

COMMUNITY COOPERATIVE, INC.

FINANCIAL STATEMENTS TOGETHER WITH
REPORT OF INDEPENDENT AUDITOR

Year Ended
December 31, 2018

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& Company, PA

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Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

INDEPENDENT AUDITOR'S REPORT

Board of Directors
P.O. Box 2143
Fort Myers, FL 33902-2143

Report on the Financial Statements

We have audited the accompanying financial statements of Community Cooperative, Inc. (a Florida not-for-profit corporation) ("Community Cooperative"), which comprise the statement of financial position as of December 31, 2018, 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; 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. 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 Community Cooperative'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 Community Cooperative'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.

INTEGRITY SERVICE EXPERIENCE

Board of Directors
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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 Community Cooperative, Inc. as of December 31, 2018, 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.

Matter of Emphasis - New Accounting Pronouncement

On August 18, 2016 FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Community Cooperative, Inc. has adjusted the presentation of these statements accordingly. Please refer to Note A.

A handwritten signature in black ink that reads "Tuscán & Company, P.A." The signature is written in a cursive, flowing style.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
May 8, 2019

COMMUNITY COOPERATIVE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS	<u>Amount</u>
CURRENT ASSETS	
Cash and cash equivalents, (including restricted cash of \$11,250)	\$ 359,135
Investments - without donor restrictions	231,345
Investments - with donor restrictions	83,147
Accounts receivable	27,294
Grants receivable	35,268
Pledges receivable	2,500
Prepaid expenses	7,768
Inventory - food	<u>118,641</u>
TOTAL CURRENT ASSETS	865,098
DEPOSITS	785
BENEFICIAL INTEREST - ENDOWMENT	60,187
PROPERTY AND EQUIPMENT, NET	<u>855,101</u>
TOTAL ASSETS	<u>\$ 1,781,171</u>
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 18,525
Accrued expenses	49,345
Unearned revenue	11,250
Long-term debt, current portion	<u>26,355</u>
TOTAL CURRENT LIABILITIES	105,475
 LONG-TERM LIABILITIES	
Long-term debt, net of current portion	<u>55,718</u>
TOTAL LONG-TERM LIABILITIES	55,718
 COMMITMENTS AND CONTINGENCIES	
TOTAL LIABILITIES	<u>-</u>
 NET ASSETS	
Without donor restrictions	1,476,644
With donor restrictions	<u>143,334</u>
TOTAL NET ASSETS	<u>1,619,978</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,781,171</u>

The accompanying notes are an integral part of this statement.

COMMUNITY COOPERATIVE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
CHANGES IN NET ASSETS			
PUBLIC SUPPORT AND REVENUES			
Special Events	\$ 711,386	\$ -	\$ 711,386
Less: direct costs	<u>(136,530)</u>	<u>-</u>	<u>(136,530)</u>
Net proceeds from special events	574,856	-	574,856
United Way	-	407,000	407,000
Government grants and contracts	-	146,483	146,483
Contributions and other grants	473,859	234,283	708,142
Donated goods and services	1,286,201	-	1,286,201
Meal delivery (MOW)	172,047	-	172,047
National School Lunch Program	120,741	-	120,741
Miscellaneous	10,082	-	10,082
Interest & net investment income (loss)	<u>3,074</u>	<u>(5,423)</u>	<u>(2,349)</u>
TOTAL PUBLIC SUPPORT AND REVENUES	2,640,860	782,343	3,423,203
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>806,944</u>	<u>(806,944)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS	<u>3,447,804</u>	<u>(24,601)</u>	<u>3,423,203</u>
EXPENSES			
Program services	2,874,633	-	2,874,633
General and administrative	191,616	-	191,616
Fundraising	<u>122,232</u>	<u>-</u>	<u>122,232</u>
TOTAL EXPENSES	<u>3,188,481</u>	<u>-</u>	<u>3,188,481</u>
INCREASE (DECREASE) IN NET ASSETS	259,323	(24,601)	234,722
NET ASSETS, BEGINNING OF YEAR	<u>1,217,321</u>	<u>167,935</u>	<u>1,385,256</u>
NET ASSETS, END OF YEAR	<u>\$ 1,476,644</u>	<u>\$ 143,334</u>	<u>\$ 1,619,978</u>

The accompanying notes are an integral part of this statement.

COMMUNITY COOPERATIVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services				Total Program Services
	Food Services	Meals on Wheels	Social Services	Volunteer Services	
Salaries/labor	\$ 290,961	\$ 214,125	\$ 289,767	\$ 41,335	\$ 836,188
Taxes and benefits	38,989	31,696	41,698	5,985	118,368
Total salaries and related expenses	329,950	245,821	331,465	47,320	954,556
Auto	16,148	525	458	-	17,131
Bad debts	-	1,695	-	-	1,695
Bank and merchant service fees	-	796	-	-	796
Board development	-	-	-	-	-
Computer and communications	18,928	12,958	19,196	2,297	53,379
Conferences and travel	-	4,265	864	30	5,159
Depreciation	29,682	22,261	31,802	4,240	87,985
Dues and subscriptions	90	600	100	-	790
Food	1,325,197	60,990	-	-	1,386,187
Program supplies	22,633	23,954	33,013	16,726	96,326
Insurance	21,536	16,152	23,074	3,077	63,839
Legal and professional	6,919	5,067	7,118	1,113	20,217
Licenses and fees	781	219	566	13	1,579
Loan interest (LOC)	-	-	-	-	-
Office supplies	1,808	824	1,896	418	4,946
Postage and shipping	11	1,842	-	-	1,853
Printing and publications	247	2,188	589	474	3,498
Public relations & advertising	4,751	-	375	-	5,126
Rent	5,531	2,107	4,535	373	12,546
Repairs and maintenance	15,549	9,750	8,648	684	34,631
Telephone	628	1,011	1,213	90	2,942
Utilities	16,902	12,096	13,262	1,475	43,735
Direct assistance	-	-	68,609	-	68,609
Volunteer	-	3,243	-	3,797	7,040
Miscellaneous	-	-	68	-	68
Total expenses	<u>\$ 1,817,291</u>	<u>\$ 428,364</u>	<u>\$ 546,851</u>	<u>\$ 82,127</u>	<u>\$ 2,874,633</u>

<u>Supporting Services</u>			
<u>General and</u>		<u>Total</u>	
<u>Administrative</u>	<u>Fundraising</u>	<u>Supporting</u>	<u>Total</u>
		<u>Services</u>	
\$ 108,776	\$ 65,389	\$ 174,165	\$ 1,010,353
10,855	5,746	16,601	134,969
119,631	71,135	190,766	1,145,322
806	-	806	17,937
-	10,000	10,000	11,695
1,590	5,568	7,158	7,954
302	-	302	302
7,899	4,361	12,260	65,639
1,010	1,934	2,944	8,103
10,601	7,420	18,021	106,006
834	1,944	2,778	3,568
-	-	-	1,386,187
-	5,522	5,522	101,848
7,691	5,384	13,075	76,914
8,535	2,348	10,883	31,100
1,682	290	1,972	3,551
-	-	-	-
4,982	935	5,917	10,863
1,105	525	1,630	3,483
2,678	187	2,865	6,363
-	263	263	5,389
1,051	652	1,703	14,249
15,686	1,026	16,712	51,343
224	157	381	3,323
3,687	2,581	6,268	50,003
-	-	-	68,609
-	-	-	7,040
1,622	-	1,622	1,690
<u>\$ 191,616</u>	<u>\$ 122,232</u>	<u>\$ 313,848</u>	<u>\$ 3,188,481</u>

COMMUNITY COOPERATIVE, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2018

	<u>Amount</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from donors and other operating activities	\$ 2,292,003
Cash paid to suppliers and employees	(1,972,602)
Interest received	-
Interest paid	<u>-</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>319,401</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Contribution to endowment	(51,679)
Purchases of investments	(165,056)
Proceeds from sale of equipment	8,280
Purchases of property and equipment	<u>(188,154)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(396,609)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from loans payable	82,073
Principal payments on line of credit	<u>-</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	82,073
Net increase in cash and cash equivalents	4,865
CASH AND CASH EQUIVALENTS - BEGINNING	<u>354,270</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 359,135</u></u>

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF INCREASE IN NET ASSETS
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

	<u>Amount</u>
Increase in Net Assets	\$ 234,722
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	106,006
Donated property and equipment	(2,269)
Gain on disposition of property and equipment	(3,484)
Net realized/unrealized (gain) loss on investments	8,207
Distribution received from endowment - beneficial interest	3,491
Unrealized loss on endowment, net of investment and expenses	6,318
(Increase) decrease in accounts receivable, net	1,183
(Increase) decrease in grants receivable	(15,072)
(Increase) decrease in pledges receivable	1,000
(Increase) decrease in prepaid expenses	322
(Increase) decrease in food inventory, net	(53,138)
(Increase) decrease in other assets	14,495
Increase (decrease) in accounts payable	(2,523)
Increase (decrease) in accrued expenses	8,893
Increase (decrease) in unearned revenue	<u>11,250</u>
TOTAL ADJUSTMENTS	<u>84,679</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 319,401</u>

NON-CASH TRANSACTIONS

Non-cash operating activities have been eliminated and include the following for the year ended December 31, 2018:

	<u>Support and Revenues</u>	<u>Expenses</u>
Donated rent	\$ 4,421	\$ 4,421
Donated fixed assets	2,269	-
Donated food inventory	1,222,530	-
Consumed donated food inventory	-	1,169,392
Donated professional services	56,981	56,981
	<u>\$ 1,286,201</u>	<u>\$ 1,230,794</u>

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and description of activities

Community Cooperative, Inc. (the "Organization") (CCI) was incorporated in February 1985 under the laws of Florida as a not-for-profit corporation named Community Cooperative Ministries, Inc. (CCMI), to operate a soup kitchen for those in need and to provide material needs and basic social services to the citizens of Lee County.

Effective June 30, 2006, the Organization merged with Meals on Wheels of Lee County, Florida, Inc. ("MOW") and Faith in Action Caring for the Elderly of Southwest Florida, Inc. ("FIA"). Articles of Merger were filed with the State of Florida on June 26, 2006.

During 2014, Community Cooperative, Inc. agreed to absorb the operations of God's Table of Fort Myers Beach from an unrelated third party not-for-profit organization. God's Table was a program designed to assist the homeless and needy on Fort Myers Beach.

Effective April 2014, Community Cooperative Ministries, Inc. (CCMI) changed its official name to Community Cooperative, Inc. (Community Cooperative) (CCI).

Community Cooperative utilizes food and food related services as a gateway to accomplish its mission but also as a means through which to introduce its clients to the array of other services available to those clients. Those other services are provided by CCI or referred to other community based organizations or government agencies.

Specifically, CCI operates the following programs:

The Community Café, which has locations in Fort Myers and Fort Myers Beach, provides a hot, freshly prepared meal, six days per week to anyone in the community who is in need of food. There is no charge to eat in the cafes. throughout Lee County.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Organization and description of activities, continued

The Community Market is a sustainable, client choice model for long-term hunger elimination that provides a choice and reduces food waste. The market provides customers an opportunity to shop the shelves for food, which includes fresh produce, meats, and dairy.

The Mobile Food Pantry takes the Community Market on the road to areas in Lee County that have been deemed food deserts. The majority of the residents in these neighborhoods live below the federal poverty level and have little to no transportation.

Meals on Wheels is a home delivered meal program that delivers meals to Lee County residents who are elderly, ill or disabled and are unable to shop or prepare their own food. This service provides daily nutrition and contact for homebound seniors regardless of their ability to pay.

Growing Healthy Kids includes Food Literacy in Preschool and Healthy School Lunch programs.

Social and Educational Services: Often referred to as the United Way House, provides on-site and referral resources for job training, housing, mental health, substance abuse, child-care, education, financial well-being, health and wellness, and life coaching. CCI also provides assistance with Medicaid and SNAP applications as well as providing basic needs such as clothing, hygiene products, mail services, and comprehensive case management.

Volunteer Services: This department continually recruits and organizes volunteers for all programs. CCI relies on more than 3,000 volunteers annually to work in every department of the organization.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The following is a summary of the significant accounting policies used in the preparation of these financial statements.

Basis of accounting

The accounting and reporting policies of CCI conform to accounting principles generally accepted in the United States of America and are in accordance with the audit guide issued by the American Institute of Certified Public Accountants, "Not-for-Profit Organizations" under the provisions for Voluntary Health and Welfare Organizations and the accounting standards issued by the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC).

The Organization prepares its financial statements on the accrual basis of accounting. Grant revenues are recorded as support when performance occurs under the terms of the specific grant agreement. Grant revenue includes all resources received from another entity in accordance with an entitlement or grant document.

Financial statement presentation

The financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205-55-21 (formerly Statement of Financial Accounting Standards (SFAS) No. 117), "Financial Statements of Not-for-Profit Organizations". Under FASB ASC 958-205-55-21, CCI is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

CCI reports its contributions in accordance with FASB ASC 958-605-50-1 (formerly SFAS No. 116) "Accounting for Contributions Received and Contributions Made". In accordance with FASB ASC 958-605-50-1, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under FASB ASC 958-605-50-1, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction or compliance with the purpose restriction.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, the Organization considers all undesignated, unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are generally carried at fair value. Marketable securities are carried at fair value. The Organization has the ability to and intends to hold these investments for the foreseeable future. Gains and losses are determined using the specific identification method when securities are sold or mature. Due to the type and nature of investments held, any related gain or loss is reflected as investment income. Unrealized appreciation or depreciation of the investments is considered immaterial and, therefore, not separately reflected in the financial statements. Related investment fees are considered insignificant.

Fair value of financial investments

CCI adheres to FASB ASC 820-10-50-1 through 820-10-50-8 (formerly SFAS No. 157), "Fair Value Measurements". This Standard applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. This Standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. This Standard establishes a fair value hierarchy which consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair value of financial investments, continued

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Accounts receivable - Meals on Wheels and Prepared Meal Sales

Accounts receivable consist of billings due from individuals for Meals on Wheels and prepared meal sales. The Organization uses the direct write-off method of accounting for uncollectible accounts. At December 31, 2018, all receivables are considered by management to be fully collectible.

Property and equipment

The Organization's policy is to capitalize assets with a cost of \$1,000 or more and a useful life greater than one (1) year. Property and equipment is recorded at cost, except for donated items (used in operations of the Organization) which are recorded at fair market value as of the date received. Assets are depreciated using the straight-line method over their respective estimated lives, as follows:

<u>Fixed Asset Category</u>	<u>Useful Lives</u>
Building and improvements	5-39 years
Furniture and equipment	3-10 years
Vehicles	5-7 years

Advertising costs

The Organization's policy is to expense advertising costs as such costs are incurred.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Inventory

The Organization maintains an inventory of food items and consumable supplies for the soup kitchen, food pantry, and food service distribution. Many of the items are received through donations. The method used to determine the value of the inventory is based on the cost and/or estimated price per pound using the rate established by Feeding America of \$1.68 per pound.

Compensated absences

No amounts have been accrued or recorded for time accrued (vacation and sick) by employees as the Organization's policies do not provide for compensation of such time upon termination of the employee.

Impairment of fixed assets

The Organization adheres to FASB ASC 360-10-50-2 (formerly SFAS No. 144), "Accounting for the Impairment or Disposal of Long-Lived Assets." FASB ASC 360-10-50-2 requires, among other things, that entities identify events or changes in circumstances which indicate that the carrying amount of an asset may not be recoverable.

There was no effect on the Organization's financial statements resulting from FASB ASC 360-10-50-2 for the year ended December 31, 2018.

Contributions

In order to observe restrictions which donors place on grants and other gifts, as well as designations made by the Board of Directors, all assets, liabilities and activities are accounted for in the following net asset classifications:

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

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Contributions, continued

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions include:

Temporarily Restricted Net Assets - subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets - subject to donor-imposed stipulations that they be retained and invested permanently by the Organization. The donors require the Organization use all or part of the investment return on these net assets for specified or unspecified purposes.

Donated services

A number of volunteers, including the Board of Directors, have donated significant amounts of their time and expertise to Community Cooperative's programs and supporting services. No amount has been reflected in the financial statements for these donated services, inasmuch as no objective basis is available to measure the value of such services except donated professional services.

Donated goods and rent

Certain amounts for donated food have been reflected as donated goods revenue and expense on the Statement of Activities when consumed or distributed. Donated food held in inventory is recorded when donated at its estimated cost per pound, which approximates fair value.

Community Cooperative receives donated office space. Donated rent (office space) is recorded at market value and is reflected as donated revenue and rent expense in an equal amount.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Revenue recognition

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted (net assets without donor restrictions) support.

Functional expenses

The cost of providing the various programs and other activities has been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Expenses that can be identified with a specific program service are charged directly to that program, according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases. The Board of Directors routinely approves the method of allocating expenses.

Income taxes

No provision for income tax expense has been made in the accompanying financial statements since the Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3). In addition, the Organization is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. Management believes the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax. The Organization's income tax returns for the past three years are open and subject to examination by tax authorities, and may change upon examination. The Organization reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounting for Uncertainty in Income Tax Items

The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes and the Organization has adopted this guidance. The Organization has evaluated its tax provision and any estimates utilized in its tax returns, and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expenses, if required.

New Accounting Pronouncement

On August 18, 2016 FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include (a) requiring the presentation of only two classes of net assets now titled "net assets without donor restrictions" and "net assets with donor restrictions" and (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources. As a result of adopting the ASU, Community Cooperative changed its presentation of its net assets and classes and expanded the footnote disclosures as required by the ASU.

Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

Subsequent events have been evaluated through May 8, 2019, which is the date the financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2018:

	<u>Amount</u>
Depository accounts	\$ 180,224
Money market accounts	178,411
Petty cash	500
	<u>\$ 359,135</u>

Cash and cash equivalents include restricted cash of \$11,250 equal to unearned revenue at December 31, 2018.

Concentration of credit risk

The Organization maintains its cash and cash equivalent balances at several financial institutions which, at times, may exceed federally insured limits. The cash and cash equivalents are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2018, the Organization's bank balances were fully insured by the FDIC. The Organization has not experienced any economic losses on such accounts. The Organization believes it is not exposed to any significant credit risk regarding its cash balances.

NOTE C - INVESTMENTS

Investments consist of the following at December 31, 2018:

	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ -	\$ -
Money market accounts	314,492	314,492
Fixed income securities	-	-
	<u>\$ 314,492</u>	<u>\$ 314,492</u>

Investments are recorded at fair value, as reflected on the Statement of Financial Position as of December 31, 2018 and are restricted in the amount of \$83,147 and unrestricted of \$231,345. The investments are held by a financial institution in a money market fund. The fund at year end recorded a rate of return of 2.02%. The fund is not subject to FDIC coverage.

NOTE C - INVESTMENTS, CONTINUED

The Organization has adopted an investment policy including the requirements of the related FUPMIFA Florida Statutes Section 617.2014. The Organization's investment policy allows management to invest in available investment vehicles to maximize income. Management has also attempted to minimize risk while working to achieve maximum investment returns. Investments consist of two components: the beneficial interest held by a community foundation and an internal investment, a portion of which is restricted as an endowment. The Board's intent is to continue to develop the endowment. As such, it has elected to invest the endowment along with certain unrestricted funds in a money market account until the endowment balance is increased to predetermined amounts. This was done to minimize risk and fees.

In accordance with FASB ASC 820, the Organization uses fair value measurements to record adjustments to certain assets. FASB ASC 820 defines fair value as "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." The Codification also sets out a fair value hierarchy ranking the levels of the inputs used as assumptions in the valuation techniques used to value an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of hierarchy are described as follows:

Level 1 - inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions of the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted market prices of similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active, and pricing models developed principally from inputs from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable and allowed in situations where there is little, if any, market activity for the asset or liability at measurement date. These inputs reflect the reporting entity's own assumptions about assumptions that would be used by market participants.

NOTE C - INVESTMENTS, CONTINUED

The Organization uses fair value measurements to record adjustments to its investments and to determine fair value disclosures.

The following table presents the fair value hierarchy for the Organization's assets measured at fair value as of December 31, 2018:

	Fair Value Measurements Using:			
	Fair Value	Level 1	Level 2	Level 3
Beneficial interest in assets				
held at community foundation	\$ 60,187	\$ -	\$ -	\$ 60,187
Investments				
Money market accounts	314,492	314,492	-	-
Equities	-	-	-	-
Fixed income securities:				
Treasury and federal agencies	-	-	-	-
State and municipal	-	-	-	-
	<u>\$ 374,679</u>	<u>\$ 314,492</u>	<u>\$ -</u>	<u>\$ 60,187</u>

Level 1: CCI had money market accounts at December 31, 2018.

Level 2: Classifications consist of commingled funds where detailed holdings were available and the funds fair value could be determined based on market prices, such as money markets and certain other bond funds. It also included specific investments in rated fixed income securities.

Level 3: Classifications consist of the following:

Beneficial interest in assets - 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 and includes, in some instances, a match provided by the Community Foundation. The Community Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The beneficial interest in assets

NOTE C - INVESTMENTS, CONTINUED

held at the Community Foundation are not redeemable by the Organization as described in Note I.

Net investment loss on the beneficial interest in assets for the year ended December 31, 2018 was \$9,809 which included cash distributions of \$3,491. The components of the net appreciation on investments, may include dividend and interest income, realized gains and losses, gain or loss on sale of contributed shares and market fluctuations associated with the underlying investments. Investment manager's fees and Foundation fees are netted against these amounts.

Activity related to the beneficial interest consists of the following for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Balance	\$ -	\$ 69,996	\$ 69,996
Contributions	-	-	-
Cash Distribution to CCI	-	(3,491)	(3,491)
Investment Performance	-	(4,815)	(4,815)
Foundation Fees	-	(1,343)	(1,343)
Investment Manager's Fees	-	(160)	(160)
Ending Balance	<u>\$ -</u>	<u>\$ 60,187</u>	<u>\$ 60,187</u>

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, receivables, inventory, prepaid expenses, deposits, accounts payable, accrued expenses, loans and the line of credit. The carrying amounts of these items approximates fair value due to the short term nature of the financial instruments.

Investment risk

Credit risk is the risk that a portfolio will lose value as a result of a real or perceived change in the ability of a issuer to repay its debts. To reduce this risk, the investment policy limits investments in fixed income securities to those rated within the highest three classifications. Market risk is the risk that due to many factors including but not limited to global, national and local economic factors these investments can and may lose principal. In addition, the Organization has employed qualified investment managers

NOTE C - INVESTMENTS, CONTINUED

Investment risk, continued

who specialize in investments within certain asset classes. Management believes this diversification will reduce the risk of loss of principal and preserve the Organization's assets.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. As a means of limiting its exposure to interest rate risk, the Organization diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

Custodial credit risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investment or collateral securities (loss of principal) that are in the possession of an outside party. To date the Organization has experienced no such loss.

The Organization's internal investments are maintained at a financial institution and are managed by a third party investment manager. The investments are held either in the Organization's name or that of the financial institution. The investments are registered and uninsured.

There were no losses during the fiscal year due to default by counterparties to investment transactions.

Foreign currency risk

Foreign currency risk is the risk that fluctuations in the currency exchange rate may affect transactions conducted in currencies other than US Dollars and the carrying value of foreign investments. The Organization's potential exposure to foreign currency risk derives mainly from investments in international fixed income funds. The Organization did not own international fixed income funds at December 31, 2018 and therefore, has little exposure to foreign currency risk related to international finance corporations fixed income funds.

COMMUNITY COOPERATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE D - GRANTS RECEIVABLE

Grants receivable consist of the following at December 31, 2018:

	<u>Amount</u>
Lee County Department of Human & Veteran Services - MOW	\$ 14,796
Lee County Department of Human & Veteran Services - CDBG	472
Foulds Foundation	<u>20,000</u>
	<u>\$ 35,268</u>

The management of Community Cooperative, Inc. believes the grants receivable to be fully collectible. Therefore, no allowance for doubtful accounts has been recorded.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2018:

	<u>Amount</u>
Land	\$ 97,696
Building and improvements	1,074,988
Furniture and equipment	260,593
Vehicles	<u>257,249</u>
Property and equipment	1,690,526
Less: accumulated depreciation	<u>(835,425)</u>
Property and equipment, net	<u>\$ 855,101</u>

Depreciation expense for the year ended December 31, 2018 was \$106,006, and is allocated between program services and general and administrative expenses.

NOTE F - LINE OF CREDIT

CCI has a \$170,000 one year revolving line of credit (LOC) dated October 23, 2018, with a financial institution, with interest payable monthly at .25 % below the lender's prime rate. At December 31, 2018, the interest rate was 5.25%. The LOC is collateralized by the investment account and is due on demand. During the year ended December 31, 2018, CCI borrowed no funds on the LOC. The outstanding balance on the LOC at December 31, 2018 was \$0 and is due in full on October 23, 2019.

Interest expense incurred for the year ended December 31, 2018 was \$0.

NOTE G - LONG-TERM LIABILITIES

Long-term debt consists of the following obligations at December 31, 2018:

	<u>Amount</u>
\$41,682 loan payable monthly, for 36 months to a financial institution in the amount of \$1,185 including fixed interest at 1.49% to finance the purchase of a vehicle. The loan is collateralized by the respective vehicle. Final payment is due December 27, 2021.	\$ 41,682
\$40,391 loan payable monthly, for 36 months to a financial institution in the amount of \$1,229 including fixed interest at 5.99% to finance the purchase of a vehicle. The loan is collateralized by the respective vehicle. Final payment is due December 26, 2021.	<u>40,391</u>
Total Long-Term Liabilities	82,073
Current Portion	<u>(26,355)</u>
Noncurrent Portion	<u>\$ 55,718</u>

Principal maturities of the loans payable are as follows:

<u>Years</u>	<u>Amount</u>
2019	\$ 26,355
2020	27,341
2021	<u>28,377</u>
	<u>\$ 82,073</u>

Interest expense related to long-term debt was \$0 years ended December 31, 2018.

COMMUNITY COOPERATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE H - NET ASSETS

Net assets consisted of the following at December 31, 2018:

	<u>Amount</u>
Without donor restrictions:	
Unrestricted - undesignated	\$ 1,476,644
Unrestricted - designated - operating reserves	<u>-</u>
	<u>1,476,644</u>
With donor restrictions:	
<u>Temporarily Restricted</u>	
United Way IRMA Long Term Recovery	9,095
Richard Schulze Family Foundation Grant	15,248
WaWa Foundation	2,500
Cape Coral Community Foundation	966
SunTrust Foundation Grant	<u>2,764</u>
	<u>30,573</u>
<u>Permanently Restricted</u>	
Endowment	52,574
SWFL Community Foundation Endowment (Note J)	<u>60,187</u>
	<u>112,761</u>
	<u>143,334</u>
Total Net Assets	<u>\$ 1,619,978</u>

At December 31, 2018, the Organization had net assets with donor restrictions of \$143,334 of which \$30,573 were temporarily restricted for specific purposes as required by the respective contract, and/or donor/grantor. The net assets with donor restrictions are offset by restricted investments.

At December 31, 2018, the Organization had net assets with donor restrictions of \$112,761 which were permanently restricted for specific purposes as required by the respective contract and offset by restricted investments, and \$60,187 is offset by a beneficial interest.

Designations of net assets are voluntary segregations of net assets without donor restrictions for specific purposes, projects or investments by the Board of Directors and may be amended at anytime by the Board of Directors. At December 31, 2018, CCI had no designated assets.

COMMUNITY COOPERATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE I - GOVERNMENT GRANTS AND CONTRACTS REVENUE

Government grants and contracts revenue consist of the following at December 31, 2018:

	<u>Amount</u>
Lee County Department of Human Services	\$ 70,760
City of Cape Coral (CDBG)	15,723
Emergency Food and Shelter Program (FEMA)	54,000
City of Fort Myers (CASP)	6,000
	<u>\$ 146,483</u>

NOTE J - ENDOWMENT FUND

The Community Cooperative endowment effort consists of two funds; one held by a local foundation and one being developed internally.

On April 5, 1994, Community Cooperative entered into an agreement with a local foundation (an unrelated organization) to create an endowment fund for the benefit of Community Cooperative. The agreement called for a \$5,000 contribution by Community Cooperative to the local foundation that was matched by the local foundation, creating a total endowment of \$10,000.

The endowment fund is recorded in the financial statements of Community Cooperative as a beneficial interest. In accordance with the terms of the agreement these funds are the property of the foundation and not Community Cooperative and are not available for distribution to Community Cooperative. The assets of the agreement are held for the benefit of Community Cooperative and a portion of the income from the fund is available to be distributed to Community Cooperative annually subject to the approval of the foundation's Board of Directors. Annual income from the agreement has, historically, been reinvested by the respective Foundation at the direction of Community Cooperative. Once the annual income was reinvested, it historically was not available for future distribution to Community Cooperative. The agreement also incurs investment management costs. The endowment fund agreement permits additional endowment gifts to be contributed. During the year ended December 31, 2018, net investment losses, net of investment management costs were \$6,318. Community Cooperative received a distribution of \$3,491. The total endowment held by the foundation for the benefit of Community Cooperative at December 31, 2018 was \$60,187 which was recorded by Community Cooperative as of December 31, 2018.

NOTE J - ENDOWMENT FUND, CONTINUED

On February 21, 2018, Community Cooperative entered into an agreement with a donor to create an endowment fund for the benefit of Community Cooperative.

The donor contributed \$51,679 to create the endowment.

The composition of endowment net assets for this fund and the changes in endowment net assets as of December 31, 2018, are as follows:

Endowment net assets, January 1, 2018	\$	-
Contributions		51,679
Investment return (net)		895
Amounts appropriated for expenditure		-
Endowment net assets, December 31, 2018	\$	<u>52,574</u>

In order to provide a sustainable level of income to support the special needs of the Organization while preserving the real (inflation adjusted) purchasing power of the investment portfolio and endowed funds, the Organization establishes the following spending policy with regard to the use of available funds as follows:

1. Up to 4% of the total market value of the available funds may be distributed annually based upon a three-year rolling average. Distributions shall be calculated annually.
2. The percentage distributed shall be reviewed annually by the Board Finance Committee and adjusted as appropriate according to the needs of the Organization and the current market climate but at no time should the spending rate percentage be lower than 3% or exceed 6% unless specifically authorized by a two-thirds majority vote of the Board of Directors.
3. Should the suggested distribution result in a reduction of the real value of the endowment and reserve funds to a level below the adjusted real value, the Board Finance Committee shall determine an alternative percent or amount to be withdrawn.

The spending policy provides that a prudent portion of the annual earnings and/or accumulated appreciation of each fund may be expended each year. Once an endowment has grown to at least 120% of its initial gift value, then management according to the Spending Policy shall deem it prudent to allow spending from the endowment.

NOTE K - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, contributions and grants included \$24,230 from members of the Board.

As of December 31, 2018, the Organization held \$495,117 (carrying amount) in banks and an investment company in which members of the Board held management positions.

The Organization's LOC is also through an entity in which a Board member is employed.

NOTE L - IN-KIND CONTRIBUTIONS

During the year ending December 31, 2018, the Organization recorded \$1,286,201 (including donated office space of \$4,421) of donated goods and professional services contributions consisting substantially of donated and discounted food.

In addition, volunteers contributed approximately 43,113 hours of service valued at \$1,036,437 (\$24.04/hr) and drove approximately 188,115 miles valued at \$26,336 (\$.14/mile) on behalf of the Organization. These amounts are not recorded as revenue or expense for the year ended December 31, 2018.

NOTE M - ECONOMIC DEPENDENCE

The operations of the Community Cooperative, Inc. is dependent on the receipt of support and revenue from grantor agencies and fundraising events. Loss of these funds and/or large decreases in these types of funding would have a material effect on the Organization and a negative impact on overall operations. For the year ended December 31, 2018, the Organization received approximately 17% of its support from two major fundraising events and approximately 12% of its support from United Way.

NOTE N - COMMITMENTS AND CONTINGENCIES

The Organization is currently receiving and previously has received grants, contracts, and other third party funds which are subject to special compliance audits by the grantor and other third party agencies that provide these reimbursements. These audits may result in disallowed expense amounts.

NOTE N - COMMITMENTS AND CONTINGENCIES, CONTINUED

Disallowed amounts, if any, constitute a contingent liability of the Organization. Accordingly, such liabilities are not reflected within the financial statements of the Organization, as management does not believe any contingent liabilities that may exist to be material.

NOTE O - LITIGATION

The Organization is involved from time to time in routine litigation, the substance of which would not materially affect its financial position, due to third party insurance coverage and/or federal tort limits. The Organization is not in a position at December 31, 2018 to predict a final outcome of such lawsuits or claims, or the related costs involved. The Organization intends to vigorously contest all claims unless first settled. Management is not aware of any asserted claims at December 31, 2018.

NOTE P - UNITED WAY CONTRIBUTIONS

The Lee County United Way provided Community Cooperative with grants of \$407,000 for the year ended December 31, 2018.

NOTE Q - LIQUIDITY

Financial assets available within one year of December 31, 2018 consisted of the following:

	<u>Amount</u>
Cash and cash equivalents	\$ 359,135
Investments without donor restrictions	231,345
Accounts receivable	27,294
Grants receivable	35,268
Pledges receivable	<u>2,500</u>
	655,542
Less amounts due within one year:	
Current liabilities	<u>105,475</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 550,067</u>

NOTE Q - LIQUIDITY, CONTINUED

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$800,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and fixed income securities. The Organization also has a \$170,000 revolving line of credit available to meet cash flow needs.



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American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

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INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

Board of Directors
Community Cooperative, Inc.
P.O. Box 2143
Fort Myers, Florida 33902-2143

In planning and performing our audit of the financial statements of Community Cooperative, Inc. (the "Organization") as of and for the year ended December 31, 2018, we considered Community Cooperative, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion of the effectiveness of Community Cooperative, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Community Cooperative, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

In connection with our audit, we are, therefore, submitting for your review and consideration, items noted during the audit and recommendations that are designed to help Community Cooperative, Inc. make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to Community Cooperative, Inc.

INTEGRITY SERVICE EXPERIENCE

12621 World Plaza Lane, Building 55 • Fort Myers, FL 33907 • Phone: (239) 333-2090 • Fax: (239) 333-2097

PRIOR YEAR COMMENTS:

There were no financially significant prior year comments.

CURRENT YEAR COMMENTS:

There were no financially significant comments noted.

We would like to express our appreciation for the opportunity to serve and assist Community Cooperative, Inc. Your staff and management were very helpful and assisted us well. We would be pleased to further discuss and assist in the implementation of these recommendations.

This report is intended solely for the information and use of the Board, the Finance Committee, management, Federal and State awarding agencies, pass-through entities, the Auditor General for the State of Florida and other Federal and State audit agencies. This report is not intended to be, and should not be, used by anyone other than these specified parties.

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

May 8, 2019