

# **THE POVERELLO CENTER, INC.**

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FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

February 28, 2022

**Sullivan & Fenger Certified Public Accountants**

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**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Audit of the Financial Statements**

**Opinion**

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 February 28, 2022, and the related statements of activities, functional expenses, and cash flows for the nine-month period then ended, and the related notes to the financial statements. The board voted to change the fiscal year end of The Poverello Center, Inc. to coincide with its major grant funding source's year end. The year end was changed from May 31 to February 28.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of February 28, 2022, and the changes in its net assets and its cash flows for the nine-month period then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Supplementary 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 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated (DATE), on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

#### **Emphasis of Matter**

As described in Note F to the financial statements, the Organization has a mortgage with a financial institution with a balloon payment due in December 2024. The Organization will need to secure financing prior to this date.

Sullivan & Fengler  
Fort Lauderdale, Florida  
(DATE)

**FINANCIAL STATEMENTS**

DRAFT

**THE POVERELLO CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
February 28, 2022

<b>ASSETS</b>		
Cash and cash equivalents (Note B)	\$	153,845
Grants and accounts receivable		268,174
Investments (Note K)		23,119
Prepaid vouchers		66,890
Prepaid expenses		64,410
Inventory (Note B, I)		50,362
Property and equipment (less accumulated depreciation of \$1,634,700) (Note C)		4,308,342
Loan costs net of amortization (Note B)		13,086
Deposits		21,060
<b>TOTAL ASSETS</b>		<b><u>\$ 4,969,288</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$	184,825
Grants payable		21,176
EIDL loan (Note F)		147,603
Mortgage payable (Note F)		1,905,958
<b>TOTAL LIABILITIES</b>		<b><u>2,259,562</u></b>
<b>Net Assets</b>		
Without donor restrictions		2,579,622
With donor restrictions (Note J)		130,104
<b>TOTAL NET ASSETS</b>		<b><u>2,709,726</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b><u>\$ 4,969,288</u></b>

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

**THE POVERELLO CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
For the Nine Months Ended February 28, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support:</b>			
<b>Grant/contribution support:</b>			
Grants and contracts	\$ 888,823	\$ -	\$ 888,823
Contributions	51,097	154,239	205,336
PPP grant	241,564	-	241,564
In-kind revenue (Note G)	72,277	-	72,277
	<u>1,253,761</u>	<u>154,239</u>	<u>1,408,000</u>
Thrift shop	757,162	-	757,162
Other income	126,304	-	126,304
	<u>883,466</u>	<u>-</u>	<u>883,466</u>
	<u>2,137,227</u>	<u>154,239</u>	<u>2,291,466</u>
Net Assets released from restriction	176,891	(176,891)	-
<b>Total Revenue and Support</b>	<u>2,314,118</u>	<u>(22,652)</u>	<u>2,291,466</u>
<b>Expenses:</b>			
<b>Program services expense:</b>			
Food bank	1,337,519	-	1,337,519
Fitness center	71,097	-	71,097
Total program services expense	<u>1,408,616</u>	<u>-</u>	<u>1,408,616</u>
<b>Supporting services expense:</b>			
Management and general	129,242	-	129,242
Fundraising and development	7,706	-	7,706
Thrift stores	750,374	-	750,374
Total supporting services expense	<u>887,322</u>	<u>-</u>	<u>887,322</u>
<b>Total Expenses</b>	<u>2,295,938</u>	<u>-</u>	<u>2,295,938</u>
<b>Change in net assets from operations</b>	<u>18,180</u>	<u>(22,652)</u>	<u>(4,472)</u>
<b>Nonoperating activities</b>			
Net investment return (loss)	2,525	-	2,525
<b>Total nonoperating activities</b>	<u>2,525</u>	<u>-</u>	<u>2,525</u>
<b>Change in Net Assets</b>	<u>20,705</u>	<u>(22,652)</u>	<u>(1,947)</u>
<b>Net Assets, Beginning of Year</b>	<u>2,558,917</u>	<u>152,756</u>	<u>2,711,673</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,579,622</u>	<u>\$ 130,104</u>	<u>\$ 2,709,726</u>

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

**THE POVERELLO CENTER, INC.**

Statement of Functional Expenses

For the Nine Months Ended February 28, 2022

	Program Services			Supporting Services			Total Expenses	
	Food Pantry	Fitness Center	Program Services Total	Management and General	Fundraising and Development	Thrift Shops		Supporting Services Total
Salaries, taxes, and benefits	\$ 437,051	\$ 48,522	\$ 485,573	\$ 69,765	\$ -	\$ 429,021	\$ 498,786	\$ 984,359
Food vouchers	28,785	-	28,785	-	-	-	-	28,785
Food and food supplies	630,115	9,463	639,578	79	-	1,820	1,899	641,477
Cleaning	3,168	231	3,399	477	-	3,224	3,701	7,100
Occupancy	42,649	1,710	44,359	5,500	-	130,426	135,926	180,285
Repairs and maintenance	14,776	938	15,714	5,819	-	12,505	18,324	34,038
IT/software/internet/telephone	13,998	2,204	16,202	4,678	-	5,900	10,578	26,780
Insurance	22,841	2,584	25,425	4,138	-	23,639	27,777	53,202
Interest	18,990	-	18,990	11,005	-	35,606	46,611	65,601
Travel/transportation/meetings	8,864	-	8,864	267	-	3,604	3,871	12,735
Dues/subscriptions/licenses	12,816	82	12,898	5,230	643	369	6,242	19,140
Equipment/supplies/repairs	772	323	1,095	-	-	2,916	2,916	4,011
Printing/supplies/office/other	8,607	611	9,218	3,950	-	10,428	14,378	23,596
Banking/eBay/credit card fees	10	-	10	1,085	376	13,502	14,963	14,973
Professional fees	21,130	3,834	24,964	3,939	1,013	19,049	24,001	48,965
Real estate taxes	1,851	-	1,851	-	1,441	24,352	25,793	27,644
Fundraising direct expense	-	-	-	409	4,233	629	5,271	5,271
Community awareness	6,014	78	6,092	1,636	-	7,285	8,921	15,013
<b>Total Expense Before</b>	<b>1,272,437</b>	<b>70,580</b>	<b>1,343,017</b>	<b>117,977</b>	<b>7,706</b>	<b>724,275</b>	<b>849,958</b>	<b>2,192,975</b>
Depreciation/Amortization	65,082	517	65,599	11,265	-	26,099	37,364	102,963
<b>TOTAL EXPENSES</b>	<b>\$ 1,337,519</b>	<b>\$ 71,097</b>	<b>\$ 1,408,616</b>	<b>\$ 129,242</b>	<b>\$ 7,706</b>	<b>\$ 750,374</b>	<b>\$ 887,322</b>	<b>\$ 2,295,938</b>

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



**THE POVERELLO CENTER, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Nine Months Ended February 28, 2022

<b>CASH FLOWS FROM &lt;TO&gt; OPERATING ACTIVITIES</b>	
Change in net assets	\$ (1,947)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
PPP Loan forgiveness	(241,564)
Deprecation	102,963
Amortization of debt issuance costs	3,464
Unrealized (gain) loss on investments	(2,525)
<Increase> decrease in operating assets:	
Grants and accounts receivable	(193,301)
Prepaid vouchers	28,110
Prepaid expenses	(18,744)
Inventory	24,591
Deposits	4,159
Increase <decrease> in operating liabilities:	
Accounts payable and accrued expenses	32,701
Net cash provided <used> by operating activities	<u>(262,093)</u>
<b>CASH FLOWS FROM &lt;TO&gt; INVESTING ACTIVITIES</b>	
(Purchase) sale of investments	<u>1,478</u>
Net cash provided <used> by investing activities	<u>1,478</u>
<b>CASH FLOWS FROM &lt;TO&gt; FINANCING ACTIVITIES</b>	
Principal payments on EIDL loan	(2,397)
Principal payments on mortgage	(52,333)
Net cash provided <used> by financing activities	<u>(54,730)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(315,345)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>469,190</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 153,845</u>
<b>SUPPLEMENTAL DATE</b>	
Interest paid	<u>\$ 65,601</u>

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

**NOTES TO FINANCIAL STATEMENTS  
AND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

DRAFT

**THE POVERELLO CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS AND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
February 28, 2022

**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 and health 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.

The board voted to change the fiscal year end of The Poverello Center, Inc. to coincide with its major grant funding source's year end. The year end was changed from May 31 to February 28. Therefore, the statements of activities, functional expenses, and cash flows are for a nine-month period.

**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 Organization under programs of the federal government for the nine months ended February 28, 2022, 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 Organization.

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 Organization 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 February 28, 2022.

**THE POVERELLO CENTER, INC.**  
NOTES TO FINANCIAL STATEMENTS AND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
February 28, 2022

**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 Organization's 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**  
February 28, 2022

**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 February 28, 2022, funds were received in advance of \$21,176 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 nine months ended February 28, 2022.

**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:

<b><u>Expense</u></b>	<b><u>Method of Allocation</u></b>
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**  
February 28, 2022

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES - continued**

**Advertising/Community Awareness**

Poverello expenses the costs of advertising as incurred. For the nine months ended February 28, 2022, advertising expense was \$15,013.

**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 (DATE), the date which the financial statements were available to be issued.

**NOTE C - PROPERTY AND EQUIPMENT**

Property and equipment at February 28, 2022 consists of:

Land, buildings, and improvements	\$ 5,600,020
Furniture and equipment	244,363
vehicles	98,659
	5,943,042
Accumulated depreciation	(1,634,700)
	\$ 4,308,342

Depreciation is provided on a straight-line basis, over five to thirty-nine years. Depreciation expense amounted to \$102,963 for the nine months ended February 28, 2022. 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. 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**  
February 28, 2022

**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 the thrift store location in Pompano Beach, Florida, as well as certain equipment. Rent expense for the nine months ended February 28, 2022, was \$85,154. Future minimum equipment rental payments for the years ended February 28, are as follows:

2023	\$	118,313
2024		121,921
2025		125,529
2026		125,779
2027		9,922
	<u>\$</u>	<u>501,464</u>

**NOTE F - DEBT**

**Mortgage**

The Organization has a mortgage note payable to a bank collateralized by the building. The mortgage is 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 \$1,686,937.

Interest expense incurred for the nine months ended February 28, 2022, was \$58,188. Interest expense included amortization of debt cost of \$3,464. The Organization must maintain a certain debt service ratio as part of mortgages debt covenants. At February 28, 2022, the Organization was in compliance with these debt covenants.

**THE POVERELLO CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS AND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
February 28, 2022

**NOTE F - DEBT - continued**

**Paycheck Protection Program:**

Poverello received funding under the Paycheck Protection Program through a local financial institution. The Organization received \$241,564 from the U.S. Small Business Administration (“SBA”) in March 2021, 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 February 28, 2022, \$241,564 had been forgiven by the SBA and was recognized as revenue.

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 February 28, 2022 are:

2023	\$	77,182
2024		80,283
2025		1,758,747
2026		3,610
2027		3,711
Thereafter		130,028
		\$ 2,053,561

**NOTE G - FOOD DONATIONS**

The Organization received \$72,277 in food donations, valued at estimated fair value at the date of donation for the nine months ending February 28, 2022. 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 nine months ended February 28, 2022, of \$11,596.



**THE POVERELLO CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS AND**  
**SCHEDULE OF EXPENDITURES OFFEDERAL AWARDS**  
February 28, 2022

**NOTE I - INVENTORIES**

Inventories as of February 28, 2022, were composed of the following:

<b>Food</b>	<b>\$</b>	<b>17,721</b>
<b>Thrift store</b>		<b>31,742</b>
<b>Supplies</b>		<b>899</b>
		<b><u>50,362</u></b>

**NOTE J - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are as follows as of February 28, 2022:

<b>Demonstration kitchen</b>	<b>\$</b>	<b>37,120</b>
<b>Salaries</b>		<b>35,000</b>
<b>Advertising and marketing</b>		<b>28,500</b>
<b>Food and other equipment</b>		<b>18,039</b>
<b>Food</b>		<b>6,445</b>
<b>Event sponsorship</b>		<b>5,000</b>
		<b><u>130,104</u></b>

**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 February 28, 2022.

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**  
February 28, 2022

**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 February 28, 2022, is as follows:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equities	\$ 17,657	\$ -	\$ -	\$ 17,657
Real estate & tangibles	-	2,836	-	2,836
International equities	2,626	-	-	2,626
	<u>\$ 20,283</u>	<u>\$ 2,836</u>	<u>\$ -</u>	<u>\$ 23,119</u>

Investment income on the statement of activities:

Interest/dividends	\$ 1,478
Gains and losses	1,073
Fees	(26)
	<u>\$ 2,525</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 February 28, 2022, therefore, no adjustment was made to the Organization's financial statements.

**NOTE M - LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Organization 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	\$ 153,845
Investments	23,119
Grants and accounts receivable	268,174
Prepaid vouchers	66,890
Total financial assets available within one year	<u>512,028</u>
Less:	
Amount unavailable for general expenditures within one year:	
Restricted by donors with purpose restrictions	<u>130,104</u>
Total financial assets available to management within one year	<u>\$ 381,924</u>

**SUPPLEMENTARY INFORMATION**

DRAFT

**THE POVERELLO CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Nine Months Ended February 28, 2022

	<u>Pass-through Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditure</u>
<b>U.S. Department of Health and Human Services:</b>			
Passed through Broward County, Florida			
Human Services Department			
HIV Emergency Relief Project Grants -			
Ryan White Part A	21-CP-HCS-8120-RW-01	93.914	\$ 824,160
Passed through Palm Beach County, Florida			
Human Services Department			
HIV Emergency Relief Project Grants -			
Ryan White Part A	R2021-0312	93.914	<u>38,088</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>862,248</u>
<b>Total Expenditure of Federal Awards</b>			<u>\$ 862,248</u>

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

**THE POVERELLO CENTER, INC.**  
Summary Schedule of Prior Audit Findings  
February 28, 2022

No prior year findings.

DRAFT



**CERTIFIED PUBLIC ACCOUNTANTS**

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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 February 28, 2022, and the related statements of activities, functional expenses, and cash flows for the nine month period then ended, and the related notes to the financial statements, and have issued our report thereon dated (DATE).

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 Organization'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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 financial statements. 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 This 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  
Fort Lauderdale, Florida  
(DATE)

DRAFT



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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**

**Opinion on Each Major Federal Program**

We have audited The Poverello Center, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the nine month period ended February 28, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 nine month period ended February 28, 2022.

**Basis for Opinion on Each Major Federal Program**

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.



### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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  
Fort Lauderdale, Florida  
(DATE)

**THE POVERELLO CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COST**  
**For the Nine Months Ended February 28, 2022**

**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 deficiency (ies) 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 Projects 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	Yes

**Section II - Financial Statement Findings**

No matters reported.

**Section III - Federal Awards Findings and Questioned Costs**

No matters were reported.

**Section IV - Prior Year Findings**

See page 21.