

North Gwinnett Cooperative, Inc

Independent Auditor's Report and
Audited Financial Statements

As of and for the Years Ended December 31, 2020 and 2019



North Gwinnett Cooperative, Inc

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Independent Auditor's Report

To the Board of Directors and Management of
North Gwinnett Cooperative, Inc
Buford, Georgia

Report on Financial Statements

We have audited the accompanying financial statements of North Gwinnett Cooperative, Inc (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); this includes 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.

Auditor's Responsibility

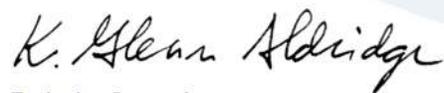
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Gwinnett Cooperative, Inc as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with U.S. GAAP.



Duluth, Georgia
February 17, 2023

Independent Auditor's Report

To the Board of Directors and Management of
North Gwinnett Cooperative, Inc
Buford, Georgia

Report on Financial Statements

We have audited the accompanying financial statements of North Gwinnett Cooperative, Inc (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2019 and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Gwinnett Cooperative, Inc as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. GAAP.

Other 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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 auditing standards generally accepted in the United States of America. 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 February 17, 2023 on our consideration of North Gwinnett Cooperative, Inc'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 North Gwinnett Cooperative, Inc'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 North Gwinnett Cooperative, Inc's internal control over financial reporting and compliance.



K. Glenn Aldridge, PC
(d/b/a Aldridge & Associates)
February 17, 2023

North Gwinnett Cooperative, Inc

Statement of Financial Positions As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 2,031,982	\$ 1,330,528
Inventory	48,609	42,633
Property and equipment, net	<u>2,692,918</u>	<u>2,622,992</u>
Total assets	<u>\$ 4,773,509</u>	<u>\$ 3,996,153</u>
Liabilities and Net Assets		
Liabilities:		
Current portion of note payable	\$ 237,595	\$ 8,558
Non-current portion of note payable	<u>-</u>	<u>237,554</u>
Total liabilities	<u>237,595</u>	<u>246,112</u>
Net assets:		
Without donor restrictions:		
Undesignated	<u>4,083,379</u>	<u>3,058,822</u>
Total net assets without restrictions	<u>4,083,379</u>	<u>3,058,822</u>
With donor restrictions:		
Purpose restrictions	<u>452,535</u>	<u>691,219</u>
Total net assets with restrictions	<u>452,535</u>	<u>691,219</u>
Total net assets	<u>4,535,914</u>	<u>3,750,041</u>
Total liabilities and net assets	<u>\$ 4,773,509</u>	<u>\$ 3,996,153</u>

North Gwinnett Cooperative, Inc

Statement of Activities

For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains:			
Contributions and donations	\$ 1,357,497	\$ 127,272	\$ 1,484,769
Inkind contributions	709,109	-	709,109
Grants	299,398	-	299,398
Fundraising events	40,132	-	40,132
Other revenue, gains and losses	1,809	-	1,809
Net assets released from restrictions	365,956	(365,956)	-
Total revenues, support and gains	2,773,901	(238,684)	2,535,217
Expenses:			
Program activities:			
Food	809,953	-	809,953
Clothing	172,473	-	172,473
Financial Support	425,538	-	425,538
Other	156,599	-	156,599
Total program activities	1,564,563	-	1,564,563
Supporting activities:			
General and administrative	106,016	-	106,016
Fundraising	78,765	-	78,765
Total support activities	184,781	-	184,781
Total expenses	1,749,344	-	1,749,344
Changes in net assets	1,024,557	(238,684)	785,873
Net assets, beginning of year	3,058,822	691,219	3,750,041
Net assets, end of year	\$ 4,083,379	\$ 452,535	\$ 4,535,914

North Gwinnett Cooperative, Inc

Statement of Functional Expenses For the Year Ended December 31, 2020

	Program Activities					Supporting Activities			Total expenses by nature
	Food	Clothing	Financial Support	Other	Total	General and administrative	Fundraising	Total	
Client services	\$ 120,013	\$ 10,398	\$ 376,356	\$ 34,414	\$ 541,181	\$ -	\$ -	\$ -	\$ 541,181
Compensation and benefits	82,397	68,664	27,466	5,493	184,020	82,395	8,240	90,635	274,655
Fees for services	1,361	1,361	1,135	454	4,311	-	63,453	63,453	67,764
Advertising and promotion	-	-	-	-	-	-	2,162	2,162	2,162
Office expense	3,143	1,964	1,179	786	7,072	549	236	785	7,857
Occupancy	8,840	5,525	3,315	2,210	19,890	1,548	663	2,211	22,101
Interest expense	4,667	2,917	1,750	1,167	10,501	816	350	1,166	11,667
Depreciation	30,587	19,117	11,470	7,647	68,821	5,352	2,294	7,646	76,467
Insurance	3,062	1,914	1,148	766	6,890	536	230	766	7,656
Telephone	1,146	458	229	-	1,833	2,749	-	2,749	4,582
Supplies	546,805	53,788	-	102,540	703,133	-	-	-	703,133
Other expenses	912	3,091	242	30	4,275	4,098	45	4,143	8,418
Capital projects	7020	3276	1248	1092	12,636	1872	1092	2,964	15,600
Total expenses by function	\$ 809,953	\$ 172,473	\$ 425,538	\$ 156,599	\$ 1,564,563	\$ 106,016	\$ 78,765	\$ 184,781	\$ 1,749,344

North Gwinnett Cooperative, Inc

Statement of Activities For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains:			
Contributions and donations	\$ 349,758	\$ 788,631	\$ 1,138,389
In-kind contributions	415,017	-	415,017
Grants	1,168,938	-	1,168,938
Fundraising events	113,909	-	113,909
Other revenue, gains and losses	2,269	-	2,269
Net assets released from restrictions	1,527,118	(1,527,118)	-
Total revenues, support and gains	<u>3,577,009</u>	<u>(738,487)</u>	<u>2,838,522</u>
Expenses:			
Program activities:			
Food	331,927	-	331,927
Clothing	203,027	-	203,027
Financial Support	114,452	-	114,452
Other	183,241	-	183,241
Total program activities	<u>832,647</u>	<u>-</u>	<u>832,647</u>
Supporting activities:			
General and administrative	96,254	-	96,254
Fundraising	73,801	-	73,801
Total support activities	<u>170,055</u>	<u>-</u>	<u>170,055</u>
Total expenses	<u>1,002,702</u>	<u>-</u>	<u>1,002,702</u>
Changes in net assets	<u>2,574,307</u>	<u>(738,487)</u>	<u>1,835,820</u>
Net assets, beginning of year	<u>484,515</u>	<u>1,429,706</u>	<u>1,914,221</u>
Net assets, end of year	<u>\$ 3,058,822</u>	<u>\$ 691,219</u>	<u>\$ 3,750,041</u>

North Gwinnett Cooperative, Inc

Statement of Functional Expenses For the Year Ended December 31, 2019

	Program Activities					Supporting Activities			Total expenses by nature
	Food	Clothing	Financial Support	Other	Total	General and administrative	Fundraising	Total	
Client services	\$ 51,842	\$ 9,712	\$ 77,604	\$ 51,625	\$ 190,783	\$ -	\$ -	\$ -	\$ 190,783
Compensation and benefits	62,922	52,435	20,974	4,195	140,526	62,922	6,292	69,214	209,740
Fees for services	730	730	608	243	2,311	-	59,246	59,246	61,557
Advertising and promotion	-	-	-	-	-	-	4,039	4,039	4,039
Office expense	601	401	401	200	1,603	2,406	-	2,406	4,009
Occupancy	8,384	5,240	3,144	2,096	18,864	1,467	629	2,096	20,960
Interest expense	4,812	3,008	1,805	1,203	10,828	361	841	1,202	12,030
Depreciation	18,042	11,276	6,766	4,510	40,594	3,157	1,353	4,510	45,104
Insurance	3,007	1,880	1,128	752	6,767	525	226	751	7,518
Printing	1,662	1,385	554	111	3,712	1,662	167	1,829	5,541
Repairs and maintenance	-	-	-	-	-	5,472	-	5,472	5,472
Telephone	836	334	167	-	1,337	2,006	-	2,006	3,343
In-kind expenses	171,953	113,293	-	117,300	402,546	-	-	-	402,546
Other expenses	719	339	160	8	1,226	14,565	10	14,575	15,801
Capital projects	6417	2994	1141	998	11,550	1711	998	2,709	14,259
Total expenses by function	\$ 331,927	\$ 203,027	\$ 114,452	\$ 183,241	\$ 832,647	\$ 96,254	\$ 73,801	\$ 170,055	\$ 1,002,702

North Gwinnett Cooperative, Inc

Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Cash provided by operating activities:		
Cash received from contributions and donations	\$ 1,524,901	\$ 1,255,448
Cash received from grants	299,398	1,168,938
Cash received from other sources	1,809	2,269
Cash used by operating activities:		
Cash paid to employees	(274,655)	(209,740)
Cash paid to service providers and vendors	(683,422)	(333,283)
Interest paid	(11,667)	(12,030)
Net cash provided by operating activities	856,364	1,871,602
Cash flows from investing activities		
Cash purchases of property and equipment	(146,393)	(1,461,016)
Net cash used by investing activities	(146,393)	(1,461,016)
Cash flows from financing activities		
Payment on long term debt	(8,517)	(8,152)
Net cash used by financing activities	(8,517)	(8,152)
Net increase in cash and cash equivalents	701,454	402,434
Cash and cash equivalents, beginning of year	1,330,528	928,094
Cash and cash equivalents, end of year	\$ 2,031,982	\$ 1,330,528
Reconciliation of change in net assets to net cash provided by operating activities:		
Changes in net assets	\$ 785,873	1,835,820
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	76,467	45,104
In-kind inventory contributions	(5,976)	(12,472)
Grants receivable	-	3,150
Net cash provided by operating activities	\$ 856,364	\$ 1,871,602
Supplemental disclosure of noncash activities:		
In-kind inventory contributions	\$ 709,109	\$ 415,017
In-kind inventory give aways	(703,133)	(402,546)

1. NATURE OF ACTIVITIES

North Gwinnett Cooperative, Inc (the Organization) is a charity located in Buford, Georgia that provides food, clothing, financial assistance, and spiritual support to those in need in the Buford, Suwanee, Braselton, and Sugar Hill communities as well as the Gwinnett county portion of Auburn, Braselton, Bethlehem and Hoschton communities. The Organization began serving the needs within their local communities and was formally organized on May 25, 1995 as a Georgia not-for-profit organization. The Organization is run by a board of directors, comprised of local community and business leaders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with 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). The following significant accounting policies are described to enhance the usefulness of the financial statements to the reader.

The following significant accounting policies are described to enhance the usefulness of the financial statements to the reader.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include cash, checking and savings accounts, and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalent balances may exceed federally insured amounts. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Grants Receivable

Grants receivable are unsecured, noninterest-bearing outstanding balances due from grantors less an allowance for uncollectible grants receivable based on an assessment of grant agreements and knowledge of circumstances that may affect the ability of the grantors to meet their obligations. Grants receivable are evaluated for impairment if full payments are not received in accordance with contractual terms. Grants receivable are written off when deemed uncollectible. At December 31, 2020 and 2019, management has determined that no allowance for uncollectible grants receivable is required.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value.

Unconditional promises to give expected to be collected in future years are initially recorded at fair value using the present value of estimated future cash flows. The discounts on those amounts are computed using the average rate the Organization is earning on its investments or its idle cash applicable to the years in which the pledges are received. Amortization of the discounts would be included in contributions in the accompanying statement of activities.

A valuation allowance for uncollectible promises to give is recorded based on an assessment of historical experience, current creditworthiness, economic conditions and subsequent collections. Payments due in future periods on promises to give are restricted for time until collected. Promises to give are written off when deemed uncollectible.

At December 31, 2020 and 2019, management determined that there were no promises to give to the Organization.

Inventory

Inventory, which consists of supplies from in-kind donations of food, clothing and other supplies, is valued at cost for items purchased and fair value for items donated. Inventory is given to the families who are need of certain supplies that the Organization has on hand.

Management believes that net realizable value is not a relevant measure for inventory items provided to program beneficiaries without charge or for a minimal fee; accordingly, those items are valued at cost (or fair value at date of donation) if the utility of the items has not diminished since acquisition.

The carrying amount of inventory items given away is charged to supplies expense as part of the allocation to Clothing or Other expenses. Sales of inventory, such as the sales reported at the thrift store, are included in Supplies on the Statement of Functional Expenses.

Property and Equipment

The Organization's capitalization policy is to capitalize property and equipment with a purchase price, or donation value, in excess of \$2,500 and which has a useful life greater than one year. Property and equipment purchased are recorded at cost, or fair value at the date of donation, if donated.

Maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Property items retired, or otherwise disposed of, are removed from the asset and accumulated depreciation accounts and any resulting gain or loss is reflected in the statement of activities.

Depreciation is provided over the estimated useful lives of the individual assets using the straight-line method as follows: building improvements, 10 years, machinery and equipment 5-7 years, building and building improvements, 40 years, and vehicles, 5 years.

Impairment

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If a long-lived asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the asset exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2020 and 2019.

Net Assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, amounts reported in the financial statements are classified in two self-balancing net asset categories as follows:

- Net assets without donor restrictions are resources currently available for use in general operations, including internal limits imposed by board decisions.
- Net assets with donor restrictions are resources whose use is limited by donor / grantor-imposed restrictions for specific purpose, passage of time, or perpetual donor-imposed stipulations that neither expire by the passage of time nor can be removed by actions of the Organization.

Recognition of Revenue

Unconditional Contributions

Contributions are reported when made, which is generally when cash (or notification of a beneficial interest) is received, unconditional promises to give are made, or ownership of donated assets is transferred to the Organization.

The Organization recognizes contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and presented in the accompanying statement of activities as net assets released from restrictions.

In certain cases, contributions are solicited for support and project accounts that have been previously funded by unrestricted resources in anticipation of receiving donor restricted contributions. Such contributions are immediately recognized as reclassifications to unrestricted support in the period received since the donor-imposed restrictions have already been satisfied.

Contributions to Acquire Long-Term Assets

Contributions of cash and other assets that must be used to acquire long-term assets are recognized as restricted support. In the absence of explicit donor stipulations about how long those long-term assets must be maintained, the Organization reports expirations of donor-imposed restrictions when the acquired long-term assets are placed into service.

Conditional Contributions

Conditional contributions received are either accounted for as a liability or are unrecognized initially until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional. There were no conditional contributions at December 31, 2019.

Exchange Transactions

The Organization receives revenue from grantors pursuant to grant contracts. The characteristics of each individual grant are considered to determine if a resource provider is receiving commensurate value in return for the resources transferred. A benefit received by the public is treated as a contribution and a benefit received by the resource provider is treated as an exchange transaction. Exchange transaction revenue is recorded as the costs are incurred for cost reimbursement grants or as the services are performed for operating and performance grants. Management has determined that all 2020 and 2019 grants should be treated as contributions.

Donated Goods and Services

Unconditional contributions of goods are recorded at fair value at the date of donation. Conditional contributions of goods are either accounted for as a liability or are unrecognized initially until the barriers to entitlement are overcome, at which point the asset is recognized as unconditional. There were no conditional contributions of goods at December 31, 2020 and 2019.

Contributions of long-term assets, such as property and equipment, are recorded as unrestricted support unless explicit donor stipulations specify how the long-term asset must be used. Contributions of long-term assets with explicit restrictions that specify how the assets are to be used are recognized as restricted support when received and are released from restrictions when the donated assets are placed into service.

Donated professional services that create or enhance nonfinancial assets, or require skills that would otherwise typically be purchased, are recorded as contributions at their estimated fair values when the services are rendered.

Volunteers contribute significant amounts of time to our program and supporting activities. No value has been assigned to this volunteer time.

Advertising Costs

Advertising costs, which are reflected as advertising and promotion, consist primarily of direct advertisements, graphic design, promotional materials, and participation in health fairs, are expensed as incurred. During December 31, 2020 and 2019, advertising costs totaled \$2,162 and \$4,039, respectively.

Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Except for depreciation and occupancy and accounting, all expenses are allocated based on an estimate of where time and efforts are made and benefits are received. Depreciation and occupancy are allocated based on estimated usage and square footage.

Tax Exempt Status

The Organization has been organized as a Georgia nonprofit corporation, recognized by the IRS as exempt from federal income tax under Internal Revenue Code Section 501(c)(3), and determined not to be a private foundation.

The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income derived from business activities that are unrelated to its exempt purpose. Management has determined that the Organization had no unrelated business income during 2020 and 2019 and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization only recognizes the tax benefit from an uncertain tax position taken or to be taken in a tax return if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Management has analyzed tax positions taken for filings with the Internal Revenue Service and all state jurisdictions where the Organization operates. Management believes that income tax filing positions would be sustained upon examination and does not anticipate that any adjustments would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2020 and 2019.

The Organization is subject to federal and state examinations, generally three years from the date that the returns are filed; currently there are no examinations in progress for any tax periods. The Organization believes it is no longer subject to income tax examinations for fiscal years prior to 2018.

Credit Risk and Geographic Concentration

At December 31, 2020 and 2019, there was no credit risk associated with grants receivable since all outstanding amounts were collected timely.

The Organization conducts its operations primarily within Gwinnett County, Georgia, and, therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in contributions concurrently with an increase in community need for the Organization's services.

COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact operation results. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and related financial impact.

Pending Accounting Pronouncement:

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Adoption of this standard is expected to result in the Organization's recognizing right-of-use assets and lease liabilities for some leases currently accounted for as operating leases under the legacy lease accounting guidance. This ASU is effective for the Organization for reporting periods beginning after December 15, 2021.

North Gwinnett Cooperative, Inc

Notes to Financial Statements (Continued)

Management has not yet determined the impact of this pending accounting pronouncements on the Organization's financial statements.

3. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2020 and 2019 follows:

	2020	2019
Building improvements	\$ 9,474	\$ 9,474
Vehicles	112,842	-
Machinery and equipment	113,328	91,492
Buildings	2,753,553	2,741,838
	2,989,197	2,842,804
Less accumulated depreciation and amortization	296,279	219,812
Net property and equipment	\$ 2,692,918	\$ 2,622,992

Depreciation expense totaled for \$76,467 and \$45,104 for 2020 and 2019, respectively.

4. DEBT

During June 2015, the Organization borrowed \$324,508 on a three year note for the purchase of a building with an option to renew the loan at the end of the term or make a balloon payment. The outstanding balance is secured by real property. This note accrues interest at 4.75% with monthly principal and interest payments of \$1,681. The Organization opted to renew the loan for an additional three years with the requirement to make a balloon payment at the end of the term. The balance on this note as of December 31, 2020 and 2019 was \$237,595 and \$246,112, respectively.

Interest expense totaled \$11,667 and \$12,030 for 2020 and 2019, respectively.

The note's principal and related interest was paid in full in April 2021 (see Note 10).

5. NET ASSETS

The following is a summary of net assets as of December 31, 2020 and 2019:

	2020	2019
Net assets without donor restriction	\$ 4,083,379	\$ 3,058,822
Subject to expenditure for specific purpose:		
Food	28,062	55,345
	28,062	55,345
Subject for capital expenditures	424,473	635,874
Total net assets	\$ 4,535,914	\$ 3,750,041

The following is a summary of the net assets released from donor restrictions for December 31, 2020 and 2019:

	2020	2019
Purpose restrictions accomplished:		
Food	\$ 245,943	\$ 51,842
Capital expenditure accomplished	120,013	1,475,276
Net assets released from donor restrictions	\$ 365,956	\$ 1,527,118

6. COMMITMENTS

Certain grants entered into by the Organization are subject to discretionary review by the grantor agencies, which could result in requests for reimbursements of disallowed costs or noncompliance with grantor restrictions. Currently there are no grantor agency reviews in progress and management believes that the Organization has adhered to the terms of its grants and such reviews, if they occur, are not expected to have a material adverse effect on the Organization's past results. Should the amount of these grants decrease, the Organization may be adversely affected.

7. LIQUIDITY AND AVAILABILITY DISCLOSURES

The Organization has a goal to maintain cash and cash equivalents on hand to meet six weeks of normal operating expenses, average monthly operating expenses were approximately \$80,000 and \$46,000 in 2020 and 2019, respectively. As of December 31, 2020 and 2019, the Organization had cash on hand to cover over two months for 2020 and four months in 2019 of normal operating expenses.

North Gwinnett Cooperative, Inc

Notes to Financial Statements (Continued)

The Organization prepares an annual budget that is reviewed and approved by the Board of Directors in advance of the upcoming year. Quarterly meetings are held by the Finance Committee to review internal financial statements and budget to actual comparisons.

The following is a schedule, as of December 31, 2020 and 2019, reflected the financial assets available to meet cash needs for general expenditures within one year:

	2020	2019
Financial assets, at year end:		
Cash and cash equivalents	\$ 2,031,982	\$ 1,330,528
	2,031,982	1,330,528
Less:		
Donor-imposed restrictions likely to be met by expenditure within one year making financial assets unavailable for general expenditure	(452,535)	(691,219)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,579,447	\$ 639,309

8. RELATED PARTIES

The following is a summary of related party transactions for the years ended December 31, 2020 and 2019:

	2020	2019
Nature of service:		
Contributions from board members, employees, and affiliates	\$ 29,325	\$ 16,926

9. DONATED GOODS AND SERVICES

A summary of donated goods received during 2020 and 2019 are as follows:

	2020	2019
In-kind expenses		
Food	\$ 546,805	\$ 171,953
Clothing	53,788	113,293
Bookbags, books, and supplies	108,516	129,772
Total in-kind contributions	\$ 709,109	\$ 415,018

All in-kind expenses are within supplies within the statement of functional expenses for 2020 and 2019.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor's report, the date on which the financial statements were available to be issued. Subsequent events after that date have not been evaluated. In general, these events are recognized in the financial statements if the conditions existed at the date of the statement of financial position, but are not recognized if the conditions did not exist at the statement of financial position date. The Organization discloses non-recognized events if required to keep the financial statements from being misleading. The Organization has noted the following event that required disclosure.

Promissory Note

In April 2021, the Organization paid in full the promissory note held by the financial institution (see Note 4).

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors and Management of
North Gwinnett Cooperative, Inc
Buford, Georgia

Report on Compliance for Each Major Federal Program

We have audited North Gwinnett Cooperative, Inc's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of North Gwinnett Cooperative, Inc's major federal programs for the year ended December 31, 2019. North Gwinnett Cooperative, Inc's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Gwinnett Cooperative, Inc's major federal programs based on our audit of the types of compliance requirements referred to above. 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*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Gwinnett Cooperative, Inc's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of North Gwinnett Cooperative, Inc's compliance.

Opinion on Each Major Federal Program

In our opinion, North Gwinnett Cooperative, Inc complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of North Gwinnett Cooperative, Inc is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Gwinnett Cooperative, Inc's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Gwinnett Cooperative, Inc's 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 functions, 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 will not be prevented, or detected and corrected, on a timely basis. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



K. Glenn Aldridge, PC
(d/b/a Aldridge & Associates)
February 17, 2023

**North Gwinnett Cooperative, Inc
Schedule Of Findings And Questioned Costs
For The Year Ended December 31, 2019**

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.

Significant deficiency identified? Yes.

Noncompliance material to financial statements noted? No.

Federal Awards

Internal control over major federal programs:

Material weakness identified? No.

Significant deficiency identified? No.

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 §CFR 910.516(a)? Yes, Finding 2019-001

Identification of major federal program:

<u>CFDA #</u>	<u>Award Name / Number</u>	<u>Type of Report Issued</u>
14.218	Community Block Development Grant	Unmodified.

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No.

Section II - Financial Statement Findings

Not applicable.

Section III - Federal Award Findings and Questioned Costs

Finding No. 2019-001

Criteria: 2 CFR 200.500 through .521 requires the recipient of federal awards to comply with Single Audit requirements.

Condition: North Gwineett Cooperative submitted its 2019 Single Audit late.

Context: The Organziation is required to submit an audit six months after year-end of funds received to be in compliance with 2 CFR 200.500 - 200.513.

Cause: No procedures were in place to ensure that the Single Audit requirement was met.

Effect: The County of Gwinnett has notified North Gwinnett Cooperative, Inc. that no additional funding will be given until the 2019 Single Audit requirment is met.

Recommendation: We recommend that North Gwinnett establish procedures to avoid late filings in the future.

Planned corrective action: North Gwinnett completed its 2019 Single Audit in February 2023 and will establish procedures to avoid late filings in the future.

North Gwinnett Cooperative, Inc
Schedule of Expenditures of Federal Awards
December 31, 2019

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development:		
<i>Office of Management and Budget</i>		
Community Development Block Grant	14.218	\$ 1,065,538
Total U.S. Department of Housing and Urban Development		<u>1,065,538</u>
Total Expenditures of Federal Awards		<u>\$ 1,065,538</u>

Notes to Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

This Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Parts 200 and 910, *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 North Gwinnett, Co-Op, it is not intended to and does not present the financial position, changes in financial position, or cash flows of North Gwinnett, Co-Op.

(2) Summary of Significant Accounting Policies

Expenditures reported in this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Federal Acquisition Regulations.

(3) CONTINGENCIES

Grant monies received and disbursed are for specific purposes and are subject to review by the grantor agencies. Such audits result in requests for reimbursement due to disallowed expenditures. Management does not believe that such disallowance, if any, would have a material effect on its financial position. As of December 31, 2019 there were no material questioned or disallowed costs as a result of the grant

(4) INDIRECT COST

The Organization have elected to use the 10% de minimis indirect cost rate.

**North Gwinnett Cooperative, Inc
Summary of Schedule of Prior Year Findings and Questioned Costs
For The Year Ended December 31, 2018.**

There were no prior year findings.