

Consolidated Financial Statements

***SECOND HARVEST FOOD BANK OF
CENTRAL FLORIDA, INC.
AND SUBSIDIARY***

June 30, 2020 and 2019

**SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY**

Consolidated Financial Statements

June 30, 2020 and 2019

(With Independent Auditor's Report Thereon)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

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Independent Auditor's Report

The Board of Directors
Second Harvest Food Bank of Central Florida, Inc. and Subsidiary:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 25, 2020 on our consideration of the Second Harvest Food Bank of Central Florida, Inc. and Subsidiary'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's internal control over financial reporting and compliance.

Schaefer, Tschoff, Whitcomb, Mitchell & Shuikan, LLP

September 25, 2020
Maitland, Florida

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30, 2020 and 2019

	2020	2019
<u>Assets</u>		
Cash and equivalents	\$ 12,568,226	2,315,199
Restricted cash (note 1)	-	5,064,145
Investments (note 3)	1,888,896	1,836,511
Accounts receivable	5,510,107	2,396,094
Note receivable (note 6)	-	3,912,980
Inventories (note 5)	5,446,670	3,014,409
Contributions receivable (note 4)	35,000	100,000
Prepaid expenses and other assets	256,377	190,327
Assets held by Central Florida Foundation, Inc. (note 12)	255,982	250,846
Property and equipment, net (notes 7 and 8)	14,100,212	14,648,109
Contingent derivative interest rate swap (note 8)	-	15,094
Total assets	\$ 40,061,470	33,743,714
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,767,708	976,034
New market tax credits notes payable (note 8)	-	14,585,000
Paycheck Protection Program (PPP) loan (note 14)	143,649	-
Total liabilities	1,911,357	15,561,034
Commitments and contingencies (notes 9, 10, 13, 14 and 15)		
Net assets		
Without donor restrictions:		
Designated by the board (note 9)	4,456,645	4,103,554
Undesignated, available for general activities	20,746,713	8,206,434
Donated inventories	4,215,258	2,215,875
Property and equipment	1,858,100	2,057,993
Total net assets without donor restrictions	31,276,716	16,583,856
With donor restrictions (notes 10 and 12)	6,873,397	1,583,730
Total net assets	38,150,113	18,167,586
Total liabilities and net assets	\$ 40,061,470	33,728,620

See accompanying notes to consolidated financial statements.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Consolidated Statement of Activities

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gain or losses, and other support:			
Contributions and grants	\$ 15,230,040	10,528,913	25,758,953
Value of contributed inventory, equipment, facilities and services	145,865,830	-	145,865,830
Fees from providing services paid by agencies	3,398,738	-	3,398,738
Purchased food sales	3,470,294	-	3,470,294
Paycheck Protection Program Grant (note 14)	946,170	-	946,170
Investment and interest income	91,372	5,136	96,508
Other, net	1,800	-	1,800
Net assets released from restrictions:			
Satisfaction of program and time restrictions	5,244,382	(5,244,382)	-
Total revenues, gain or losses, and other support	174,248,626	5,289,667	179,538,293
Expenses			
Program services (includes value of food distributed and spoilage of \$143,803,720)	159,775,869	-	159,775,869
Supporting activities:			
Management and general	1,498,695	-	1,498,695
Fund-raising and development	2,360,602	-	2,360,602
Total supporting activities	3,859,297	-	3,859,297
Total expenses	163,635,166	-	163,635,166
Change in net assets before gain on new market tax credits transactions	10,613,460	5,289,667	15,903,127
Gain on new market tax credits transactions (note 8)	4,079,400	-	4,079,400
Change in net assets	\$ 14,692,860	5,289,667	19,982,527

See accompanying notes to consolidated financial statements

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Consolidated Statement of Activities

Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gain or losses, and other support:			
Contributions and grants	\$ 9,745,085	1,817,986	11,563,071
Value of contributed inventory, equipment, facilities and services	114,061,277	-	114,061,277
Fees from providing services paid by agencies	3,744,053	-	3,744,053
Purchased food sales	2,902,599	-	2,902,599
Investment and interest income	168,014	6,202	174,216
Other, net	8,780	-	8,780
Net assets released from restrictions:			
Satisfaction of program and time restrictions	1,648,323	(1,648,323)	-
Total revenues, gain or losses, and other support	132,278,131	175,865	132,453,996
Expenses			
Program services (includes value of food distributed and spoilage of \$113,942,045)	128,309,472	-	128,309,472
Supporting activities:			
Management and general	1,790,510	-	1,790,510
Fund-raising and development	2,113,050	-	2,113,050
Total supporting activities	3,903,560	-	3,903,560
Total expenses	132,213,032	-	132,213,032
Change in net assets	\$ 65,099	175,865	240,964

See accompanying notes to consolidated financial statements

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Consolidated Statement of Changes in Net Assets

Years ended June 30, 2020 and 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Net assets at June 30, 2018	\$ 16,518,757	1,407,865	81,930	18,008,552
Change in net assets	65,099	175,865	-	240,964
Decrease in fair value of contingent derivative interest rate swap	-	-	(66,836)	(66,836)
Net assets at June 30, 2019	16,583,856	1,583,730	15,094	18,182,680
Change in net assets	14,692,860	5,289,667	-	19,982,527
Expiration of contingent derivative interest rate SWAP	-	-	(15,094)	(15,094)
Net assets at June 30, 2020	<u>\$ 31,276,716</u>	<u>6,873,397</u>	<u>-</u>	<u>38,150,113</u>

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year ended June 30, 2020

	<u>Programs</u>	<u>Management and General</u>	<u>Fund-raising and Development</u>	<u>Total</u>
Salaries and wages	\$ 4,148,013	797,069	928,882	5,873,964
Employee benefits and payroll taxes	1,308,421	220,418	212,253	1,741,092
Total salaries and benefits	<u>5,456,434</u>	<u>1,017,487</u>	<u>1,141,135</u>	<u>7,615,056</u>
Value of gifts in-kind	143,839,739	-	-	143,839,739
Contract labor	409,719	8,587	10,074	428,380
Direct mail, marketing and special events	5,064	4,936	957,793	967,793
Purchased food distributed and direct program supplies	6,476,240	692	-	6,476,932
Insurance	42,581	25,729	3,785	72,095
Licenses and fees	15,180	653	400	16,233
Maintenance and rental of equipment	222,034	-	-	222,034
Meetings, conferences and transportation	113,042	33,773	18,326	165,141
Miscellaneous	12,834	67,058	112,658	192,550
Dues and subscriptions	64,434	6,066	6,053	76,553
Occupancy	153,238	-	-	153,238
Office expenses and supplies	48,456	44,443	1,726	94,625
Postage and shipping	2,693	3,901	15,370	21,964
Printing and publications	-	11,738	6,549	18,287
Professional and contractual fees	103,269	151,840	77,697	332,806
Telephone	34,435	25,793	3,030	63,258
Trucking, freight, and fuel costs	1,792,147	-	-	1,792,147
Utility costs	223,318	6,382	6,006	235,706
Amortization	-	16,497	-	16,497
Interest expense	-	73,120	-	73,120
Total expenses before depreciation	<u>159,014,857</u>	<u>1,498,695</u>	<u>2,360,602</u>	<u>162,874,154</u>
Depreciation of property and equipment	<u>761,012</u>	<u>-</u>	<u>-</u>	<u>761,012</u>
Total expenses	<u>\$ 159,775,869</u>	<u>1,498,695</u>	<u>2,360,602</u>	<u>163,635,166</u>

See accompanying notes to consolidated financial statements

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year ended June 30, 2019

	<u>Programs</u>	<u>Management and General</u>	<u>Fund-raising and Development</u>	<u>Total</u>
Salaries and wages	\$ 4,002,254	717,017	723,994	5,443,265
Employee benefits and payroll taxes	1,273,875	174,319	189,946	1,638,140
Total salaries and benefits	<u>5,276,129</u>	<u>891,336</u>	<u>913,940</u>	<u>7,081,405</u>
Value of gifts in-kind	113,972,459	-	-	113,972,459
Contract labor	336,782	-	9,552	346,334
Direct mail, marketing and special events	56,512	-	1,018,135	1,074,647
Purchased food distributed and direct program supplies	5,224,447	-	-	5,224,447
Insurance	85,386	24,748	3,785	113,919
Licenses and fees	12,172	200	-	12,372
Maintenance and rental of equipment	146,428	-	1,900	148,328
Meetings, conferences and transportation	122,289	54,043	33,294	209,626
Miscellaneous	45,259	76,659	16,866	138,784
Dues and subscriptions	93,867	5,657	10,659	110,183
Occupancy	157,636	-	-	157,636
Office expenses and supplies	19,885	23,454	1,203	44,542
Postage and shipping	2,700	4,224	15,336	22,260
Printing and publications	(1)	24,680	-	24,679
Professional and contractual fees	642,781	196,078	79,664	918,523
Telephone	20,855	21,446	2,292	44,593
Trucking, freight, and fuel costs	1,115,648	-	-	1,115,648
Utility costs	223,604	8,002	6,424	238,030
Amortization	-	65,986	-	65,986
Interest expense	-	393,997	-	393,997
Total expenses before depreciation	<u>127,554,838</u>	<u>1,790,510</u>	<u>2,113,050</u>	<u>131,458,398</u>
Depreciation of property and equipment	754,634	-	-	754,634
Total expenses	<u>\$ 128,309,472</u>	<u>1,790,510</u>	<u>2,113,050</u>	<u>132,213,032</u>

See accompanying notes to consolidated financial statements

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Consolidated Statement of Cash Flows

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 19,982,527	240,964
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	777,509	820,620
In-kind contributions of food	(145,829,811)	(114,030,863)
Distribution and spoilage of donated food	143,830,427	113,942,045
Gain on new market tax credits transactions	(4,079,400)	
Net unrealized gains on investments	(15,268)	(78,652)
Net increase (decrease) in cash flow from changes in:		
Accounts receivable	(3,114,013)	(652,082)
Note receivable	3,912,980	
Purchased/production inventories	(432,877)	(204,021)
Prepaid expenses and other assets	(82,547)	(12,117)
Contributions receivable	65,000	30,664
Assets held by Central Florida Foundation, Inc.	(5,136)	(6,202)
Accounts payable and accrued expenses	791,674	(32,261)
Net cash provided by operating activities	15,801,065	18,095
Cash flows from investing activities:		
Disposition (purchase) of investments, net	(37,117)	(123,136)
Purchases of property and equipment	(213,115)	(393,672)
Net cash used in investing activities	(250,232)	(516,808)
Cash flows from financing activities:		
Repayment of new market tax credits notes payable	(10,505,600)	-
Proceeds from issuance of PPP loan	1,089,819	-
PPP grant (loan forgiveness)	(946,170)	-
Net cash used in financing activities	(10,361,951)	-
Net increase (decrease) in cash and cash equivalents	5,188,882	(498,713)
Cash and cash equivalents at beginning of year	7,379,344	7,878,057
Cash and cash equivalents at end of year	\$ 12,568,226	7,379,344
Supplemental information:		
Cash paid for interest	\$ 73,120	393,997
Non-cash investing activities:		
Fair market value decrease of contingent derivative interest rate swap	\$ -	(66,836)

See accompanying notes to consolidated financial statements.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Organization

Second Harvest Food Bank of Central Florida, Inc. (SHFB or Second Harvest Food Bank, is a Florida not-for-profit corporation organized to serve as a clearing house to collect, store, and redistribute surplus food to charitable 501(c)(3) organizations that operate on-site or emergency food distribution services.

Donors, such as processors, wholesalers, distributors, restaurants and resorts, provide SHFB with usable food that is not saleable because the food has been overproduced, discontinued, or will soon be out-of-date.

Second Harvest Food Bank is a member of Feeding America, a network of food banks and food rescue organizations nationwide that collect food from throughout the food industry for distribution to non-profit feeding programs.

Time For Mercy, LLC (TFM) was organized in 2012 as a Florida limited liability company. SHFB has a 100% membership interest in TFM. TFM was organized to acquire, construct and develop a food distribution center in Orlando, Florida that functions as the principal warehouse, distribution and administrative facilities of Second Harvest Food Bank.

In order to finance the construction and development of the project, TFM entered into loan agreements with Wells Fargo Community Development Enterprise Round 9 Subsidiary 3, LLC (Wells Fargo), CCG Sub-CDE 21, LLC (CCG) and UA Sub-CDE XIV, LLC (UA). In September 2019, the Organization exercised its option to conclude its new market tax credits agreement concurrent with the maturity of the underlying loan obligations described herein as more fully described in Note 8.

(b) Basis of Consolidation

The consolidated financial statements include the assets, liabilities and net assets and activities of SHFB and TFM (collectively referred to as the Food Bank or Organization). All balances and transactions between the consolidated entities have been eliminated. In addition, certain amounts have been reclassified in order to conform with the current year presentation.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements

(1) **Summary of Significant Accounting Policies (Continued)**

(c) **Basis of Presentation**

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

The Organization prepares its financial statements on an entity wide basis, focusing on the organization as a whole. Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions---Net assets that are not subject to donor-imposed stipulations and, therefore, available for use in general operations.
- Net assets with donor restrictions---Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donor-imposed restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

The Food Bank's resources as presented on the statements of activities and changes in net assets include revenue, gains or loss, and other support. Revenue consists of fees earned for the performance of Organization services, public support such as contributions and grants, investment income which consists of dividends, interest, rents and similar payments on assets held as investments, and other revenue or support. Rents are presented separately from investment income on the statements of activities and changes in net assets. Public support such as contributions and grants are unconditional gifts to the Organization of cash or other assets in a voluntary nonreciprocal transfer by another entity. Gains or losses result from activities that are peripheral or incidental to the Organization and are reported net.

Revenue, gains, and other support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses and losses are reported as decreases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expirations of restrictions on net assets (i.e., the

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
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Notes to Consolidated Financial Statements

(1) **Summary of Significant Accounting Policies (Continued)**

(c) **Basis of Presentation (Continued)**

Donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Contributions, including unconditional promises to give, less an allowance for uncollectible accounts, are recognized as revenue in the period made or received. United Way and other pledges are recorded as unconditional promises to give and net assets with donor restrictions in the period that notification is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. The Organization also receives indications of intent to support, which are commitments that are open-ended and subject to unilateral change by the donor. The amounts are not measurable since the commitments do not express a term or period. Thus, they are not considered to be unconditional promises to give and are not recognized prior to the receipt of the contribution.

Contributions of assets, materials, and facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the consolidated financial statements as an asset or expense and revenue. For the year ended June 30, 2020, in-kind contributions consisted of USDA food inventory and donated food inventory valued at approximately \$145,803,104. Contributed food inventory was redistributed to charitable organizations at a value of approximately \$143,804,000 for the year ended June 30, 2020. In addition, the Organization receives contributed time related to various program services and construction projects. These contributed services are recorded at their estimated fair value at the date of service if they meet the following criteria: (a) the services would have otherwise been purchased by the Organization, and (b) the services required specialized skills. Donated use of facilities is recognized as expense and revenue. For the years ended June 30, 2020 and 2019, there were donated equipment/supplies and marketing services amounting to approximately \$63,000 and \$30,000, respectively.

A substantial number of unpaid volunteers have made significant contributions of their time to provide assistance to the Food Bank in its program and support activities (approximately 112,000 hours). The value of contributed time of part-time volunteers has not been recorded in the accompanying consolidated financial statements since specialized skills were not required.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
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Notes to Consolidated Financial Statements

(1) **Summary of Significant Accounting Policies (Continued)**

(d) **Liquidity**

Assets are presented in the accompanying consolidated statement of financial position according to their nearness of conversion to cash and liabilities according to their nearness of maturity and resulting use of cash.

(e) **Accounts Receivable**

Accounts receivable are carried at their estimated collectible amounts and are recorded net of contractual adjustments and an allowance for doubtful accounts. The allowance for doubtful accounts is estimated by management based on the Organization's prior years' experience and a review of the current status of the existing receivables. Adjustments to the allowance for doubtful accounts are recorded to an expense account. When management determines that a receivable is uncollectible, it is removed from accounts receivable and is charged to the allowance for doubtful accounts. No allowance is established at June 30, 2020 as management believes all amounts are collectible.

(f) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(g) **Cash and Cash Equivalents**

For the purposes of the consolidated statement of cash flows, the Food Bank considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(h) **Restricted Cash**

Cash which is externally restricted by agreements is classified as restricted cash. Such cash is not available for general operating purposes.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
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Notes to Consolidated Financial Statements

(1) **Summary of Significant Accounting Policies (Continued)**

(h) **Restricted Cash (Continued)**

As of July 1, 2019, the Food Bank adopted ASU-2016-18, *Statement of Cash Flows Topic 230: Restricted Cash*, which requires that restricted cash and cash equivalents be included in beginning and ending cash in the statement of cash flows. The adoption of ASU 2016-18 resulted in the reclassification of certain items related to restricted cash in the cash flows statement for the year ended June 30, 2019.

(i) **Investments**

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which is considered a fair measure of the value at the date of donation).

(j) **Inventories**

Purchased food inventory is stated at the lower of cost (determined on first-in, first-out basis) or market.

USDA food inventory and donated food inventory is valued at the approximate average wholesale value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology prepared by Feeding America, at each calendar year end. This value for donated food inventory was \$1.74 and \$1.62 per pound in 2020 and 2019, respectively. The value for USDA food inventory was \$1.49 and \$1.52 per pound in 2020 and 2019, respectively.

(k) **Property and Equipment**

Purchased property and equipment are stated at cost. Donated property and equipment are stated at estimated fair market value at the date of donation. Depreciation is computed on a straight-line method over the estimated useful lives of the related assets which range from 5 to 30 years. All property expenditures in excess of \$1,000 are capitalized; maintenance and renewals are charged to expense as incurred.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

(l) Income Taxes

The Food Bank is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. In addition, the Food Bank has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying consolidated financial statements.

In accordance with "Income Taxes" FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the consolidated statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2020, the Food Bank had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

The Food Bank's income tax returns are subject to review and examination by federal authorities. The Food Bank is not aware of any activities that would jeopardize its tax-exempt status. The Food Bank is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The tax returns for the fiscal years ended from 2017 to 2019 are open to examination by federal authorities.

(m) Functional Allocation of Expenses

The costs of providing Organization programs and administration of the Organization have been summarized on a functional basis as indicated in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation of expenses according to function, including payroll and occupancy costs which cannot be directly attributed to specific functions, is based on estimates by the Organization's management, of the time of employees involved and of percentages of assets utilized.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

(n) Concentration of Credit Risk

The Food Bank solicits food on behalf of participating local social service agencies, all of which are 501(c)(3) organizations. These agencies contribute to the costs of food collection and storage by paying the Food Bank a “handling fee” for food received. The Food Bank grants credit to these agencies, all of which are located in Central Florida.

The Food Bank maintains its cash and cash equivalents in deposit and money market accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk related to cash and cash equivalents.

(o) Fair Value of Financial Instruments

The Food Bank’s financial instruments are cash and cash equivalents, investments, prepaid expenses and deposits, short-term receivables, long-term receivables, accounts payable and accrued expenses.

The recorded values of cash and cash equivalents, prepaid expenses and deposits, short-term receivables, accounts payable and accrued expenses approximate their fair value based on their short-term nature.

The recorded net present value of long-term receivables approximates fair value, as the discount rate approximates market rates.

The recorded value of investments approximates fair value based on quoted market prices (Level 1 inputs) in active markets for identical assets or liabilities (see note 3).

(p) Long-Lived Assets

The Food Bank follows the policy of lifting restrictions on contributions of cash and other assets received for the acquisition of long-lived assets when the long-lived assets are acquired. In accordance with generally accepted accounting principles, long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Food Bank

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
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Notes to Consolidated Financial Statements

(1) **Summary of Significant Accounting Policies (Continued)**

(p) **Long-Lived Assets (Continued)**

first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market value and third-party independent appraisals, as considered necessary. No impairment charges have been recorded in the accompanying consolidated financial statements related to long-lived assets.

(q) **Subsequent Events**

In preparing these consolidated financial statements, the Food Bank has evaluated subsequent events and transactions for potential recognition and disclosure through September 25, 2020, which is the date the consolidated financial statements were available to be issued.

(2) **Liquidity and Availability**

As of June 30, 2020, the Organization has approximately \$19,800,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table reflects the Organization's financial assets as of June 30, 2020 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

Cash and cash equivalents	\$ 12,568,226
Accounts receivable	5,510,107
Investments	1,888,896
Contributions receivable	35,000
Subtotal of financial assets	<u>20,002,229</u>
Amounts not available for general expenditure within one year:	
Restricted - Central Florida Foundation, Inc.	<u>(255,982)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 19,746,247</u>

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
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Notes to Consolidated Financial Statements

(3) Investments

The Food Bank has adopted accounting standards for fair value measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements of assets and liabilities to include disclosure about inputs used in the determination of fair value using the three categories listed below.

These accounting standards apply under other accounting pronouncements previously issued by the Financial Accounting Standards Board, or FASB, which require or permit fair measurements. The adoption of the new accounting standards did not impact the Organization's consolidated financial position or results of operations.

Fair value is defined under "Fair Value Measurements and Disclosures," FASB Accounting Standards Codification Topic 820 (Topic 820) as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Topic 820 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of inputs to the valuation methodology are:

- Level 1 quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 unobservable and significant to the fair value measurement of the asset or liability.

At June 30, 2020, the Food Bank's investment portfolio consisted of marketable equity and debt securities carried at fair value.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements

(3) Investments (Continued)

The following table summarizes the valuation of the Food Bank's financial assets measured at fair value on a recurring basis as of June 30, 2020, based on level 1 inputs utilized to measure fair value:

	Cost	Fair Value
Mutual funds/equities	\$ 1,641,302	1,757,212
Cash	34,212	34,212
Fixed income investments	94,333	97,472
	\$ 1,769,847	1,888,896

Investment and interest income as reported in the accompanying statement of activities includes net unrealized gains of approximately \$15,000 and \$79,000 in 2020 and 2019, respectively, associated with the investments reflected herein.

(4) Contributions Receivable

As of June 30, 2020 and 2019, contributors to the Organization have unconditionally promised to give the following amounts:

	2020	2019
Receivable in less than one year	\$ 42,500	107,500
Receivable in two to three years	10,000	10,000
Less: allowance for uncollectible accounts	(17,500)	(17,500)
Net contributions receivable	\$ 35,000	100,000

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements

(5) Inventories

Inventories at June 30 consisted of the following:

	2020	2019
Donated food	\$ 3,027,079	1,828,897
USDA food	1,188,180	386,978
Purchased food	1,026,229	624,860
Production inventory	205,182	173,674
	\$ 5,446,670	3,014,409

(6) Note Receivable

SHFB entered into an agreement to lend \$3,912,980 to Second Harvest Investment Fund, LLC (SHIF). The note is secured by SHIF's membership interest in CCG, UA and Wells Fargo and is subordinated to certain other obligations (held by SHIF) due to Wells Fargo Bank, N.A. Interest only was payable monthly at 1.0% through August 2019. In September 2019, the proceeds from the note were used (together with additional funding) to satisfy obligations associated with the new market tax credits agreement as more fully described in Note 8. Accordingly, the balance of the note receivable at June 30, 2020 was \$0.

(7) Property and Equipment

The following is a summary of the components of property and equipment at June 30, 2020 and 2019 and their estimated useful lives:

	Estimated Useful Lives	2020	2019
Land	-	\$ 1,918,867	1,918,867
Building and improvements	30 years	13,390,333	13,390,333
Office furniture and equipment	5 - 7 years	1,578,490	1,595,247
Warehouse equipment	5 - 7 years	1,749,972	1,698,968
Trucks	5 years	1,659,277	1,685,355
		20,296,939	20,288,770
Less accumulated depreciation		(6,196,727)	(5,640,661)
		\$ 14,100,212	14,648,109

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements

(8) New Market Tax Credits Notes Payable

TFM executed loan agreements in September 2012 that provided for borrowings of \$3,675,000, \$2,910,000 and \$8,000,000 from CCG, UA and Wells Fargo, respectively. The loans were to finance the acquisition, construction and development of SHFB’s new warehouse, food distribution and administrative facilities in Orlando, Florida and are intended to be treated as a “qualified low-income community investment” for purposes of generating New Market Tax Credits under Section 45D of the Internal Revenue Code of 1986, as amended. The loans were secured by a certain construction and permanent mortgage with absolute assignment of leases and rents, security agreement and fixture filing on the underlying property. TFM was not permitted to prepay any portion of the loans until after the corresponding maturity dates. Under the terms of the new market tax credits loan agreements, the loans accrued interest at 1.75% and the 30-day LIBOR plus 2.35% maturing in August and September 2019. Interest only was payable monthly through the maturity dates of the loans.

In September 2019, the Food Bank exercised its “put option” and, as a result, the new market tax credits loans were satisfied in full in exchange for consideration amounting to \$10,487,600. Accordingly, a gain of \$4,079,400 on the exercise of the new market tax credit “put option” was recognized and is included in the accompanying 2020 statement of activities.

Effective September 7, 2012, TFM entered into a variable to fixed interest rate swap agreement (Swap) with Wells Fargo in the notional amount of \$6,577,620. In accordance with terms of the Swap, TFM paid a fixed rate of 1.47%. The variable rate associated with the Swap was the 30-day LIBOR. In connection with the conclusion of the new market tax credits agreement, the SWAP agreement expired in September 2019.

(9) Designated Fund Balances

At June 30, 2020 and 2019, the Board of Directors had designated funds for the following purposes:

	2020	2019
Capital replacements	\$ 760,356	763,706
Program services	3,686,021	3,329,580
Disaster relief	10,268	10,268
	\$ 4,456,645	4,103,554

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
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Notes to Consolidated Financial Statements

(9) Designated Fund Balances (Continued)

The amount of these reserves was determined based on management's estimates of the remaining useful lives of capital equipment and estimated replacement cost for capital replacement reserves, and management's and the Board's efforts to achieve reserves equal to three months of operations available for program service reserves. The program service reserves at June 30, 2020 represent approximately three months of operations.

(10) Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Purpose and time restricted:		
Universal Orlando Foundation	\$ 63,120	61,414
TEFAP - Covid	1,887,544	-
Orlando Magic/Grace Medical	154,053	270,242
Joy in Childhood Foundation – Child Hunger	-	43,061
United Way – for future periods	73,800	75,800
Darden	20,000	25,198
Aetna Foundation	37,402	41,724
West Orange Health - Food Pantry	-	63,201
Orange County CRP	13,265	66,065
Advent Health (CHIC Grant)	367,268	455,148
Food purchases	16,187	13,139
Disaster Support	3,320,035	-
Universal	17,814	-
Culinary Training	49,851	47,813
Orlando Regional Health food boxes	7,445	46,851
Child Hunger Impact Grant	-	29,061
Humana Event Sponsorship	15,000	-
Hughes Bros. - 3000 Packs	15,000	-
Orlando Magic Service Project/UHC	40,000	-
Bezos Covid	231,059	-
CFF Covid	89,685	-
EFSP Seminole	28,374	-
Lennar Homes Kids Packs	15,800	-
L4Good Grant Rockefeller	20,731	-
City of Orlando - School Markets	31,917	-
Other	102,065	94,167
	6,617,415	1,332,884
Restricted in perpetuity (note 12):		
Central Florida Foundation, Inc.	255,982	250,846
	\$ 6,873,397	\$ 1,583,730

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
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Notes to Consolidated Financial Statements

(11) Retirement Benefit Plans

The Food Bank has a 403(b) Plan in which employees who normally work at least twenty hours per week and are at least 21 years of age are eligible to participate. Eligible employees may elect to contribute up to twenty percent of their compensation to the Plan. The Food Bank, at its discretion, may match participant contributions in an amount to be determined from year to year. The Food Bank may also make discretionary employer contributions based on qualifying participant compensation in an amount to be determined from year to year. Total contributions made by the Food Bank during fiscal 2020 and 2019 amounted to approximately \$181,000 and \$179,000, respectively.

(12) Assets Held by Central Florida Foundation, Inc.

The Food Bank has established an endowment with the Central Florida Foundation, Inc. (CFF). This endowment will provide a source of income for the Food Bank. Future income may be withdrawn or added to the principal balance of the endowment at the Food Bank's discretion. The Food Bank's endowment is carried as an asset and included in net assets with donor restrictions on its balance sheet as required by current financial accounting standards. (Note 10)

CFF has legal ownership of the contributed funds. As such, CFF's Board of Directors (Board) has fiduciary responsibility over the endowment. The Board shall have the power to modify or eliminate any restriction, limitation, or condition on the distribution of funds, including their use for any specified purposes or their distribution to specific organizations, if determined that such restriction, limitation or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the proper charitable, religious, scientific, literary, cultural or educational uses and purposes associated with the Central Florida area.

(13) Lease Commitments

The Organization leases certain warehouse facilities and equipment under month-to-month and long-term non-cancelable operating leases. Rental expense for all month-to-month and long-term operating leases was approximately \$238,000 and \$226,000 in the two years ended June 30, 2020 and 2019, respectively. Future minimum payments applicable to long-term non-cancelable operating leases for the years subsequent to June 30, 2020 are approximately as follows:

<u>Year ended June 30,</u>	
2021	\$ 128,000
2022	115,000
2023	68,000
2024	53,000

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
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Notes to Consolidated Financial Statements

(14) Paycheck Protection Program (PPP) Loan

In May 2020 the Organization received a loan in the amount of \$1,089,819 pursuant to the Paycheck Protection Program (PPP) established by the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide relief in connection with the coronavirus pandemic. The note bears interest at 1% and is subject to a payment deferral period of six months. However, the note and related interest are subject to forgiveness when the proceeds of the loan are used to fund payroll and other allowable expenses as defined by the PPP. As of June 30, 2020, the Organization incurred \$946,170 of qualifying expenditures and, accordingly, has recorded that amount as PPP grant revenue in the accompanying statement of activities. The balance of the note at June 30, 2020 amounts to \$143,649 and is expected to be subject to forgiveness in the fiscal year ended June 30, 2021.

(15) Coronavirus Pandemic And Management's Response

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that the effects of the pandemic will continue for some time. With respect to the Organization's operations, future potential impacts may include disruptions or restrictions on our employees' ability to work or on our community partners, agencies and governmental funding sources to continue to provide a consistent level of support. Changes to the operating environment may increase operating costs. Additional effects may include the ability of donors to continue making donations as a result of job loss, overall economic slowdown or other pandemic related issues. The ultimate outcome of these matters on the Organization cannot be determined at this time.

During 2020, as a result of the pandemic, the Food Bank faced a broad range of challenges in order to continue to serve Central Florida families and deserving agencies in need. Fortunately, during this time the Organization experienced historic financial investment and funding from the community. As a result, a significant surplus of restricted and unrestricted support funding was received as indicated in the accompanying 2020 statements of financial position and activities. Although many of the Food Bank's usual community partners and donors have been negatively impacted by the pandemic, the Organization plans to remain strategic, flexible and innovative with respect to its current reserves. Accordingly, it is the Food Bank's goal to continue to meet the urgent and immediate needs of the community combined with a plan to sustain funding over what may be a protracted, multi-year economic recovery.

SUPPLEMENTARY INFORMATION

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

Grantor/Pass-Through Agency/Program Title	Period of Award	Contract Number	Federal CFDA No.	Amount of Award	Federal Expenditures
United States Department of Agriculture					
Passed through from the Florida Department of Agriculture and Consumer Services					
The Emergency Food Assistance Program (TEFAP) - Food Commodities	10/1/15 - 9/30/20	22749	10.569	13,227,734	\$ 13,227,734 *
The Emergency Food Assistance Program (TEFAP) - Trade Mitigation Program	7/1/19 - 9/30/20	26189	10.569	13,713,154	13,713,154 *
The Emergency Food Assistance Program (TEFAP) - Covid-19	5/6/20 - 9/30/21	26932	10.569	152,423	152,423 *
					<u>27,093,311</u> *
Passed through from the Florida Department of Health					
The Child and Adult Care Food Program	10/1/18 - 9/30/19	A-1548	10.538	883,865	142,974
The Child and Adult Care Food Program	10/1/19 - 9/30/20	A-1548	10.538	447,873	447,873
					<u>590,847</u>
Passed through from the Florida Department of Agriculture and Consumer Services					
The Emergency Food Assistance Program (TEFAP) - Administrative Costs	10/1/15 - 9/30/20	22749	10.568	5,467,523	1,524,678
The Emergency Food Assistance Program (TEFAP) - Trade Mitigation Program	7/1/19 - 9/30/20	26189	10.568	793,788	687,768
The Emergency Food Assistance Program (TEFAP) - Covid-19	5/6/20 - 9/30/21	26932	10.568	2,715,559	816,782
					<u>3,029,228</u>
Passed through from the Florida Department of Agriculture and Consumer Services					
The Summer Food Service Program for Children	5/7/19 - 9/30/19	022106	10.559	723,085	358,900
The Summer Food Service Program for Children	3/1/20 - 9/30/20	022106	10.559	1,798,152	1,798,152
					<u>2,157,052</u>
Passed through from the Florida Department of Children and Families					
Supplemental Nutrition Assistance Program	1/1/19 - 9/30/22	LF-926	10.561	592,557	122,462
					<u>122,462</u>
					<u>\$ 32,992,900</u>
Subtotal - United States Department of Agriculture					
United States Department of Homeland Security, Federal Emergency Management Agency					
Passed through from the Volusia County Emergency Food and Shelter Program					
Board - The United Way of Volusia-Flagler Counties, Inc.					
The Emergency Food and Shelter National Board Program - Phase 36	10/1/19 - 9/30/20	172800-027	97.024	16,254	\$ 16,254
Passed through from the Orange County Emergency Food and Shelter Program					
Board - Heart of Florida United Way					
The Emergency Food and Shelter National Board Program - Phase 36	10/1/19 - 9/30/20	168000-022	97.024	70,000	70,000
Passed through from the Seminole County Emergency Food and Shelter Program					
Board - Heart of Florida United Way					
The Emergency Food and Shelter National Board Program - Phase 36	10/1/19 - 9/30/20	171800-010	97.024	9,969	9,969
Passed through from Brevard County Emergency Food and Shelter Program					
Board - United Way of Brevard					
The Emergency Food and Shelter National Board Program - Phase 36	10/1/19 - 9/30/20	156600	97.024	20,000	20,000
Passed through from Osceola County Emergency Food and Shelter Program					
Board - Heart of Florida United Way					
The Emergency Food and Shelter National Board Program - Phase 36	10/1/19 - 9/30/20	168400	97.024	5,000	5,000
					<u>\$ 121,223</u>
Subtotal - U. S. Department of Homeland Security, Federal Emergency Management Agency					
Total Federal Assistance					<u>\$ 33,114,123</u>

* In-kind value of donated food distributed

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
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Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all financial assistance and cost reimbursement contracts of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary. Second Harvest Food Bank of Central Florida, Inc. and Subsidiary receives federal and state awards indirectly through pass-through entities. The information in this schedule is presented 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 Food Bank, it is not intended to and does not present the financial position changes in net assets or cash flows of the Food Bank.

(2) Summary of Significant Accounting Policies

Federal expenditures included in the accompanying schedule are presented 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 allowable or are limited as to reimbursement. The Food Bank has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(3) Major Programs

Major programs are identified in the Summary of Audit Results section of the Schedule of Findings and Questioned Costs.

(4) Food Distribution

Included in the Schedule of Expenditures of Federal Awards is in-kind food items received through The Emergency Food Assistance Program. For the year ended June 30, 2020, Second Harvest Food Bank of Central Florida, Inc. distributed approximately 18,180,000 pounds of food valued at \$1.49 per pound.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to the Schedule of Expenditures of Federal Awards (Continued)

Year ended June 30, 2020

(5) Sub-recipients

Second Harvest Food Bank of Central Florida, Inc. and Subsidiary passes through certain Federal assistance to other governments or not-for-profit agencies (sub-recipients). As described in note 1, Second Harvest Food Bank of Central Florida, Inc. and Subsidiary records expenditures of Federal awards to sub-recipients on an accrual basis of accounting.

The sub-recipient agencies have certain compliance responsibilities related to administering these Federal programs. Under the Uniform Guidance, Second Harvest Food Bank of Central Florida, Inc. and Subsidiary is responsible for monitoring sub-recipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

Second Harvest Food Bank of Central Florida, Inc. and Subsidiary, provided federal awards to sub-recipients as follows:

Program Title	Federal CFDA Number	Amounts Provided To Sub-recipients
The Emergency Food Assistance Program (TEFAP) – Food Commodities	10.569	\$ 27,093,311
The Child and Adult Care Food Program	10.558	590,847
The Summer Food Service Program for Children	10.559	<u>2,157,052</u>
		<u>\$ 29,841,210</u>

(6) Matching Requirements

Certain Federal programs require that Second Harvest Food Bank of Central Florida, Inc. and Subsidiary contribute non-Federal funds (matching funds) to support the Federally funded programs. Second Harvest Food Bank of Central Florida, Inc. and Subsidiary has complied with matching requirements. The expenditure of non-Federal matching funds is not included in the Schedule of Expenditures of Federal Awards.

SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

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Independent Auditor's 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
Second Harvest Food Bank of Central Florida, Inc. and Subsidiary

We have audited, 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, the consolidated financial statements of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 25, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of 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.

Schatz, Tschoff, Whitcomb, Mitchell & Shulman, LLP

Maitland, Florida
September 25, 2020

SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Second Harvest Food Bank of Central Florida, Inc. and Subsidiary

Report on Compliance for Each Major Federal Program

We have audited Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's compliance with the types of compliance requirements described in the OMB *Compliance Supplement*, that could have a direct and material effect on each of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's major federal programs for the year ended June 30, 2020. Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on test basis, evidence about Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's compliance.

Opinion on Each Major Federal Program

In our opinion, Second Harvest Food Bank of Central Florida, Inc. and Subsidiary complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Schater, Kschagg, Whitcomb, Mitchell & Shuilen, LLP

Maitland, Florida
September 25, 2020

Second Harvest Food Bank of Central Florida, Inc. and Subsidiary
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

A. Summary of the Audit Results

1. The Auditor's report expresses an unqualified opinion on the consolidated financial statements of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the consolidated financial statements and as reported in the 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*.
3. No instances of noncompliance material to the consolidated financial statements of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Second Harvest Food Bank of Central Florida, Inc. and Subsidiary expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Second Harvest Food Bank of Central Florida, Inc. and Subsidiary that are required to be reported in accordance with the Uniform Guidance.
7. The program tested as a major federal program was the program cluster U.S. Department of Agriculture's CFDA Number 10.569 - Emergency Food Assistance Program (Food Commodities) and federal CFDA Number 10.568 – Emergency Food Assistance Program (Administrative Costs).
8. The threshold for distinguishing Types A and B programs was \$995,000.
9. Second Harvest Food Bank of Central Florida, Inc. and Subsidiary was determined to be a low-risk auditee.

**Second Harvest Food Bank of Central Florida, Inc. and Subsidiary
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2020**

B. Financial Statement Findings Section

None

C. Federal and State Award Findings and Questioned Costs Section

None

D. Summary Schedule of Prior Audit Findings

No summary schedule of prior audit findings is required because there are no prior audit findings related to federal programs or state projects.