

**Brighter Bites**

Financial Statements  
and Single Audit Reports  
for the year ended December 31, 2021

# Brighter Bites

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## Independent Auditors' Report

To the Board of Directors of  
Brighter Bites:

### Report on the Financial Statements

#### *Opinion*

We have audited the financial statements of Brighter Bites, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Brighter Bites as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Brighter Bites and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Brighter Bites' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

#### *Auditors' 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 auditors' 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 Brighter Bites' 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 Brighter Bites' ability to continue as a going concern for a reasonable period of time.

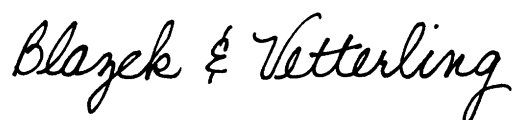
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in the schedule of expenditures of federal awards for the year ended December 31, 2021 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. The schedule of expenditures of state awards for the year ended December 31, 2021 as required by the State of Texas *Uniform Grant Management Standards* 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.

### **Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2022 on our consideration of Brighter Bites' 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 Brighter Bites' 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 Brighter Bites' internal control over financial reporting and compliance.



September 21, 2022

## Brighter Bites

### Statements of Financial Position as of December 31, 2021 and 2020

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|   | <u>2021</u>                 | <u>2020</u>         |
|---|-----------------------------|---------------------|
| ASSETS  |                             |                     |
| Cash  | \$ 1,389,559                | \$ 800,750          |
| Accounts receivable   | 22,400                      |                     |
| Contributions and government grants receivable ( <i>Note 3</i> )          | 1,540,676                   | 1,274,457           |
| Prepaid expenses and other assets   | 178,420                     | 155,398             |
| Property and equipment, net ( <i>Note 4</i> )                             | <u>168,134</u>              | <u>144,524</u>      |
| TOTAL ASSETS  | <u>\$ 3,299,189</u>         | <u>\$ 2,375,129</u> |
| LIABILITIES AND NET ASSETS  |                             |                     |
| Liabilities:  |                             |                     |
| Accounts payable  | \$ 141,289                  | \$ 125,517          |
| Accrued payroll expense   | 172,520                     | 177,448             |
| Refundable advance – Paycheck Protection Program ( <i>Notes 2 and 3</i> ) | 489,202                     | 519,601             |
| Note payable ( <i>Note 5</i> )  | <u>                    </u> | <u>50</u>           |
| Total liabilities   | <u>803,011</u>              | <u>822,616</u>      |
| Net assets:   |                             |                     |
| Without donor restrictions  | 664,744                     | 440,130             |
| With donor restrictions ( <i>Note 6</i> )                                 | <u>1,831,434</u>            | <u>1,112,383</u>    |
| Total net assets  | <u>2,496,178</u>            | <u>1,552,513</u>    |
| TOTAL LIABILITIES AND NET ASSETS  | <u>\$ 3,299,189</u>         | <u>\$ 2,375,129</u> |

*See accompanying notes to financial statements.*

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## Brighter Bites

Statement of Activities for the year ended December 31, 2021

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|  | WITHOUT DONOR<br>RESTRICTIONS | WITH DONOR<br>RESTRICTIONS  | TOTAL                       |
|--|-------------------------------|-----------------------------|-----------------------------|
| REVENUE:                               |                               |                             |                             |
| Contributions:                         |                               |                             |                             |
| Cash and other financial assets:       |                               |                             |                             |
| Government grants ( <i>Note 7</i> )    |                               | \$ 4,287,503                | \$ 4,287,503                |
| Other                                  | \$ 508,638                    | 2,600,023                   | 3,108,661                   |
| Nonfinancial assets ( <i>Note 8</i> )  | 4,008,384                     |                             | 4,008,384                   |
| Special event                          | 38,558                        |                             | 38,558                      |
| Direct donor benefits                  | (6,811)                       |                             | (6,811)                     |
| Contract revenue                       | <u>22,500</u>                 | <u>                    </u> | <u>22,500</u>               |
| Total revenue                          | 4,571,269                     | 6,887,526                   | 11,458,795                  |
| Net assets released from restrictions: |                               |                             |                             |
| Satisfaction of program restrictions   | <u>6,168,475</u>              | <u>(6,168,475)</u>          | <u>                    </u> |
| Total                                  | <u>10,739,744</u>             | <u>719,051</u>              | <u>11,458,795</u>           |
| EXPENSES:                              |                               |                             |                             |
| Program                                | 10,048,113                    |                             | 10,048,113                  |
| Management and general                 | 310,136                       |                             | 310,136                     |
| Fundraising                            | <u>156,881</u>                |                             | <u>156,881</u>              |
| Total expenses                         | <u>10,515,130</u>             |                             | <u>10,515,130</u>           |
| CHANGES IN NET ASSETS                  | 224,614                       | 719,051                     | 943,665                     |
| Net assets, beginning of year          | <u>440,130</u>                | <u>1,112,383</u>            | <u>1,552,513</u>            |
| Net assets, end of year                | <u>\$ 664,744</u>             | <u>\$ 1,831,434</u>         | <u>\$ 2,496,178</u>         |

*See accompanying notes to financial statements.*

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## Brighter Bites

### Statement of Activities for the year ended December 31, 2020

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|  | WITHOUT DONOR<br>RESTRICTIONS | WITH DONOR<br>RESTRICTIONS  | TOTAL                       |
|--|-------------------------------|-----------------------------|-----------------------------|
| REVENUE:                               |                               |                             |                             |
| Contributions:                         |                               |                             |                             |
| Cash and other financial assets:       |                               |                             |                             |
| Government grants ( <i>Note 7</i> )    |                               | \$ 3,750,124                | \$ 3,750,124                |
| Other                                  | \$ 348,148                    | 1,963,731                   | 2,311,879                   |
| Nonfinancial assets ( <i>Note 8</i> )  | 8,755,090                     |                             | 8,755,090                   |
| Special event                          | 329,214                       |                             | 329,214                     |
| Direct donor benefits                  | (73,188)                      |                             | (73,188)                    |
| Contract revenue                       | <u>27,008</u>                 | <u>                    </u> | <u>27,008</u>               |
| Total revenue                          | 9,386,272                     | 5,713,855                   | 15,100,127                  |
| Net assets released from restrictions: |                               |                             |                             |
| Satisfaction of program restrictions   | <u>5,316,797</u>              | <u>(5,316,797)</u>          | <u>                    </u> |
| Total                                  | <u>14,703,069</u>             | <u>397,058</u>              | <u>15,100,127</u>           |
| EXPENSES:                              |                               |                             |                             |
| Program                                | 13,873,951                    |                             | 13,873,951                  |
| Management and general                 | 435,052                       |                             | 435,052                     |
| Fundraising                            | <u>129,448</u>                |                             | <u>129,448</u>              |
| Total expenses                         | <u>14,438,451</u>             |                             | <u>14,438,451</u>           |
| CHANGES IN NET ASSETS                  | 264,618                       | 397,058                     | 661,676                     |
| Net assets, beginning of year          | <u>175,512</u>                | <u>715,325</u>              | <u>890,837</u>              |
| Net assets, end of year                | <u>\$ 440,130</u>             | <u>\$ 1,112,383</u>         | <u>\$ 1,552,513</u>         |

*See accompanying notes to financial statements.*

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## Brighter Bites

### Statements of Functional Expenses for the years ended December 31, 2021 and 2020

|                                      | <u>PROGRAM</u>      | <u>MANAGEMENT<br/>AND GENERAL</u> | <u>FUNDRAISING</u> | <u>2021<br/>TOTAL</u> |
|--------------------------------------|---------------------|-----------------------------------|--------------------|-----------------------|
| Salaries and related expenses        | \$ 3,405,777        | \$ 240,914                        | \$ 104,710         | \$ 3,751,401          |
| Distributed donated food             | 4,010,702           |                                   |                    | 4,010,702             |
| Contractor fees                      | 1,347,774           | 48,906                            | 30,871             | 1,427,551             |
| Supplies and materials               | 818,772             | 137                               | 478                | 819,387               |
| Facility and equipment               | 136,033             | 1,244                             | 9,084              | 146,361               |
| Computers and information technology | 108,504             |                                   | 4,312              | 112,816               |
| Travel and meetings                  | 80,916              |                                   | 1,791              | 82,707                |
| Postage and freight                  | 61,948              | 948                               | 785                | 63,681                |
| Printing and photocopying            | 49,819              |                                   | 413                | 50,232                |
| Other                                | <u>27,868</u>       | <u>17,987</u>                     | <u>4,437</u>       | <u>50,292</u>         |
| Total expenses                       | <u>\$10,048,113</u> | <u>\$ 310,136</u>                 | <u>\$ 156,881</u>  | 10,515,130            |
| Direct donor benefits                |                     |                                   |                    | <u>6,811</u>          |
| Total                                |                     |                                   |                    | <u>\$10,521,941</u>   |

|                                      | <u>PROGRAM</u>      | <u>MANAGEMENT<br/>AND GENERAL</u> | <u>FUNDRAISING</u> | <u>2020<br/>TOTAL</u> |
|--------------------------------------|---------------------|-----------------------------------|--------------------|-----------------------|
| Salaries and related expenses        | \$ 2,766,442        | \$ 385,725                        | \$ 96,010          | \$ 3,248,177          |
| Distributed donated food             | 8,737,417           |                                   |                    | 8,737,417             |
| Contractor fees                      | 853,239             | 27,489                            | 11,354             | 892,082               |
| Supplies and materials               | 1,073,695           | 105                               | 33                 | 1,073,833             |
| Facility and equipment               | 152,946             | 5,800                             | 3,677              | 162,423               |
| Computers and information technology | 100,171             | 3,060                             | 98                 | 103,329               |
| Travel and meetings                  | 47,706              | 360                               | 3,115              | 51,181                |
| Postage and freight                  | 90,462              |                                   | 1,610              | 92,072                |
| Printing and photocopying            | 27,476              |                                   | 4                  | 27,480                |
| Other                                | <u>24,397</u>       | <u>12,513</u>                     | <u>13,547</u>      | <u>50,457</u>         |
| Total expenses                       | <u>\$13,873,951</u> | <u>\$ 435,052</u>                 | <u>\$ 129,448</u>  | 14,438,451            |
| Direct donor benefits                |                     |                                   |                    | <u>73,188</u>         |
| Total                                |                     |                                   |                    | <u>\$14,511,639</u>   |

*See accompanying notes to financial statements.*



## Brighter Bites

### Statements of Cash Flows for the years ended December 31, 2021 and 2020

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|  | <u>2021</u>         | <u>2020</u>       |
|--|---------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                     |                   |
| Changes in net assets  | \$ 943,665          | \$ 661,676        |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: |                     |                   |
| Depreciation   | 73,524              | 56,041            |
| Loss on disposal of property   | 1,300               | 4,001             |
| Changes in operating assets and liabilities:   |                     |                   |
| Accounts receivable  | (22,400)            | 53,256            |
| Contributions and government grants receivable   | (266,219)           | 20,864            |
| Prepaid expenses and other assets  | (23,022)            | (144,187)         |
| Accounts payable   | 15,722              | (40,541)          |
| Accrued payroll expense  | (4,928)             | 89,897            |
| Refundable advance   | <u>(30,399)</u>     | <u>519,601</u>    |
| Net cash provided by operating activities  | <u>687,243</u>      | <u>1,220,608</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                     |                   |
| Purchase of property and equipment   | <u>(98,434)</u>     | <u>(130,875)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                     |                   |
| Repayments on line of credit   |                     | <u>(449,950)</u>  |
| NET CHANGE IN CASH   | 588,809             | 639,783           |
| Cash, beginning of year  | <u>800,750</u>      | <u>160,967</u>    |
| Cash, end of year  | <u>\$ 1,389,559</u> | <u>\$ 800,750</u> |
| <i>Supplemental disclosure of cash flow information:</i>                                     |                     |                   |
| Interest paid  |                     | \$5,205           |

*See accompanying notes to financial statements.*

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## Brighter Bites

Notes to Financial Statements for the years ended December 31, 2021 and 2020

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Brighter Bites’ mission is to *create communities of health through fresh food*. Brighter Bites is a comprehensive and multi-component school, preschool and after-school program that increases access to fresh fruits and vegetables combined with nutrition education for obesity prevention among low-income children and their families. Brighter Bites’ goal is to improve the long-term health outcomes of those they serve and to make systemic change throughout the process: from growing demand at the store, to changing the school and home environments, to tackling food waste and converting it into an impactful public health opportunity, all in an effort to empower families to achieve better health. Brighter Bites currently provides services in multiple schools across the country located in Houston, Austin, Dallas, New York City, Washington, DC, California, and Southwest Florida.

Federal income tax status – Brighter Bites is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash – Bank deposits exceed the federally insured limit per depositor per institution.

Contributions and government grants receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contributions revenue.

An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using an analysis of individual balances each period. It is possible that management’s estimate regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables.

Property and equipment is reported at cost if purchased and at fair value at the date of gift if donated. Equipment with a cost of more than \$500 is capitalized. Depreciation is provided on a straight-line basis over the estimated useful life of 3 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before

Brighter Bites is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Non-cash contributions – Donated food and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special event revenue is the total amount paid by attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when the event occurs. Direct donor benefits represent the cost of goods and services provided to attendees of the special event. Amounts received in advance are reported as a refundable advance until earned.

Contract revenue is derived from performance obligations satisfied over time. Revenue is recognized using the input method as costs are incurred in amounts that reflect the consideration Brighter Bites expects to be entitled to in exchange for those services. Payment is due based on a payment schedule outlined in the contract. Amounts collected in advance of the performance obligations are deferred until the performance obligations are met. Accounts receivable at December 31, 2019 were \$53,256 and there were no accounts receivable at December 31, 2020. Accounts receivable at December 31, 2021 were \$22,400.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation expense is allocated based on functional usage of property. Information technology costs are allocated based on the number of computing units in each department.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and requires disclosure about the measurement and use of types of contributed nonfinancial assets. Brighter Bites retrospectively adopted the ASU in fiscal year 2021.

## NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| Financial assets:  |                     |                     |
| Cash   | \$ 1,389,559        | \$ 800,750          |
| Accounts receivable                                      | 22,400              |                     |
| Contributions and government grants receivable           | <u>1,540,676</u>    | <u>1,274,457</u>    |
| Total financial assets                                   | 2,952,635           | 2,075,207           |
| Less:  |                     |                     |
| Restricted contributions to be used in future periods    | <u>(50,000)</u>     | <u>(10,000)</u>     |
| Total financial assets available for general expenditure | <u>\$ 2,902,635</u> | <u>\$ 2,065,207</u> |

For purposes of analyzing resources available to meet general expenditure over a 12-month period, Brighter Bites considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. Brighter Bites expects to collect sufficient government grants and contributions to fund its general expenditures.

In April 2020, Brighter Bites received financial relief of \$519,601 funded under the Small Business Administration's (SBA) Paycheck Protection Program (PPP). In October 2021, the loan was forgiven by the SBA as the funds were used for allowable expenditures and \$519,601 was recognized as a government grant contribution in fiscal year 2021. In April 2021, Brighter Bites received a Second Draw PPP loan of \$489,202. PPP loan principal and interest will be forgiven, in whole or in part, if funds are used for the intended purposes. The unsecured loan is considered to be a conditional contribution and will be recognized as government grants revenue upon forgiveness by the bank. Any amount not forgiven will be treated as a loan and will bear interest at 1% and matures in March 2026. At December 31, 2021, \$489,202 is included as a refundable advance. Brighter Bites received forgiveness in April 2022 and will recognize it as government grants revenue in fiscal year 2022.

## NOTE 3 – CONTRIBUTIONS AND GOVERNMENT GRANTS RECEIVABLE

Contributions and government grants receivable consist of the following:

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| Receivable from government agencies                  | \$ 1,247,699        | \$ 789,432          |
| Receivable from others                               | <u>292,977</u>      | <u>485,025</u>      |
| Total contributions and government grants receivable | <u>\$ 1,540,676</u> | <u>\$ 1,274,457</u> |

Contributions and government grants receivable at December 31, 2021 are expected to be collected as follows:

|  |                     |
|--|---------------------|
| Less than one year                                   | \$ 1,490,676        |
| One to five years                                    | <u>50,000</u>       |
| Total contributions and government grants receivable | <u>\$ 1,540,676</u> |

A portion of Brighter Bites' contributions and government grants are derived from cost-reimbursable agreements, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Brighter Bites has incurred expenditures in compliance with specific contract or grant provisions. At December 31, 2021, conditional contributions and government grants of \$4,119,348 have not been recognized because the conditions on which they depend have not yet been met.

#### NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

|                                       | <u>2021</u>       | <u>2020</u>       |
|---------------------------------------|-------------------|-------------------|
| Computer equipment                    | \$ 257,993        | \$ 229,411        |
| Website                               | 46,008            | 46,008            |
| Furniture and fixtures                | <u>15,912</u>     | <u>15,912</u>     |
| Total property and equipment, at cost | 319,913           | 291,331           |
| Accumulated depreciation              | <u>(151,779)</u>  | <u>(146,807)</u>  |
| Property and equipment, net           | <u>\$ 168,134</u> | <u>\$ 144,524</u> |

#### NOTE 5 – NOTE PAYABLE

Brighter Bites had an unsecured \$500,000 operating line of credit agreement with a local banking institution that matured on March 8, 2021. Interest expense totaled \$3,497 during 2020, there was no interest expense during 2021.

#### NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| Subject to expenditure for specified purpose:      |                     |                     |
| General expansion                                  | \$ 1,378,253        | \$ 461,242          |
| Houston expansion and programming                  | 154,321             | 289,362             |
| California expansion and programming               | 100,687             |                     |
| Dallas expansion and programming                   | 49,368              | 125,443             |
| New York expansion and programming                 | 45,912              |                     |
| Florida expansion and programming                  | 27,200              | 20,510              |
| IT and computer hardware                           | 19,379              | 35,624              |
| Austin expansion and programming                   | 2,117               | 2,026               |
| Washington, DC expansion and programming           | 903                 | 7,194               |
| Other programming                                  | <u>28,194</u>       | <u>21,816</u>       |
| Total subject to expenditure for specified purpose | 1,806,334           | 963,217             |
| Subject to passage of time                         | <u>25,100</u>       | <u>149,166</u>      |
| Total net assets with donor restrictions           | <u>\$ 1,831,434</u> | <u>\$ 1,112,383</u> |

## NOTE 7 – GOVERNMENT GRANTS

Brighter Bites is a party to contracts with government agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Sources of significant government grants revenue are as follows:

|   | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|
| Federal government awards:                |                     |                     |
| U. S. Department of Agriculture           | \$ 2,435,476        | \$ 2,277,514        |
| Small Business Administration (PPP)       | 519,601             |                     |
| State government awards:                  |                     |                     |
| A&M AgriLife Extension Service            | <u>1,332,426</u>    | <u>1,472,610</u>    |
| Total government grants and other revenue | <u>\$ 4,287,503</u> | <u>\$ 3,750,124</u> |

Government awards require fulfillment of certain conditions as set forth in the contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by Brighter Bites with the terms of the contracts. Management believes such disallowances, if any, would not be material to Brighter Bites' financial position or changes in net assets.

## NOTE 8 – DONATED FOOD

The majority of food distributed by Brighter Bites is produce received from food banks in the communities that Brighter Bites serves. Contributed nonfinancial assets were recognized during the year ended December 31 as follows:

| CONTRIBUTED<br>NONFINANCIAL<br>ASSETS | MONETIZED OR<br>UTILIZED IN<br>PROGRAMS/ACTIVITIES | DONOR<br>RESTRICTIONS | VALUATION TECHNIQUES<br>AND INPUTS   | FISCAL YEAR<br>2021 REVENUE<br>RECOGNIZED | FISCAL YEAR<br>2020 REVENUE<br>RECOGNIZED |
|---------------------------------------|--|-----------------------|--|---|---|
| Food<br>commodities                   | Utilized in food<br>distribution                   | None                  | Fair value<br>estimated using<br>the latest Feeding<br>America price per<br>pound for food<br>commodities. | \$4,008,384                               | \$8,755,090                               |

In fiscal year 2020, Brighter Bites received approximately 2.9 million additional pounds of food from The Houston Food Bank for COVID relief.

A substantial number of volunteers have contributed approximately 18,000 hours and 70,000 hours of time during 2021 and 2020, respectively, in connection with programs for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

## NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events other than the subsequent forgiveness of the Second Draw PPP loan, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

## Brighter Bites

### Schedule of Expenditures of Federal Awards for the year ended December 31, 2021

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| <u>FEDERAL GRANTOR</u><br><u>Pass-through Grantor</u><br><u>Program Title &amp; Period</u>   | <u>Assistance</u><br><u>Listing</u><br><u>Number</u> | <u>Contract Number</u> | <u>Award</u><br><u>Amount</u> | <u>Allowable</u><br><u>Federal</u><br><u>Expenditures</u> |
|--|--|------------------------|-------------------------------|---|
| U. S. DEPARTMENT OF AGRICULTURE  |  |                        |                               |   |
| Passed through Texas Department of Agriculture and Feeding Texas:<br>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)                             |  |                        |                               |   |
| #1   | 10/01/20 – 09/30/21                                  | 10.561                 | 529-16-002-00002              | \$ 1,614,933  |
| #2   | 10/01/21 – 09/30/22                                  | 10.561                 | 529-16-002-00002              | 462,014   |
| Passed through New York Office of Temporary and Disability Assistance and City Harvest, Inc.:<br>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster) |  |                        |                               |   |
| #3   | 10/01/20 – 09/30/21                                  | 10.561                 | None                          | 255,375   |
| #4   | 10/01/21 – 09/30/22                                  | 10.561                 | None                          | 72,390  |
| Passed through The Regents of the University of California:<br>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)                                   |  |                        |                               |   |
| #5   | 10/01/21 – 09/30/22                                  | 10.561                 | A22-1456-S002                 | 25,923  |
| Total U. S. Department of Agriculture  |  |                        |                               | <u>2,430,635</u>  |
| TOTAL FEDERAL AWARDS   |  |                        |                               | <u>\$ 2,430,635</u>                                       |

*See accompanying note to schedules of expenditures of federal and state awards.*

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## Brighter Bites

Schedule of Expenditures of State Awards for the year ended December 31, 2021

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| <u>STATE GRANTOR</u><br><u>Pass-through Grantor</u><br><u>Program Title &amp; Period</u> | <u>Contract</u><br><u>Number</u> | <u>Award</u><br><u>Amount</u> | <u>Allowable</u><br><u>State</u><br><u>Expenditures</u> |
|--|----------------------------------|-------------------------------|---|
| TEXAS A&M AGRILIFE EXTENSION SERVICE   |                                  |                               |   |
| Direct Funding:  |                                  |                               |   |
| Surplus Agricultural Products Grant Program  |                                  |                               |   |
| #S1 09/01/20 – 08/31/21  | GA-555-01                        | \$1,433,329                   | \$ 1,024,984  |
| #S2 09/01/21 – 08/31/22  | GA-555-01                        | \$1,433,329                   | <u>307,442</u>  |
| Total Texas A&M AgriLife Extension Service   |                                  |                               | <u>1,332,426</u>  |
| TOTAL STATE AWARDS   |                                  |                               | <u>\$ 1,332,426</u>                                     |

*See accompanying note to schedules of expenditures of federal and state awards.*

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## Brighter Bites

Note to Schedules of Expenditures of Federal and State Awards for the year ended December 31, 2021

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedules of expenditures of federal and state awards (the schedules) are prepared on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Single Audit Circular*. Federal and state expenditures include allowable expenses funded by federal and state grants. Allowable costs are subject to the cost principles of the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*, and include both costs that are capitalized and costs that are recognized as expenses in Brighter Bites' financial statements in conformity with generally accepted accounting principles. Brighter Bites does not have any subrecipients and does not utilize the 10% de minimis rate for indirect costs or charge indirect costs to its grants.

Because the schedules present only a selected portion of the operations of Brighter Bites, they are not intended to and do not present the financial position, changes in net assets, or cash flows of Brighter Bites.

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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  
Brighter Bites:

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 Brighter Bites, which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 21, 2022.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Brighter Bites' 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 Brighter Bites' internal control. Accordingly, we do not express an opinion on the effectiveness of Brighter Bites' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2021-001 that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Brighter Bites' 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

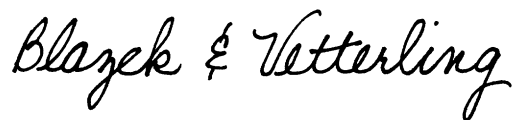
disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Brighter Bites' Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on Brighter Bites' response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Brighter Bites' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Blazek & Vetterling". The signature is written in a cursive, flowing style.

September 21, 2022

**Independent Auditors' Report on Compliance for Each Major Federal and State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State of Texas *Single Audit Circular***

To the Board of Directors of  
Brighter Bites:

**Report on Compliance for Each Major Federal and State Program**

***Opinion on Each Major Federal and State Program***

We have audited Brighter Bites' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and in the State of Texas *Single Audit Circular* that could have a direct and material effect on each of Brighter Bites' major federal and state programs for the year ended December 31, 2021. Brighter Bites' major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Brighter Bites complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2021.

***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) and the State of Texas *Single Audit Circular*. Our responsibilities under those standards and the Uniform Guidance and the State of Texas *Single Audit Circular* are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of Brighter Bites 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 and state program. Our audit does not provide a legal determination of Brighter Bites' 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 Brighter Bites' federal and state programs.

### ***Auditors' 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 Brighter Bites' 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 and the State of Texas *Single Audit Circular* 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 Brighter Bites' compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance and the State of Texas *Single Audit Circular*, 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 Brighter Bites' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Brighter Bites' 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 Brighter Bites' 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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and the State of Texas *Single Audit Circular* and which are described in the accompanying schedule of findings and questioned costs as item #2021-002. Our opinion on each major federal and state program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Brighter Bites' response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Brighter Bites' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' 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, and therefore, material weaknesses or significant

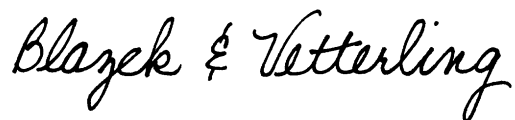
deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2021-002 to be a significant deficiency.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on Brighter Bites' response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Brighter Bites' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and the State of Texas *Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Blazek & Vetterling". The signature is written in black ink and is positioned above the date.

September 21, 2022



## Section II – Financial Statement Findings

### **Finding #2021-001** – Material Weakness

**Criteria:** Brighter Bites’ management is responsible for establishing and maintaining an effective system of internal control to ensure that contributions are recorded in a timely manner, correct period, and by the restricted purpose.

**Condition and context:** Brighter Bites has policies and procedures in place to periodically reconcile the donor database to the general ledger system. Due to staff turnover, the reconciliation was not performed throughout the year. An audit adjustment of \$50,000 was required to properly recognize contributions in accordance with accounting principles generally accepted in the United States of America because a pledge payment was incorrectly posted as a new contribution. Repeat of finding #2020-001.

**Effect:** A lack of effective internal controls over contributions could result in misappropriation of funds, contributions being recorded in the wrong fiscal period, an overstatement or understatement of revenue, and a failure to comply with donor restrictions.

**Recommendation:** Reemphasize procedures to reconcile the donor database to the general ledger on a periodic basis to verify errors and to determine if contributions have been recognized based on donor restrictions or lack thereof.

**Views of responsible officials and planned corrective actions:** Management agrees with the finding. See Corrective Action Plan.

## Section III – Federal and State Award Findings and Questioned Costs

### **Finding #2021-002** – Significant Deficiency and Other Non-compliance

#### Federal:

U. S. Department of Agriculture

Passed through: Texas Department of Agriculture and Feeding Texas

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Assistance Listing #: 10.561

Contract #: 529-16-002-0002

Contract Years: 10/01/20 – 09/30/21 and 10/01/21 – 09/30/22

#### State:

Texas A&M AgriLife Extension Service Surplus Agricultural Products Grant Program

Contract #: GA-555-01

Contract Years: 09/01/20 – 08/31/21 and 09/01/21 – 08/31/22

**Criteria:** Procurement – The Uniform Guidance §200.318 states that agencies must:

- Maintain records sufficient to detail the history of procurement: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.



**Condition and context:** There were 12 vendors with expenditures greater than \$10,000. One out of four vendors tested for documentation of procurement rationale did not have a vendor justification form. However, three bids had been obtained for the procurement.

**Cause:** Brighter Bites' staff failed to follow its policy on maintaining the documentation of the procurement rationale.

**Effect:** Failure to document procurement rationale may result in noncompliance.

**Questioned costs:** None

**Recommendation:** Provide additional training for staff on Brighter Bites' procurement policy in regards to maintaining procurement rationale.

**Views of responsible officials and planned corrective actions:** Management agrees with the finding. See Corrective Action Plan.



## CORRECTIVE ACTION PLAN

September 21, 2022

U. S. DEPARTMENT OF AGRICULTURE

Brighter Bites respectfully submits the following Corrective Action Plan for the year ended December 31, 2021. The audit was performed by: Blazek & Vetterling, 2900 Wesleyan, Suite 200, Houston, Texas, 77027.

The findings from the December 31, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **FINANCIAL STATEMENT AND FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS**

#### **Finding #2021-001** – Material Weakness

**Recommendation:** Reemphasize procedures to reconcile the donor database to the general ledger on a periodic basis to verify errors and to determine if contributions have been recognized based on donor restrictions or lack thereof.

**Planned corrective action:** Management agrees with the finding and has reemphasized a policy for accounting and development to perform a weekly reconciliation of contributions received, including contributions receivable, between the donor data base and the general ledger. Additionally, a quarterly formal reconciliation will be performed between the two systems.

**Responsible officer:** Gouri Kulkarni and Rich Dachman

**Estimated completion date:** December 31, 2022

#### **Finding #2021-002** – Significant Deficiency and Other Non-compliance

**Recommendation:** Provide additional training for staff on Brighter Bites' procurement policy in regards to maintaining procurement rationale.

**Planned corrective action:** Brighter Bites will implement a vendor justification form to compare the quotes for product offering, pricing and delivery schedules and document the procurement rationale.

**Responsible officer:** Amy Priebe and Rich Dachman

**Estimated completion date:** December 31, 2022

If there are any questions regarding this plan, please call Gouri Kulkarni at (281) 701-0432.

Sincerely,

  
\_\_\_\_\_  
Gouri Kulkarni, Director of Finance



## Summary Schedule of Prior Audit Findings

The following audit finding for the year ended December 31, 2020, is required to be reported in accordance with 2 CFR §200.511.

### Section II – Financial Statement Findings

#### **Finding #2020-001** – Material Weakness

**Condition and context:** Brighter Bites does not have policies and procedures in place to periodically reconcile the donor database to the general ledger system. Additionally, an audit adjustment of \$121,000 was required to properly recognize contributions receivable with accounting principles generally accepted in the United States of America (GAAP).

**Recommendation:** Implement procedures to reconcile the donor database to the general ledger on a periodic basis to verify completeness and to determine if contributions have been recognized based on donor restrictions or lack thereof.

**Planned corrective action:** Management agrees with the finding and has implemented a policy for accounting and development to perform a weekly reconciliation of contributions received, including contributions receivable, between the donor data base and the general ledger. Additionally, a quarterly formal reconciliation will be performed between the two systems.

**Management's 2021 follow-up response:** Management agrees with the finding and has reemphasized a policy for accounting and development to perform a weekly reconciliation of contributions received, including contributions receivable, between the donor data base and the general ledger. Additionally, a quarterly formal reconciliation will be performed between the two systems.

#### **Finding #2020-002** – Significant Deficiency

**Condition and context:** An audit adjustment of \$53,000 was required to properly state government grants receivable and government grant revenue in accordance with GAAP. Brighter Bites was billing the government grant on the cash basis of accounting.

**Recommendation:** Implement procedures to recognize government grants on the accrual basis of accounting.

**Planned corrective action:** Management agrees with the finding and has implemented a policy and procedure to bill government grants based on the accrual basis of accounting.

**Management's 2021 follow-up response:** Completed

### **Section III – Federal Award Findings and Questioned Costs**

#### **Finding #2020-003 – Significant Deficiency**

##### ***Applicable federal program:***

##### **Federal:**

U. S. Department of Agriculture

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Passed through: Texas Department of Agriculture and Feeding Texas

CFDA #10.561

Contract #529-16-002-00002

Contract years: October 1, 2019 – September 30, 2020 and October 1, 2020 – September 30, 2021

***Condition and context:*** An audit adjustment of \$53,000 was required to properly state government grants receivable and government grant revenue in accordance with GAAP. Brighter Bites was billing the government grant on the cash basis of accounting.

***Recommendation:*** Implement procedures to recognize government grants on the accrual basis of accounting.

***Planned corrective action:*** Management agrees with the finding and has implemented a policy and procedure to bill government grants based on the accrual basis of accounting.

***Management's 2021 follow-up response:*** Completed