | |
| Depreciation | | 62,192 |
| Donated property, plant and equipment | | (2,671) |
| Unrealized (gain)/loss from investments | | (65,805) |
| Amortization of right-of-use asset | | 1,069 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Grants receivable | | 5,448 |
| Inventory | | (34,851) |
| Prepaid expenses | | 771 |
| Increase (decrease) in: | | |
| Accounts payable | | 864 |
| Accrued payroll | | 2,655 |
| Accrued vacation | | 4,088 |
| Deferred revenue | | 20,000 |
| Total adjustments | | (6,240) |
| Net cash provided by (used in) operating activities | | (190,199) |
| **Cash flows from investing activities:** | | |
| Purchase of property, plant and equipment | | (21,295) |
| Security deposit for property purchase | | 25,000 |
| Purchase of investments | | (750,000) |
| Net cash provided by (used in) investing activities | | (746,295) |
| **Cash flows from financing activities:** | | |
| Payments on finance lease liabilities | | (996) |
| Net cash provided by (used in) financing activities | | (996) |
| Net decrease in cash and cash equivalents | | (937,490) |
| Net cash and cash equivalents, beginning of the year | | 1,135,449 |
| Net cash and cash equivalents, end of the year | $ | 197,959 |

**Supplemental Disclosures of Cash Flow Information**

| Cash was paid during the year for: | | **2023** |
|---|---|---|
| Interest | $ | 181 |

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

## Note 1: DESCRIPTION OF THE ORGANIZATION

Daily Bread, Inc. and its Subsidiary (referred to collectively herein as the "Organization") seeks to provide dignity and quality of life to the hungry and needy within Brevard County, Florida. The Organization serves daily hot meals, provides emergency housing, and provides access to hygienic services to those confronting financial challenges in the community. Together with community partners the Organization provides food collection, distribution services, and access to social and educational agencies providing clients with the opportunity to become self-sufficient. Daily Bread, Inc. was incorporated in the State of Florida on September 10, 1987, as a not-for-profit organization.

Providence Place at Sarno, LLC is a wholly owned subsidiary of Daily Bread, Inc. and was established on November 7, 2023, to support the planning, construction and operations of a 120-unit permanent supportive housing community scheduled to open in Melbourne, Florida by the end of 2026.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Basis of Accounting*

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

### *Use of Estimates*

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the consolidated statement of financial position and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to those used in determining the fair value of donated inventory and those used to determine functional allocation of expenses.

### *Program Services*

The Organization's services are carefully designed to be a friend and partner to hundreds of individuals, children, and families in Brevard County who are experiencing hunger and homelessness. Their partnership is aimed at helping these vulnerable individuals break away from food-insufficiency and move forward out of homelessness. The Organization's program services consist of the following:

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Program Services (Continued)***

*Food Distribution* – The Organization distributes approximately 1.6 million pounds of food across Brevard County each year, through partnerships with over 25 local food pantries.

*Outreach/Fresh start* – The Organization provides showers and clean clothes to individuals without a home or hot water each day. The Organization also provides a path from street to home for the homeless in the local area, where the Organization provides access to medical care, temporary shelter, assists with transportation, and other transitional support services.

*Meal Services* – The Organization provides over 200 warm, nutritious, and professionally prepared meals daily to hungry and/or homeless people in their dining facility.

*Providence Place* – The Organization is planning for the construction and operations of a 120-unit permanent supportive housing community, which is scheduled to open in by the end of 2026.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

***Grants Receivables***

Grants receivables are stated at unpaid balances. The Organization does not provide for losses on grants receivable as all receivables are considered fully collectible. Commensurate value is not being exchanged between the two parties.

***Inventory***

The Organization receives in-kind donations of food from a variety of local retailers and through community food drives. The Organization has estimated the value of the food inventory at $1.93 per pound in 2023. The Organization uses a value determined by Feeding America, calculated in their Product Valuation Survey Methodology, which approximates the average wholesale value of one pound of donated food at a national level. The donated inventory on hand has a value of $154,976 at December 31, 2023.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Investments***

The Organization reports investments in equity securities and certificates of deposit with readily determinable fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses market values as quoted by exchanges. These inputs can be readily observable, and market corroborated.

***Property and Equipment***

All acquisitions of property and equipment in excess of $1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

***Leases***

The Organization leases office equipment. The Organization determines if an arrangement is a lease at inception. Finance leases are included in financing lease right-of-use assets, other current liabilities, and other long-term liabilities on the consolidated statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. As most of the leases do not provide an implicit rate, the Organization uses its incremental borrowing rate, or a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

***Net Assets***

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the board limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Net Assets (Continued)***

course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for two endowments (See Notes 8 and 10).

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

***Revenue Recognition***

Revenue from dues and fees, member services, and payments under various contracts is recognized as revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue received in advance is deferred and recognized over the periods to which the dates and fees relate. These amounts are included in performance obligation liabilities within the consolidated statement of financial position.

A significant portion of the Organization's grants and contracts are from government agencies. The benefits received by the public as a result of the assets transferred are not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly removed the conditions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

***Donated Assets***

Donated investments or other noncash donations are recorded as contributions at their fair values at the date of donations.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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. Volunteers also provide fundraising services and organizational support throughout the year that are not recognized as contributions in the consolidated financial statements since the recognition criteria were not met.

Donated services with an estimated value of $496,586 for the year ended December 31, 2023, was not recognized in the consolidated financial statements because they did not meet the criteria for recognition.

***Functional Allocation of Expenses***

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll, payroll taxes, and employee benefits are allocated based on actual percentages of time spent in each functional area. Expenses related to maintenance and upkeep of the entire facility are allocated across functional areas based on a fixed percentage.

***Income Taxes***

The Organization is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and is classified as other than a private organization. Contributions to the Organization qualify as charitable contributions.

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the consolidated financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in the interim periods, disclosure and transition. As of December 31, 2023, the Organization has no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

***Subsequent Events***

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, August 22, 2024, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recent Accounting Pronouncements***

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which is often referred to as the CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The Organization applied this guidance beginning January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in enhanced disclosures only.

**Accounting Guidance not Yet Adopted**

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842): Common Control Arrangements.* This guidance is effective for fiscal years (including interim periods within those fiscal years) beginning after December 15, 2023. The guidance provides a practical expedient for private companies and not-for-profit entities that are not conduit bond obligors to use the written terms and conditions of a common control arrangement to determine (1) whether a lease exists and, if so, (2) the classification of and accounting for that lease. The guidance also requires that leasehold improvements associated with common control leases be (1) amortized by the lessee over the useful life of the leasehold improvements to the common control group (regardless of the lease term) as long as the lessee controls the use of the underlying asset (the leased asset) through a lease, and (2) accounted for as a transfer between entities under common control through an adjustment to equity (or net assets for not-for-profit entities) if, and when, the lessee no longer controls the use of the underlying asset. The Organization is currently evaluating the impact of the guidance on its consolidated financial statements.

**Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY**

The Organization maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Organization's expenditures come due. The following reflects the Organization's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions.

**Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY (Continued)**

| *December 31,* | **2023** |
|---|---|
| Total assets at year end | **$ 3,064,634** |
| Less non-financial assets: | |
| Inventory | **(154,976)** |
| Prepaid expenses | **(2,416)** |
| Property and equipment, net | **(1,563,819)** |
| Finance lease right-of-use assets, net | **(3,922)** |
| Financial assets available at year-end | **1,339,501** |
| Less: amounts unavailable for general expenditures within one year due to: | |
| Board designations | **(354,038)** |
| Financial assets available to meet cash needs for general expenditures within one year | **$ 985,463** |

The Organization is principally supported by its donor contributions and grants for the services it provides. There is an annual budget set that is fiscally responsible and anticipates positive cash flow. While cash inflow and outflow will fluctuate depending on timing of fundraising events, management continually reviews its cash position and provides status monthly to the Board of Directors. The Organization has board designated endowments of $354,038, which it could draw upon in the event of an unanticipated liquidity need.

**Note 4: INVESTMENTS**

Investments in marketable securities consist of the following:

| December 31, 2023 | **Cost** | **Fair Value** |
|---|---|---|
| Mutual funds | **$ 263,409** | **$ 248,138** |
| Certificates of deposit | **750,000** | **769,910** |
| Total investment in marketable securities | **$ 1,013,409** | **$ 1,018,048** |

**Note 5: INVENTORY**

Inventory consists of the following:

| *December 31,* | **2023** |
|---|---|
| In-kind food donations | **$ 154,976** |
| Total inventory | **$ 154,976** |

**Note 6: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2023:

| | Estimated Useful Lives (in years) | | **2023** |
|---|---|---|---|
| Land | - | **$** | **439,865** |
| Buildings | 39 | | **1,635,984** |
| Furniture & equipment | 3-10 | | **518,261** |
| Leashold improvements | 15-39 | | **43,972** |
| Vehicles | 10 | | **30,995** |
| | | | **2,669,077** |
| Less: accumulated depreciation | | | **(1,105,259)** |
| Property and equipment, net | | **$** | **1,563,818** |

Depreciation charged to operations during the year ended December 31, 2023, was $62,192.

**Note 7: LEASES**

The Organization has a finance lease for office equipment. The lease has a lease term of 5 years, which includes a purchase option at fair market value at the end of the least term. As of December 31, 2023, assets recorded under the finance lease were $5,347 and accumulated depreciation associated with the finance lease was $1,425.

**Note 7: LEASES (Continued)**

The components of lease expense consist of the following:

| *For the year ended December 31,* | | **2023** |
|---|---|---|
| Finance lease cost | | |
| Amortization of right-of-use asset | **$** | **1,069** |
| Interest on lease liabilities | | **181** |
| Total finance lease cost | **$** | **1,250** |

Weighted average remaining lease term and discount rates consist of the following:

| *For the year ended December 31,* | | **2023** |
|---|---|---|
| Right-of-use assets obtained in exhange for lease obligations | | |
| Finance leases | **$** | **5,347** |
| Weighted average remaining lease term | | |
| Finance leases | | **3.75 years** |
| Weighted average discount rate | | |
| Finance leases | | **3.98%** |

**Note 7: LEASES (Continued)**

Future minimum lease payments under non-cancellable leases as of December 31, 2023, were as follows:

| *For the years ending December 31,* | | **Finance Lease** |
|---|---|---|
| 2024 | $ | **1,177** |
| 2025 | | **1,177** |
| 2026 | | **1,177** |
| 2027 | | **786** |
| Total future minimum lease payments | | **4,317** |
| Less: imputed interest | | **(307)** |
| Present value of lease liabilities | $ | **4,010** |

| *Reported as of December 31, 2022:* | | **Finance Leases** |
|---|---|---|
| Current maturities of lease liabilities | $ | **1,036** |
| Lease liabilities, less current maturities | | **2,974** |
| Total | | **4,010** |

**Note 8: NET ASSETS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. A summary of net assets released from restrictions are as follows:

| *For the year ended December 31,* | | **2023** |
|---|---|---|
| Purpose restrictions accomplished: | | |
| Emergency housing | **$** | **21,095** |
| Emergency rental assistance | | **568,286** |
| United Way | | |
| Emergency Food & Shelter Program (served meals) | | **20,000** |
| Program support | | **38,500** |
| Client services | | **59,000** |
| Total net assets released from restrictions | **$** | **706,881** |

A summary of net assets without donor restrictions follows:

| *December 31,* | | **2023** |
|---|---|---|
| Undesignated | **$** | **2,646,768** |
| Board designated | | |
| Sue Holaday Endowment Fund | | **248,138** |
| Beneficial interest in Community Foundation | | **105,900** |
| Total net assets without donor restrictions | **$** | **3,000,806** |

**Note 9: REVENUE**

The Organization recognizes revenue at a point in time for donations and contributions, grants for operations, in-kind inventory and special events. In-kind inventory and special event revenue is recognized when the goods are provided. Grants for operations, donations and contributions are recognized when the services are rendered.

**Note 10: ENDOWMENTS**

The Organization's endowment policy establishes guidelines for managing funds to help provide stable, long-term support for facilities and services. Within the fund, sub-endowments may be created such as the Sue Holaday Memorial Endowment Fund. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted the State of Florida's Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the various funds,
(2) The purposes of the donor-restricted endowment funds,
(3) General economic conditions,
(4) The possible effect of inflation and deflation,
(5) The expected total return from income and the appreciation of investments,
(6) Other resources of the Organization, and
(7) The Organization's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies*. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed income securities. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

**Note 10: ENDOWMENTS (Continued)**

*Spending Policy*. The Organization has a policy where, endowment fund principles may not be used for operation of the Organization except for a financial crisis that would otherwise threaten the existence of the Organization. No earnings shall be spent from a fund until it has attained a minimum balance of $100,000 at which time, the Board of Directors may allocate up to 5% of the funds market value, determined at each November meeting.

Sue Holaday Endowment Fund: In 2006, Sue Holaday, Executive Director of Daily Bread, passed away. A Memorial Endowment Fund was created by the Board of Directors in her honor with the purpose to serve in the memory of Sue Holaday. The funds are designated to be used by the Board of Directors in a time of need. The Sue Holaday Endowment Fund is comprised of $248,138 of Board designated endowment funds as of December 31, 2023. The Board of Directors has not voted to spend any of the endowment funds as of December 31, 2023.

Changes in the Sue Holaday Endowment Fund as of December 31, 2023, are as follows:

Sue Haloday Endowment Fund

| | Without Donor Restriction | Total Endowment |
|---|---|---|
| Beginning balance | $ 215,746 | $ 215,746 |
| Investment gain | 34,933 | 34,933 |
| Administrative expenses | (2,541) | (2,541) |
| Total | $ 248,138 | $ 248,138 |

Beneficial Interest in Community Foundation: Consists of Organization provided funds for an endowment as decided by the Board of Directors. The Organization can withdrawal from the fund at any time authorized by a three-quarter majority vote of the Organization’s Board of Directors.

**Note 10: ENDOWMENTS (Continued)**

The Community Foundation of Brevard has variance power until this vote occurs. As per Organization policy, the funds are to be invested in a fiscally responsible manner.

The Beneficial Interest in Community Foundation is comprised of $105,900 of Board designated endowment funds as of December 31, 2023. The Board of Directors has not voted to spend any of the endowment funds as of December 31, 2023.

Changes in the Beneficial Interest in Community Foundation as December 31, 2023, are as follows:

Beneficial interest in Community Foundation

| | Without Donor Restriction | Total Endowment |
|---|---|---|
| Beginning balance | $ 92,397 | $ 92,397 |
| Interest earnings | 2,834 | 2,834 |
| Investment gain | 11,834 | 11,834 |
| Administrative expenses | (1,165) | (1,165) |
| Total | $ 105,900 | $ 105,900 |

**Note 11: CONTRIBUTIONS OF NON-FINANCIAL ASSETS**

Contributed non-financial assets for the year ended December 31, 2023, were as follows:

| | Revenue Recognition | Utilization in Programs/Activities | Donor Restrictions | Valuation Techniques and Inputs |
|---|---|---|---|---|
| Donated food inventory | $ 1,243,212 | 80% food distribution to other not-for-profit organizations and 20% for meal services to homeless | No associated donor restrictions. | Donated food inventory is estimated to be $1.93 per pound. The Organization uses the value determined by Feeding American, calculated in their Product Valuation Survey Methodology, which approximates the average wholesale value of one per of donated food at the national level. |
| Donated equipment | $ 2,671 | Food distribution, outreach/fresh start and meal servicess | No associated donor restrictions. | Donated equipment is valued at their fair value price at time of donation. |

The Organization recognizes in-kind food donations when they are received and recognizes an expense when the donations are distributed or consumed. For the year ended December 31, 2023, the Organization recognized in-kind expenses totaling $1,208,362. The Organization expended $34,850 less than the in-kind donations received during the year.

**Note 12: FAIR VALUE MEASUREMENT**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
*Level 2:* Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs, other than quoted prices, that are:
  - observable; or
  - can be corroborated by observable market data.

**Note 12: FAIR VALUE MEASUREMENT (Continued)**

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023.

*Mutual funds:* Mutual funds are *valued at* the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded and categorized in level 1 in the fair value hierarchy.

*Certificates of Deposit*: Certificates of deposit are valued at amortized cost, which approximates fair value, are categorized in Level 2 in the fair value hierarchy.

*Beneficial Interest in Assets Held at a Community Foundation*: The beneficial interest in assets held at the Brevard Community Foundation has been valued, as a practical expedient, at the fair value of the Organization's share of the Community Foundation's investment pool as of the measurement date. The Community Foundation values securities and other financial instruments on a fair value basis of accounting. The Community Foundation's investments are composed approximately of 58 percent equities and 42 percent fixed income. The beneficial interest in assets held at the Brevard Community Foundation is redeemable by the Organization if certain conditions are met as described in Note 10.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

**Note 12: FAIR VALUE MEASUREMENT (Continued)**

Assets and liabilities measured at fair value on a recurring basis consists of the following:

| December 31, 2023 | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Observable Inputs other than Quoted Prices (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Mutual funds | $ 248,138 | $ 248,138 | $ - | $ - |
| Certificates of deposit | 769,910 | | 769,910 | - |
| Beneficial Interest in assets held at the Brevard Community Foundation | 105,900 | - | - | 105,900 |
| Total assets at fair value | $ 1,018,048 | $ 248,138 | $ 769,910 | $ 105,900 |

***Changes in Fair Value Levels***

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended December 31, 2023, there were no significant transfers in or out of Levels 1, 2 or 3.

**Note 13: COMMITMENTS AND CONTINGENCIES**

***Contract and Grant Programs***

The Organization participates in various contract and grant programs that are subject to review and audit by the contracting and grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the contract and grant agreements and applicable regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability for the Organization. Management is not aware of any such review or liability as of and for the year ended December 31, 2023.

***Contingencies***

The Organization can be subject to various claims, legal proceedings, and investigations covering a wide rate of matters that arise in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance and, if not covered, are without merit or are of such kind, or involve such amounts as would not have a significant effect on the financial position or results of operations of the Organization if disposed of unfavorably.

**Note 14: CONCENTRATIONS**

Financial instruments, which potentially subject the Organization to concentrations of credit risk, are principally cash and accounts receivable. The Organization has cash deposits with a financial institution that is insured by the Federal Deposit Insurance Corporation ("FDIC"). All deposit accounts are insured up to $250,000 by the FDIC in aggregate per financial institution. As for the year ended December 31, 2023, the Organization had no uninsured cash deposits with financial institutions.

At December 31, 2023, one grantor accounted for approximately 80% of grant revenue as follows:

| | 2023 | |
|---|---|---|
| | **Percentage** | **Amount** |
| Brevard County Board of Commissioners | **80.39%** | **$ 568,286** |
| Total | **80.39%** | **$ 568,286** |

At December 31, 2023, two grantors accounted for 100% of grants receivable as follows:

| | 2023 | |
|---|---|---|
| | **Percentage** | **Amount** |
| Brevard County Board of Commissioners | **78.34%** | **$ 13,784** |
| Brevard Homeless Coalition, ESG | **21.66%** | **3,810** |
| Total | **100.00%** | **$ 17,594** |

At December 31, 2023, one vendor accounted for approximately 20% of accounts payable as follows:

| | 2023 | |
|---|---|---|
| | **Percentage** | **Amount** |
| Vendor A | **19.65%** | **$ 2,944** |
| | **19.65%** | **$ 2,944** |

**Note 15: DEFINED CONTIBUTION PLAN**

The Organization has a 401(k) Retirement Fund (the “Plan”). Full-time employees, both salaried and hourly, are eligible to participate in the sponsored Plan. The Plan allows all eligible employees to defer eligible compensation on a pre-tax basis up to IRS limits. The Plan also provides for match contributions of 100% of deferral contributions up to 5% of pay for the payroll period. During the fiscal year ended December 31, 2023, the Organization contributed $9,537 in matching contributions.