

Consolidated Financial Statements

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

June 30, 2019 and 2018

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

Consolidated Financial Statements

June 30, 2019 and 2018

(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, 2019 and 2018, 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, 2019 and 2018, 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 20, 2019 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.

Schatz, Tschoy, Whitcomb, Mitchell & Shulman, LLP

September 20, 2019
Maitland, Florida

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

Consolidated Statement of Financial Position

June 30, 2019 and 2018

	2019	2018
<u>Assets</u>		
Cash and equivalents	\$ 2,315,199	2,648,144
Restricted cash (note 1)	5,064,145	5,229,913
Investments (note 3)	1,836,511	1,634,723
Accounts receivable	2,396,094	1,744,012
Note receivable (note 6)	3,912,980	3,912,980
Inventories (note 5)	3,014,409	2,721,570
Contributions receivable (note 4)	100,000	130,664
Prepaid expenses and other assets	190,327	244,196
Assets held by Central Florida Foundation, Inc. (note 12)	250,846	244,644
Property and equipment, net (notes 7 and 8)	14,648,109	15,009,071
Contingent derivative interest rate swap (note 8)	15,094	81,930
Total assets	\$ 33,743,714	33,601,847
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 976,034	1,008,295
New market tax credits notes payable (note 8)	14,585,000	14,585,000
Total liabilities	15,561,034	15,593,295
Commitments and contingencies (notes 8 and 13)		
Net assets		
Without donor restrictions:		
Designated by the board (note 9)	4,103,554	4,169,939
Undesignated, available for general activities	8,206,434	8,184,357
Donated inventories	2,215,875	2,127,057
Property and equipment	2,057,993	2,037,404
Total net assets without donor restrictions	16,583,856	16,518,757
With donor restrictions (notes 10 and 12)	1,583,730	1,407,865
Accumulated other comprehensive income (note 8)	15,094	81,930
Total net assets	18,182,680	18,008,552
Total liabilities and net assets	\$ 33,743,714	33,601,847

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 Activities

Year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gain or losses, and other support:			
Contributions and grants	\$ 9,994,595	1,585,260	11,579,855
Value of contributed inventory, equipment, facilities and services	108,095,393	-	108,095,393
Fees from providing services paid by agencies	2,764,630	-	2,764,630
Purchased food sales	2,535,576	-	2,535,576
Investment and interest income	107,109	16,491	123,600
Other, net	23,891	-	23,891
Net assets released from restrictions:			
Satisfaction of program and time restrictions	1,479,315	(1,479,315)	-
Total revenues, gain or losses, and other support	125,000,509	122,436	125,122,945
Expenses			
Program services (includes value of food distributed and spoilage of \$108,403,602)	120,905,612	-	120,905,612
Supporting activities:			
Management and general	1,725,604	-	1,725,604
Fund-raising and development	2,010,854	-	2,010,854
Total supporting activities	3,736,458	-	3,736,458
Total expenses	124,642,070	-	124,642,070
Change in net assets	\$ 358,439	122,436	480,875

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, 2019 and 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Net assets at June 30, 2017	\$ 16,160,318	1,285,429	12,828	17,458,575
Change in net assets	358,439	122,436	-	480,875
Increase in fair value of contingent derivative interest rate swap	<u>-</u>	<u>-</u>	<u>69,102</u>	<u>69,102</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
Derease in fair value of contingent derivative interest rate swap	<u>-</u>	<u>-</u>	<u>(66,836)</u>	<u>(66,836)</u>
Net assets at June 30, 2019	<u>\$ 16,583,856</u>	<u>1,583,730</u>	<u>15,094</u>	<u>18,182,680</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 Functional Expenses

Year ended June 30, 2018

	<u>Programs</u>	<u>Management and General</u>	<u>Fund-raising and Development</u>	<u>Total</u>
Salaries and wages	\$ 3,605,386	685,436	709,650	5,000,472
Employee benefits and payroll taxes	1,124,403	158,919	148,035	1,431,357
Total salaries and benefits	4,729,789	844,355	857,685	6,431,829
Value of gifts in-kind	108,434,810	-	-	108,434,810
Contract labor	268,987	12,530	15,330	296,847
Direct mail, marketing and special events	-	-	976,833	976,833
Purchased food distributed and direct program supplies	4,365,614	-	-	4,365,614
Insurance	94,999	14,730	3,785	113,514
Licenses and fees	12,413	1,534	-	13,947
Maintenance and rental of equipment	112,285	-	-	112,285
Meetings, conferences and transportation	96,694	68,926	25,183	190,803
Miscellaneous	10,203	75,523	25,892	111,618
Dues and subscriptions	50,210	13,679	4,304	68,193
Occupancy	141,175	-	-	141,175
Office expenses and supplies	31,119	32,255	5,605	68,979
Postage and shipping	1,382	3,108	14,501	18,991
Printing and publications	4,815	17,289	1,728	23,832
Professional and contractual fees	442,771	132,907	54,808	630,486
Telephone	31,933	19,642	1,602	53,177
Trucking, freight, and fuel costs	1,034,954	-	-	1,034,954
Utility costs	210,316	25,865	23,598	259,779
Amortization	-	65,986	-	65,986
Interest expense	-	397,275	-	397,275
Total expenses before depreciation	120,074,469	1,725,604	2,010,854	123,810,927
Depreciation of property and equipment	831,143	-	-	831,143
Total expenses	<u>\$ 120,905,612</u>	<u>1,725,604</u>	<u>2,010,854</u>	<u>124,642,070</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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 240,964	480,875
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	820,620	897,129
In-kind contributions of food	(114,030,863)	(108,033,485)
In-kind contributions of property and equipment	-	(30,700)
Distribution and spoilage of donated food	113,942,045	108,403,602
Net unrealized (gains) on investments	(78,652)	(25,380)
Net increase (decrease) in cash flow from changes in:		
Restricted cash	165,768	(141,982)
Accounts receivable	(652,082)	(155,223)
Purchased/production inventories	(204,021)	(130,483)
Prepaid expenses and other assets	(12,117)	(23,828)
Contributions receivable	30,664	108,199
Assets held by Central Florida Foundation, Inc.	(6,202)	(16,491)
Accounts payable and accrued expenses	(32,261)	197,033
Net cash provided by operating activities	183,863	1,529,266
Cash flows from investing activities:		
Disposition (purchase) of investments, net	(123,136)	(490,413)
Purchases of property and equipment	(393,672)	(269,245)
Net cash used in investing activities	(516,808)	(759,658)
Net increase (decrease) in cash and cash equivalents	(332,945)	769,608
Cash and cash equivalents at beginning of year	2,648,144	1,878,536
Cash and cash equivalents at end of year	\$ 2,315,199	2,648,144
Supplemental information:		
Cash paid for interest	\$ 393,997	397,275
Non-cash investing activities:		
Fair market value increase (decrease) of contingent derivative interest rate swap	\$ (66,836)	69,102

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(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) as more fully described in note 7.

(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, 2019, in-kind contributions consisted of USDA food inventory and donated food inventory valued at approximately \$114,031,000. Contributed food inventory was redistributed to charitable organizations at a value of approximately \$113,942,000 for the year ended June 30, 2019. 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, 2019 and 2018, there were donated equipment/supplies and marketing services amounting to approximately \$30,000 and \$62,000, 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 127,000 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, 2019 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 excluded from the consolidated statement of cash flows, as it is not available for general operating purposes. Restricted cash consists of the following at June 30, 2019:

Restricted for:	
Debt repayment/other	<u>\$ 5,064,145</u>

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

(1) Summary of Significant Accounting Policies (Continued)

(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 \$1.62 and \$1.68 per pound in 2019 and 2018, respectively. The value for USDA food inventory was \$1.52 and \$1.57 per pound in 2019 and 2018, 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.

(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.

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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

(l) Income Taxes (Continued)

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, 2019, 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 2016 to 2018 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.

(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.

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 (Continued)

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 first compares undiscounted cash flows expected to be generated by an asset to the carrying

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)**

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 30, 2019, which is the date the consolidated financial statements were available to be issued.

(r) **Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Food Bank has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

(2) **Liquidity and Availability**

As of June 30, 2019, the Organization has approximately \$6,600,000 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.

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

(2) Liquidity and Availability (Continued)

The following table reflects the Organization’s financial assets as of June 30, 2019 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	\$ 7,379,744
Accounts receivable	2,396,094
Investments	1,836,511
Contributions receivable	<u>100,000</u>
Subtotal of financial assets	11,712,349
Amounts not available for general expenditure within one year:	
Restricted cash	(5,064,145)
Contributions receivable	<u>(10,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 6,638,204</u></u>

(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.

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

Notes to Consolidated Financial Statements

(3) Investments (Continued)

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, 2019, the Food Bank’s investment portfolio consisted of marketable equity and debt securities carried at fair value.

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, 2019, based on level 1 inputs utilized to measure fair value:

	Cost	Fair Value
Mutual funds	\$ 1,557,346	1,697,339
Cash	47,333	47,333
Fixed income investments	89,151	91,839
	\$ 1,693,830	1,836,511

Investment and interest income as reported in the accompanying statement of activities includes net unrealized gains of approximately \$79,000 and \$25,000 in 2019 and 2018, respectively, associated with the investments reflected herein.

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

(4) Contributions Receivable

As of June 30, 2019 and 2018, contributors to the Organization have unconditionally promised to give the following amounts:

	2019	2018
Receivable in less than one year	\$ 107,500	185,257
Receivable in two to three years	10,000	66,667
Less: allowance for uncollectible accounts	(17,500)	(121,260)
Net contributions receivable	\$ 100,000	130,664

(5) Inventories

Inventories at June 30 consisted of the following:

	2019	2018
Donated food	\$ 1,828,897	1,820,731
USDA food	386,978	306,326
Purchased food	624,860	487,478
Production inventory	173,674	107,035
	\$ 3,014,409	2,721,570

(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 is payable monthly at 1.0% through August 2019. Thereafter, commencing in September 2019, SHIF shall make monthly payments of principal and interest (at 1%) for the remaining term of the loan which matures on September 7, 2042. At that date all remaining outstanding principal and any accrued but unpaid interest is due and payable.

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

Notes to Consolidated Financial Statements

(7) Property and Equipment

The following is a summary of the components of property and equipment at June 30, 2019 and 2018 and their estimated useful lives:

	Estimated Useful Lives	2019	2018
Land	-	\$ 1,918,867	1,918,867
Building and improvements	30 years	13,390,333	13,381,388
Office furniture and equipment	5 - 7 years	1,595,247	1,743,191
Warehouse equipment	5 - 7 years	1,698,968	1,433,028
Trucks	5 years	1,685,355	1,491,035
		<u>20,288,770</u>	<u>19,967,509</u>
Less accumulated depreciation		<u>(5,640,661)</u>	<u>(4,958,438)</u>
		<u>\$ 14,648,109</u>	<u>15,009,071</u>

(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 are 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 450 of the Internal Revenue Code of 1986, as amended. The loans are 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 is not permitted to prepay any portion of the loans until after the corresponding maturity dates. The balances and terms of the outstanding notes payable at June 30, 2019 and 2018 are as follows:

	2019	2018
Promissory note payable to CCG. Interest only is payable monthly at the 30 day LIBOR Plus 2.35% through August 15, 2019. The principal balance of this note, together with all accrued and unpaid interest shall be due and payable in full on September 7, 2019.	\$ 1,672,276	1,672,276

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Notes to Consolidated Financial Statements

(8) New Market Tax Credits Notes Payable (Continued)

	2019	2018
<p>Promissory notes payable to CCG. Interest only is payable monthly at 1.75% through September 7, 2019. Beginning September 15, 2019 the notes shall be payable in monthly installments of principal and interest, (at a LIBOR-based variable rate calculated at that date) through the maturity date of September 7, 2042 when all remaining outstanding principal and accrued but unpaid interest is due.</p>	2,002,724	2,002,724
<p>Promissory note payable to UA. Interest only is payable monthly at the 30 day LIBOR plus 2.35% through August 15, 2019. The principal balance of the note, together with all accrued and unpaid interest shall be due and payable in full on September 7, 2019.</p>	1,337,821	1,337,821
<p>Promissory notes payable to UA. Interest only is payable monthly at 1.75% through September 7, 2019. Beginning September 15, 2019, the notes shall be payable in equal monthly installments of principal and interest, (at a LIBOR-based variable rate calculated at that date), through the maturity date of September 7, 2042 when all remaining outstanding principal and accrued but unpaid interest is due.</p>	1,572,179	1,572,179
<p>Promissory note payable to Wells Fargo. Interest only is payable monthly at the 30 day LIBOR plus 2.35% through August 15, 2019. The principal balance of the note, together with all accrued and unpaid interest shall be due and payable in full on September 7, 2019.</p>	3,567,523	3,567,523

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Notes to Consolidated Financial Statements

(8) New Market Tax Credits Notes Payable (Continued)

	2019	2018
Promissory notes payable to Wells Fargo. Interest only is payable at 1.75% through September 7, 2019. Beginning September 15, 2019 the notes shall be payable in equal monthly installments of principal and interest, (at a LIBOR-based variable rate calculated at that date) through the maturity date of September 7, 2042 when all remaining outstanding principal and accrued but unpaid interest is due.	4,432,477	4,432,477
	\$ 14,585,000	14,585,000

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 pays a fixed rate of 1.47%. The variable rate associated with the Swap is the 30 day LIBOR. The Swap expires on September 7, 2019. Its estimated fair value, which is based on a quoted market price, amounted to an asset of \$15,094 as of June 30, 2019.

(9) Designated Fund Balances

At June 30, 2019 and 2018, the Board of Directors had designated funds for the following purposes:

	2019	2018
Capital replacements	\$ 763,706	819,517
Program services	3,329,580	3,340,154
Disaster relief	10,268	10,268
	\$ 4,103,554	4,169,939

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, 2019 represent approximately three months of operations.

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

(10) Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Purpose and time restricted:		
Universal Orlando Foundation	\$ 61,414	78,199
Disney grant	-	100,000
Orlando Magic/Grace Medical	270,242	26,250
Joy in Childhood Foundation – Child Hunger	43,061	134,615
United Way – for future periods	75,800	247,920
Darden - for future periods	25,198	19,998
Aetna Foundation	41,724	49,340
West Orange Health - Food Pantry	63,201	175,631
Orange County CRP	66,065	64,770
Advent Health (CHIC Grant)	455,148	-
Food purchases	13,139	11,580
SunLife	955	33,585
Taste Event – for future periods	-	45,069
Culinary Training	47,813	30,000
Orlando Regional Health food boxes	46,851	18,756
Child Hunger Impact Grant	29,061	40,488
Other	93,212	87,020
	<u>1,332,884</u>	<u>1,163,221</u>
Restricted in perpetuity (note 12):		
Central Florida Foundation, Inc.	250,846	244,644
	<u>\$ 1,583,730</u>	<u>1,407,865</u>

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 2019 and 2018 amounted to approximately \$179,000 and \$154,000, 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.

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

(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 \$226,000 and \$132,000 in the two years ended June 30, 2019 and 2018, respectively. Future minimum payments applicable to long-term non-cancelable operating leases for the years subsequent to June 30, 2019 are approximately as follows:

Year ended June 30,

2020	126,000
2021	128,000
2022	115,000
2023	68,000
2024	53,000

SUPPLEMENTARY INFORMATION

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

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 - 9/30/19	22749	10.569	15,656,622	\$ 15,656,622 *
The Emergency Food Assistance Program (TEFAP) - Disaster Supplemental Food Assistance	9/5/18 - 9/30/19	25548	10.569	1,656,034	1,656,034 *
The Emergency Food Assistance Program (TEFAP) - Trade Mitigation Program	7/1/19 - 9/30/19	26189	10.569	3,794,309	3,794,309 *
Passed through from the Florida Department of Health					
The Child and Adult Care Food Program	10/1/17 - 9/30/18	A-1548	10.558	778,711	157,916
The Child and Adult Care Food Program	10/1/18 - 9/30/19	A-1548	10.558	740,891	740,891
				<u>898,807</u>	
Passed through from the Florida Department of Agriculture and Consumer Services					
The Emergency Food Assistance Program (TEFAP) - Administrative Costs	10/1/15 - 9/30/19	22749	10.568	3,880,766	1,402,262
The Emergency Food Assistance Program (TEFAP) - Disaster Supplemental Food Assistance	9/5/18 - 9/30/19	25548	10.568	335,454	335,454
The Emergency Food Assistance Program (TEFAP) - Trade Mitigation Program	7/1/19 - 9/30/19	26189	10.568	88,446	88,446
				<u>1,826,162</u>	
Passed through from the Florida Department of Agriculture and Consumer Services					
The Summer Food Service Program for Children	5/1/18 - 9/30/18	022106	10.559	725,864	422,674
The Summer Food Service Program for Children	5/1/19 - 9/30/19	022106	10.559	364,185	364,185
				<u>786,859</u>	
Passed through from the Florida Department of Children and Families					
Supplemental Nutrition Assistance Program	12/1/12 - 12/31/18	LF-912	10.561	724,625	49,536
	1/1/19 - 9/30/22	LF-926	10.561	592,557	69,755
				<u>119,291</u>	
				<u>\$ 24,738,084</u>	
Subtotal - United States Department of Agriculture				15,667	\$ 15,667
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.	10/1/18 - 9/30/19	172800-027	97.024	70,000	70,000
The Emergency Food and Shelter National Board Program - Phase 35	10/1/18 - 9/30/19	168000-022	97.024	9,343	9,343
Passed through from the Orange County Emergency Food and Shelter Program					
Board - Heart of Florida United Way	10/1/18 - 9/30/19	171800-010	97.024	25,000	25,000
The Emergency Food and Shelter National Board Program - Phase 35	10/1/18 - 9/30/19	156600	97.024	156,600	156,600
Passed through from the Seminole County Emergency Food and Shelter Program					
Board - Heart of Florida United Way	10/1/18 - 9/30/19	171800-010	97.024	9,343	9,343
The Emergency Food and Shelter National Board Program - Phase 35	10/1/18 - 9/30/19	156600	97.024	156,600	156,600
Passed through from Brevard County Emergency Food and Shelter Program					
Board - United Way of Brevard	10/1/18 - 9/30/19	156600	97.024	156,600	156,600
The Emergency Food and Shelter National Board Program - Phase 35	10/1/18 - 9/30/19	156600	97.024	156,600	156,600
Subtotal - U. S. Department of Homeland Security, Federal Emergency Management Agency				25,000	25,000
Total Federal Assistance				<u>\$ 120,010</u>	<u>\$ 24,858,094</u>

* In-kind value of donated food distributed

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

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

(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, 2019, Second Harvest Food Bank of Central Florida, Inc. distributed approximately 13,890,000 pounds of food valued at \$1.52 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, 2019

(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:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amounts Provided To Sub-recipients</u>
The Emergency Food Assistance Program (TEFAP) – Food Commodities	10.569	\$ 21,106,965
The Child and Adult Care Food Program	10.558	898,807
The Summer Food Service Program for Children	10.559	<u>786,859</u>
		<u>\$ 22,792,631</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, 2019, 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 20, 2019.

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, Tschoy, Whitcomb, Mitchell & Shulman, LLP

Maitland, Florida
September 20, 2019

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, 2019. 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, 2019.

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.

Schatz, Tschoy, Whitcomb, Mitchell & Shuikan, LLP

Maitland, Florida
September 20, 2019

Second Harvest Food Bank of Central Florida, Inc. and Subsidiary
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

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), U.S. Department of Agriculture's CFDA 10.558 – The Child and Adult Care Food Program and U.S. Department of Agriculture's CFDA 10.559 – The Summer Food Service Program for Children.
8. The threshold for distinguishing Types A and B programs was \$750,000.
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, 2019

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.