

THE POVERELLO CENTER, INC.

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

May 31, 2021

Sullivan & Fengler Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Poverello Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Poverello Center, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of May 31, 2021, 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 The Poverello Center, Inc. as of May 31, 2021, 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.

To the Board of Directors of
The Poverello Center, Inc.

Other Matters

Supplementary and 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, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 a report dated January 14, 2022 on our consideration of The Poverello Center, Inc.'s internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Poverello Center, Inc.'s internal control over financial reporting and compliance.

Sullivan & Fengler

Sullivan & Fengler
Maureen S. Fengler C.P.A.

Fort Lauderdale, Florida
January 14, 2022

FINANCIAL STATEMENTS

THE POVERELLO CENTER, INC.
STATEMENT OF FINANCIAL POSITION
As of May 31, 2021

ASSETS	
Cash and cash equivalents (Note B)	\$ 469,190
Grants and accounts receivable	74,873
Investments (Note K)	22,072
Prepaid vouchers	95,000
Prepaid expenses	45,666
Inventory (Note A, I)	74,953
Property and equipment (less accumulated depreciation of \$1,531,737) (Note C)	4,411,305
Loan costs net of amortization (Note B)	16,550
Deposits	25,219
TOTAL ASSETS	<u>\$ 5,234,828</u>
 LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	\$ 173,300
Refundable deposits (Note B)	-
Refundable advance Paycheck Protection Program (Note F)	241,564
EIDL loan (Note F)	150,000
Mortgage payable (Note F)	1,958,291
TOTAL LIABILITIES	<u>2,523,155</u>
 Net Assets	
Without donor restrictions:	
Undesignated	2,558,917
With donor restrictions (Note J)	152,756
TOTAL NET ASSETS	<u>2,711,673</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,234,828</u>

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

THE POVERELLO CENTER, INC.
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support:			
Grant/contribution support:			
Government	1,281,260	\$ -	\$ 1,281,260
Private	363,497	149,950	513,447
In-kind revenue (Note G)	126,346	-	126,346
	<u>1,771,103</u>	<u>149,950</u>	<u>1,921,053</u>
Thrift shop	881,209	-	881,209
PPP grant	-	-	-
Other income	3,157	-	3,157
	<u>884,366</u>	<u>-</u>	<u>884,366</u>
	<u>2,655,469</u>	<u>149,950</u>	<u>2,805,419</u>
Net Assets released from restriction	<u>122,919</u>	<u>(122,919)</u>	<u>-</u>
Total Revenue and Support	<u>2,778,388</u>	<u>27,031</u>	<u>2,805,419</u>
Expenses:			
Program services expense:			
Food bank	1,288,260	-	1,288,260
Fitness center	357,371	-	357,371
Total program services expense	<u>1,645,631</u>	<u>-</u>	<u>1,645,631</u>
Supporting services expense:			
Management and general	341,814	-	341,814
Thrift stores	931,676	-	931,676
Fundraising and development	16,480	-	16,480
Total supporting services expense	<u>1,289,970</u>	<u>-</u>	<u>1,289,970</u>
Total Expenses	<u>2,935,601</u>	<u>-</u>	<u>2,935,601</u>
Change in net assets from operations	<u>(157,213)</u>	<u>27,031</u>	<u>(130,182)</u>
Nonoperating activities			
Net investment return (loss)	7,368	-	7,368
Total nonoperating activities	<u>7,368</u>	<u>-</u>	<u>7,368</u>
Change in Net Assets	<u>(149,845)</u>	<u>27,031</u>	<u>(122,814)</u>
Net Assets, Beginning of Year	<u>2,708,762</u>	<u>125,725</u>	<u>2,834,487</u>
Net Assets, End of Year	<u>\$ 2,558,917</u>	<u>\$ 152,756</u>	<u>\$ 2,711,673</u>

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

THE POVERELLO CENTER, INC.
Statement of Functional Expenses
May 31, 2021

	Food Pantry	Fitness Center	Program Services Total	Management and General	Fundraising and Development	Thrift Shops	Supporting Services Total	Total Expenses
Salaries, taxes and benefits	\$ 349,838	\$ 301,269	\$ 651,107	\$ 222,780	\$ 6,857	\$ 443,672	\$ 673,309	\$ 1,324,416
Independent contractors	-	-	-	2,400	-	360	2,760	2,760
Food vouchers	58,047	-	58,047	-	-	-	-	58,047
Food and food supplies	584,068	199	584,267	62	-	1,613	1,675	585,942
Cleaning	30,879	82	30,961	3,134	-	24,365	27,499	58,460
Occupancy	56,220	27,358	83,578	9,515	-	177,224	186,739	270,317
Repairs and maintenance	18,980	2,014	20,994	7,294	-	14,746	22,040	43,034
IT/software/internet/telephone	8,042	6,591	14,633	10,015	-	8,456	18,471	33,104
Insurance	24,589	7,259	31,848	10,324	-	33,090	43,414	75,262
Interest on mortgage	22,016	3,012	25,028	10,863	-	46,951	57,814	82,842
Travel/transportation/meetings	3,079	-	3,079	3,029	-	3,097	6,126	9,205
Dues/subscriptions/licenses	16,150	823	16,973	5,581	640	416	6,637	23,610
Equipment/supplies/repairs	7,063	325	7,388	705	-	5,665	6,370	13,758
Printing/supplies/office/other	13,483	2,317	15,800	4,811	-	9,828	14,639	30,439
Banking/eBay/credit card fees	-	-	-	2,905	584	12,309	15,798	15,798
Professional fees	5,942	5,333	11,275	29,685	-	17,538	47,223	58,498
Taxes/sales	-	-	-	-	-	55,106	55,106	55,106
Real estate taxes	2,242	-	2,242	1,492	986	34,668	37,146	39,388
Fundraising direct expense	-	-	-	25	7,413	767	8,205	8,205
Community awareness	1,337	104	1,441	2,258	-	7,203	9,461	10,902
Total Expense Before	1,201,975	356,686	1,558,661	326,878	16,480	897,074	1,240,432	2,799,093
Depreciation/Amortization	86,285	685	86,970	14,936	-	34,602	49,538	136,508
TOTAL EXPENSES	\$ 1,288,260	\$ 357,371	\$ 1,645,631	\$ 341,814	\$ 16,480	\$ 931,676	\$ 1,289,970	\$ 2,935,601

The accompanying notes are an integral part of this financial statement.

THE POVERELLO CENTER, INC.
STATEMENT OF CASH FLOWS
Year Ended May 31, 2021

CASH FLOWS FROM <TO> OPERATING ACTIVITIES	
Change in net assets	\$ (122,814)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
PPP Loan forgiveness	(239,400)
Deprecation	136,508
Amortization of debt issuance costs	4,619
Unrealized (gain) loss on investments	(7,368)
(Gain) loss on sale of property and equipment	(2,675)
<Increase> decrease in operating assets:	
Grants/accounts receivable	457,990
Prepaid vouchers	35,005
Prepaid expenses	38,987
Inventory	(34,525)
Deposits	1,421
Increase <decrease> in operating liabilities:	
Accounts payable and accrued expenses	(417,449)
Refundable deposits	-
Net cash provided <used> by operating activities	<u>(149,701)</u>
CASH FLOWS FROM <TO> INVESTING ACTIVITIES	
(Purchase) sale of investments	1,891
Purchase of property and equipment	(14,702)
Proceeds from sale of property and equipment	2,675
Net cash provided <used> by investing activities	<u>(10,136)</u>
CASH FLOWS FROM <TO> FINANCING ACTIVITIES	
Refundable advance Payroll Protection Program	241,564
Proceeds from EIDL loan	150,000
Principal payments on mortgage	(56,864)
Net cash provided <used> by financing activities	<u>334,700</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	174,863
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	294,327
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 469,190</u>
SUPPLEMENTAL DATE	
Interest paid	<u>\$ 86,553</u>

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

NOTES TO FINANCIAL STATEMENTS
AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE POVERELLO CENTER, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
May 31, 2021

NOTE A - PRINCIPAL ACTIVITIES

The Poverello Center, Inc. (“Poverello”, “Center”, or “Organization”) is a Florida non-profit organization, whose purpose is to service the nutritional needs of persons with critical or chronic diseases, including HIV and/or Acquiree Immune Deficiency Syndrome, and their dependents, as well as to provide financial assistance for basic living requirements in emergency situations.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards presents the activity of federal awards of The Poverello Center, Inc. under programs of the federal government for the year ended May 31, 2021, in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Poverello Center, Inc.

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Poverello Center, Inc. has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the Organization’s financial reporting system.

No amounts were provided to subrecipients. There were no loans or loan guarantees outstanding at year-end.

Cash and Cash Equivalents

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

Investments

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

Accounts and Grants Receivable

Accounts and grants receivable are carried at face amounts less an allowance for doubtful accounts. On a periodic basis, they are evaluated and an allowance for doubtful accounts is established based on a combination of specific customer circumstances, credit conditions, and a review of subsequent collections. No allowance was deemed necessary as of May 31, 2021.

THE POVERELLO CENTER, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
May 31, 2021

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - continued

Inventory

Inventory consists of food donated or purchased and recorded at fair value or cost at the date of receipt, which approximates the lower of cost or net realizable value, on a first in first out basis. Inventory for the thrift shop is valued at estimated market value.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. It is the Organizations policy to capitalize new additions to property and equipment in excess of \$1,000.

Net Assets

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

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use in general operating operations and are not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor/grantor imposed, time and/or purpose restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

THE POVERELLO CENTER, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
May 31, 2021

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition

The Organization accounts for contributions, including unconditional promises to give, as revenues in the period when the conditions on which they depend are substantially met. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

A portion of the Organization's revenue is derived from federal contracts, which are conditional upon certain performance requirements such as supplying food or food vouchers to eligible clients. As of May 31, 2021, funds were received in advance of \$94,209 and are recorded as refundable deposits on the statement of financial position.

A portion of the Organization's revenue is derived from cost-reimbursement federal and state contracts and grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expense. Amounts received are recognized as revenue when the Organization has incurred expenditure in compliance with specific contract or grant provisions.

Donated services (in-kind donations) are recognized as contributions if the services create or enhance non-financial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization receives a substantial amount of support from volunteers. Such contributed services do not meet the criteria for recognition in accordance with accounting principles generally accepted in the United States of America, and accordingly, are not reflected in the financial statements.

Income Taxes

The Organization qualified as a tax-exempt organization under section 501 (c)(3) of the Internal Revenue Code, and therefore has no provision for federal income tax. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private organization under Section 509(a)(2). Income from certain Organization activities not directly related to its tax-exempt purpose may be subject to income tax. The current and previous three years information returns remain subject to examination by the IRS. There was no unrelated business income or deferred taxes for the year ended May 31, 2021.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Where possible expenses are charged to the program or services of direct use. Certain other costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and related	Time and effort
Maintenance repairs	Square footage usage
Printing/supplies/office	Time and effort
Insurance/interest/depreciation	Time and effort
Professional fees	Time and effort
Occupancy/interest/utilities	Square footage usage

THE POVERELLO CENTER, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
 May 31, 2021

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - continued

Advertising/Community Awareness

Poverello expenses the costs of advertising as incurred. For the year ended May 31, 2021, advertising expense was \$11,402.

Amortization of Debt Issuance Costs

Amortization is computed for financial statement purposes on a straight-line basis and is included in interest expense on the statement of functional expenses. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Loan origination fees are being amortized over the 10-year term of the mortgage.

Date of Management Review

The Organization has evaluated subsequent events through January 14, 2022, the date which the financial statements were available to be issued.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment at May 31, 2021 consists of:

Land, buildings, and improvements	\$	5,600,020
Furniture and equipment		244,363
vehicles		98,659
		5,943,042
Accumulated depreciation		(1,531,737)
	\$	4,411,305

Depreciation is provided on a straight-line basis, over five to thirty-nine years. Depreciation expense amounted to \$136,508 for the year ended May 31, 2021. The following estimated useful lives are use in determining depreciation:

Furniture	7 years
Equipment and vehicles	5 years
Leasehold improvements	27.5 years
Real property	39 years

NOTE D - UNCERTAINTIES

Pandemic: The coronavirus (COVID-19) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated the coronavirus outbreak as a pandemic. Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event may have on the Organization's financial position, operations, and cash flows. The full impact of COVID-19 is unknown at this time. The Poverello Center, Inc. closed its fitness center and thrift shops for a period of months due to the pandemic. No adjustments have been made to the accompanying financial statements as a result of the current events.

THE POVERELLO CENTER, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
May 31, 2021

NOTE E - COMMITMENTS AND CONTINGENCIES

Amounts received from grantor agencies are subject to additional audit and adjustment. As a result of such audits, the grantor may require that amounts be returned.

Funding agreements for services to be provided are entered into on an annual basis. The release of funds is subject to monies being made available by the government.

Financial instruments that potentially subject the Organization to concentrations of credit risk are cash. The Organization maintains cash with financial institutions that, from time to time, may include balances which exceed federally insured limits. These balances are maintained with high quality institutions, which management feels limits those risks.

Leases

The Organization leases its' gym facility located in Wilton Manors, Florida, and its' second thrift store location in Pompano Beach, Florida, as well as certain equipment. During the year ended May 31, 2021, the Organization moved its gym facility into their main building, which is owned by the Organization. Rent expense for the year ended May 31, 2021, was \$146,720. Future minimum equipment rental payments for the years ended May 31, are as follows:

2022	\$	115,604
2023		119,216
2024		122,825
2025		126,428
2026		102,578
	\$	<u>586,651</u>

NOTE F - DEBT

Mortgage

The Organization has a mortgage note payable to a bank collateralized by the building. The mortgage was payable in monthly installments of \$12,409, including principal and interest, at 4.00 percent, adjustable annually at a rate equal to the bank's choice of index plus two hundred twenty-five basis points, until maturity date December 19, 2024. Any outstanding balance is due on the maturity date, estimated amount due December 19, 2024 is \$1,672,221.

Interest expense incurred for the year ended May 31, 2021, was \$82,842. Interest expense included amortization of debt cost of \$4,619. At May 31, 2021, the Center had violated the debt service coverage ratio covenant. The Center has received a waiver of this event for the current year. The financial statements do not include any adjustment related to the event of default, or that would result from the Organization's inability to cure such default in the future.

THE POVERELLO CENTER, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
May 31, 2021

NOTE F - DEBT - continued

Paycheck Protection Program:

Poverello received funding under the Paycheck Protection Program through a local financial institution. The Organization received two loans in the amount of \$239,400 and \$241,564 from the U.S. Small Business Administration (“SBA”) in April of 2020 and February 2021, respectively, as part of the *Paycheck Protection Program* (“PPP”), which is designed to provide a direct incentive for small businesses to keep their employees on the payroll during the pandemic. The Organization has elected to account for the PPP funds in accordance with FASB’s ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*. Under this method the PPP funds were recorded as a refundable advance in the statement of financial position when it was received. The Organization will recognize in revenue (PPP grant) as the related conditions are deemed substantially met by management. As of May 31, 2021, \$239,400 had been forgiven by the SBA and was recognized as revenue and \$241,564 remains as a refundable advance. It is expected that the Organization will apply for full forgiveness by the end of the calendar year 2021, in accordance with the terms of this program. Any amounts deemed ineligible for forgiveness are to be repaid by February 2026, at an interest rate of 1%.

In July of 2020, Poverello received a loan from the U.S. Small Business Administration (“SBA”) in the amount of \$150,000 payable at \$641 per month beginning July 1, 2021. The balance of principal and interest will be payable over thirty years at an interest rate is 2.75%. The agreement requires collateral and has other restricting covenants. The loan is for working capital to alleviate economic injury casted by the pandemic.

The schedule of principal payments under arrangements existing as of May 31, 2021 are:

2022	\$	114,094
2023		125,694
2024		129,306
2025		1,786,627
2026		52,836
Thereafter		141,298
		\$ 2,349,855

NOTE G - FOOD DONATIONS

The Organization received \$126,346 in food donations, valued at estimated fair value at the date of donation for the year ending May 31, 2021. This is recorded in the statement of functional expenses as food cost and on the statement of activities as in-kind revenue.

NOTE H - EMPLOYEE RETIREMENT PLAN 403 (B)

The Organization provides a 401(k) defined contribution pension plan to employees who successfully complete ninety days of employment. The Organization contributes a matching amount equaling up to four percent of the employee’s salary, matching the employee’s elective contribution. Included in compensation and related expenses is the employer’s matching contribution expense for the year ended May 31, 2021, of \$33,027.

THE POVERELLO CENTER, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
 May 31, 2021

NOTE I - INVENTORIES

Inventories as of May 31, 2021, were composed of the following:

Food	\$	35,989
Thrift store		37,705
Supplies		1,259
		<u>74,953</u>

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows as of May 31, 2021:

Food and other equipment	\$	100,000
Demonstration kitchen		37,120
Food		15,636
		<u>152,756</u>

NOTE K - INVESTMENTS FAIR VALUE MEASURES

The Financial Accounting Standards Board (FASB) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2: Inputs to the valuation methodology include 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical assets or liabilities in active markets, 3) inputs other than quoted prices that are observable for the asset or liability, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of May 31, 2021.

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

THE POVERELLO CENTER, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
 May 31, 2021

NOTE K - INVESTMENTS FAIR VALUE MEASURES - continued

The following table set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of May 31, 2021, is as follows:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equities	\$ 15,884	\$ -	\$ -	\$ 15,884
Real estate & tangibles	-	2,841	-	2,841
International equities	2,487	-	-	2,487
Fixed income	-	860	-	860
	<u>\$ 18,371</u>	<u>\$ 3,701</u>	<u>\$ -</u>	<u>\$ 22,072</u>

NOTE L - FAIR VALUE MEASUREMENT

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between participants on the measurement date. The Organization has determined that there were no material differences between the carrying value and fair value of its financial assets and liabilities at May 31, 2021, therefore, no adjustment was made to the Organization's financial statements.

NOTE M - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Poverello Center maintains a policy of operating within a prudent range of financial soundness and stability, structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due and operating within the annual approved budget. The financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 469,190
Investments	22,072
Grants receivable	74,873
Prepaid vouchers	95,000
Total financial assets available within one year	<u>661,135</u>
Less:	
Amount unavailable for general expenditures within one year:	
Restricted by donors with purpose restrictions	<u>152,756</u>
Total financial assets available to management within one year	<u>\$ 508,379</u>

**THE POVERELLO CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED May 31, 2021**

	<u>Pass-through Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditure</u>
U.S. Department of Health and Human Services:			
Passed through Broward County, Florida Human Services Department HIV Emergency Relief Project Grants -			
Ryan White Part A	17-CP-HCS-8120-RW-01	93.914	\$ 302,149
Ryan White Part A	21-CP-HCS-8120-RW-01	93.914	547,977
			<u>850,126</u>
 Passed through AIDS United			
HIV Emergency Relief Project Grants - Ryan White	U69HA310670100	93.914	<u>145,121</u>
 Total U.S. Department of Health and Human Services			 <u>995,247</u>
 Total Expenditure of Federal Awards			 <u><u>\$ 995,247</u></u>

The accompanying notes are an integral part of this financial statement.

THE POVERELLO CENTER, INC.
Summary Schedule of Prior Audit Findings
May 31, 2021

Finding 2019-01 Financial Closing and Reporting

Condition: A number of adjustments were required in order for the financial statements to be in accordance with generally accepted accounting principles. The Poverello Center, Inc. hired an outside contractor to perform bookkeeping and reconciliation procedures. The Center also retained the services of a Certified Public Accountant to prepare closing entries and prepare the financial statements on a monthly basis.

Recommendation: Responsibility for performance of all reconciliations and review of such should be clearly defined. A period closing procedure should be established, such as a check list, detailing all subsidiary ledgers or schedules that need to be prepared, who is responsible for the preparation and who is reviewing and approving. The procedures should address identifying, capturing and communicating the information and data required to perform these reconciliations. They should include procedures for identifying non-routine transactions.

Current Status: Corrective action has been taken.

Internal Control Findings
2020-01

Condition and Criteria: The Poverello Center, Inc. hired an outside contractor to perform bookkeeping and reconciliation procedures. The Center also retained the services of a Certified Public Accountant to prepare closing entries and prepare the financial statements on a monthly basis.

Effect: Although the Poverello Center, Inc. made the correct decision to hire professionals, it does not appear the Certified Public Accountant hired to close and review the month end financial statements had the required knowledge to fulfill the need.

Cause: The Certified Public Accountant was hired in November of 2017; checklists were created for preparing and closing the financial statements to ensure they are prepared in accordance with generally accepted accounting principles. The Certified Public Accountant did not perform the function as intended.

Context: A number of adjustments were required in order for the financial statements to be in accordance with generally accepted accounting principles. The errors appear to be a result of failure by the Certified Public Accountant hired to review and reconcile the accounts.

The accounts receivable had a material credit posted as a result of the audit ending May 31, 2019. This remained uncleared for the entire year.

Proper cutoffs were not used at the end of year.

Reconciliations of the bank had numerous items that should have been corrected, or researched, and the reconciliations were not always prepared on a timely basis.

Donor restricted grants were not properly tracked and released.

Auditors Recommendation: We recommend an employee with the proper skills be hired to take on all accounting functions. Having one individual responsible for oversight of the Organizations' financial reporting would allow the employee to concentrate on the areas needing improvement and set up proper checks and balances. The responsibilities should include reconciling, reporting to the board and management, preparation of monthly reporting for grants, tracking of donor restricted grants.

Current Status: Corrective action has been taken.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
The Poverello Center, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Poverello Center, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of May 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2022.

Internal Control Over Financial Reporting

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

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

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

To the Board of Directors of
The Poverello Center, Inc.

Compliance and Other Matters

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

Purpose of the Report

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

Sullivan & Fengler

Sullivan & Fengler
Maureen S. Fengler C.P.A.

Fort Lauderdale, Florida
January 14, 2022



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
The Poverello Center, Inc.

Report on Compliance for Each Major Federal Program

We have audited The Poverello Center, 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 The Poverello Center, Inc.'s major federal programs for the year ended May 31, 2021. The Poverello Center, Inc.'s major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The Poverello Center, 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* 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 The Poverello Center, 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 The Poverello Center, Inc.'s compliance.

To the Board of Directors of
The Poverello Center, Inc.

Opinion on Each Major Federal Program

In our opinion, The Poverello Center, 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 May 31, 2021.

Report on Internal Control Over Compliance

Management of The Poverello Center, 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 The Poverello Center, 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 The Poverello Center, 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.

Sullivan & Fengler

Sullivan & Fengler
Maureen S. Fengler C.P.A.

Fort Lauderdale, Florida
January 14, 2022

THE POVERELLO CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COST
Year Ended May 31, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of Financial Statement Opinion	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified	No
Significant deficiency (ies) identified	No
Noncompliance material to the financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified	No
Significant deficiencies identified	No
Type of auditor's opinion issued on compliance for the major federal program	Unmodified
Any audit findings disclosed that are required to be reported in accordance under 2 CFR 200.516(a)	No
Identification of major programs:	
U.S. Department of Health and Human Services:	
HIV Emergency Relief Project Grants	
Ryan White	CFDA 93.914
The dollar threshold used to distinguish Type A and Type B programs was	\$ 750,000
Auditee qualified as low risk	No

THE POVERELLO CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COST
Year Ended May 31, 2021

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Awards Findings and Questioned Costs

No matters were reported.

Section IV - Prior Year

See page 20.