



**GOLDEN HARVEST FOOD BANK, INC.
AND AFFILIATES**

COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AND COMPLIANCE

*As of and for the Years Ended September 30, 2017
and 2016*

And Report of Independent Auditor

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

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Report of Independent Auditor

The Board of Directors
Golden Harvest Food Bank, Inc.
Augusta, Georgia

Report on the Financial Statements

We have audited the accompanying combined financial statements of Golden Harvest Food Bank, Inc. and Affiliates (a nonprofit organization) (the "Organization"), which comprise the combined statements of financial position as of September 30, 2017 and 2016, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined 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 Organization'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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of financial position and combining statement of activities and changes in net assets on pages 23 and 25, respectively, and the statement of functional expenses – Golden Harvest Food Bank, Inc. on page 27 are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, on pages 30 and 31 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2018 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Augusta, Georgia
June 18, 2018

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 396,472	\$ 347,100
Designated cash	129,655	122,192
Restricted cash	87,035	4,454
Accounts receivable	562,866	555,227
Prepaid expense	26,252	36,629
Inventories	2,134,596	2,248,915
Total Current Assets	<u>3,336,876</u>	<u>3,314,517</u>
Noncurrent Assets:		
Investments	1,034,489	796,428
Property and equipment, net of accumulated depreciation	4,618,716	3,918,602
Total Noncurrent Assets	<u>5,653,205</u>	<u>4,715,030</u>
Total Assets	<u>\$ 8,990,081</u>	<u>\$ 8,029,547</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 279,836	\$ 127,679
Accrued payroll and other liabilities	285,306	307,154
Deferred revenue	272,400	205,188
Line of credit	33,000	-
Current portion of capital lease obligation	23,793	23,793
Current portion of note payable	65,418	42,332
Total Current Liabilities	<u>959,753</u>	<u>706,146</u>
Noncurrent Liabilities:		
Capital lease obligation	-	19,827
Note payable	746,390	261,010
Total Noncurrent Liabilities	<u>746,390</u>	<u>280,837</u>
Total Liabilities	<u>1,706,143</u>	<u>986,983</u>
Net Assets:		
Unrestricted net assets	7,042,394	6,845,888
Temporarily restricted net assets	241,544	196,676
Total Net Assets	<u>7,283,938</u>	<u>7,042,564</u>
Total Liabilities and Net Assets	<u>\$ 8,990,081</u>	<u>\$ 8,029,547</u>

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

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Unrestricted net assets:		
Support and revenue:		
Support:		
Contributions – food	\$ 24,597,486	\$ 26,754,283
Contributions – monetary	2,626,986	2,532,675
Federal, state, and local grants and contracts	1,041,992	1,016,239
Corporate sponsorships	105,215	166,859
Net assets released from restrictions	808,632	427,819
Total support	<u>29,180,311</u>	<u>30,897,875</u>
Revenue:		
Purchased food sales and shared maintenance fees	2,321,016	2,011,443
Job training revenue	4,400	-
Agency fees	11,461	10,087
Rental income, net of bad debt, and refunds	12,400	11,400
Fundraising	240,779	349,508
Net investment income (loss)	73,535	74,573
Charges for services - Golden Service Providers	1,305,793	945,818
Miscellaneous	11,764	14,400
Total revenue	<u>3,981,148</u>	<u>3,417,229</u>
Total unrestricted support and revenue	<u>33,161,459</u>	<u>34,315,104</u>
Expenses:		
Program services	<u>30,464,936</u>	<u>31,576,974</u>
Supporting services:		
Management and general	660,203	634,286
Fundraising - Golden Harvest Food Bank, Inc.	674,956	611,257
Fundraising - Food Forever Fund	8,603	8,763
Fundraising - Golden Service Providers	1,156,255	868,119
Total supporting services	<u>2,500,017</u>	<u>2,122,425</u>
Total expenses	<u>32,964,953</u>	<u>33,699,399</u>
Increase in unrestricted net assets	<u>196,506</u>	<u>615,705</u>

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

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Temporarily restricted net assets:		
Contributions for programs	\$ 853,500	\$ 528,926
Net assets released from restrictions	<u>(808,632)</u>	<u>(427,819)</u>
Increase in temporarily restricted net assets	<u>44,868</u>	<u>101,107</u>
Increase in net assets	241,374	716,812
Net assets, beginning of year	<u>7,042,564</u>	<u>6,325,752</u>
Net assets, end of year	<u>\$ 7,283,938</u>	<u>\$ 7,042,564</u>

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

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED SEPTEMBER 30, 2017 AND 2016 (MEMO ONLY)

	Program Services					
	Augusta Distribution	Augusta Master's Table	Faith Food Factory	Aiken Distribution	Upstate SC Distribution	Direct Service
Food distributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and payroll expenses	609,708	76,129	48,201	214,819	117,966	-
Payroll taxes	61,920	6,660	4,046	18,486	9,713	-
Fringe benefits	136,420	22,423	629	42,424	35,814	-
Advertising	4,027	389	-	2,104	1,450	-
Auto and delivery	48,488	207	-	11,858	5,844	1,262
Office and postage	48,824	306	-	6,175	4,497	56
Job training	3,877	-	-	93	2,498	10
Casual labor	17,797	21,993	6,820	28,387	17,609	-
Dues and subscriptions	2,094	480	-	(26)	325	-
Food purchases	640,179	7,417	-	188,327	290,599	1,826,465
Freight	38,146	-	-	-	-	-
Insurance	65,800	6,849	12,958	24,002	17,120	-
Interest	-	-	-	-	14,489	-
Miscellaneous	11,556	-	-	3,984	121	(2)
Professional services	3,306	714	-	2,723	939	-
Rental	95,251	-	(500)	33	119	-
Maintenance	46,084	20,016	5,435	20,563	(4,545)	-
Fees	56,093	-	-	37,439	3,655	-
Supplies	21,866	11,667	1,296	3,464	2,717	19,677
Telephone	38,439	2,299	2,639	2,815	5,423	150
Travel	3,550	-	-	4,838	1,410	3,196
Utilities	99,200	38,106	8,779	31,451	17,854	-
Events	2,209	471	-	209	264	-
Depreciation	139,560	74,520	6,984	64,596	16,752	-
Equipment at agencies	22,294	-	-	5,934	990	-
Charitable contributions	-	-	-	-	3,973	-
Income taxes	-	-	-	-	-	-
	<u>2,216,688</u>	<u>290,646</u>	<u>97,287</u>	<u>714,698</u>	<u>567,596</u>	<u>1,850,814</u>
(Gain) loss on disposal of assets	(2,500)	-	-	-	-	-
	<u>\$ 2,214,188</u>	<u>\$ 290,646</u>	<u>\$ 97,287</u>	<u>\$ 714,698</u>	<u>\$ 567,596</u>	<u>\$ 1,850,814</u>

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

Food Distributions	Total	Supporting Services				2017 Total	2016 Total (Memo only)
		Management & General	Fundraising - GHFB	Fundraising - Affiliates	Total		
\$ 24,729,707	\$ 24,729,707	\$ -	\$ -	\$ -	\$ -	\$ 24,729,707	\$ 26,051,787
-	1,066,823	408,663	297,160	690,050	1,395,873	2,462,696	2,512,160
-	100,825	33,373	24,561	61,825	119,759	220,584	211,119
-	237,710	55,230	49,305	35,493	140,028	377,738	392,602
-	7,970	-	175,733	500	176,233	184,203	230,033
-	67,659	267	1,060	-	1,327	68,986	68,656
-	59,858	1,335	20,451	5,717	27,503	87,361	69,605
-	6,478	2,669	-	-	2,669	9,147	2,265
-	92,606	28,232	-	-	28,232	120,838	-
-	2,873	4,391	4,521	50	8,962	11,835	15,046
-	2,952,987	-	-	-	-	2,952,987	2,618,562
-	38,146	-	-	-	-	38,146	53,784
-	126,729	13,923	1,043	17,128	32,094	158,823	153,521
-	14,489	-	-	-	-	14,489	8,622
-	15,659	3,741	1,432	95,381	100,554	116,213	35,328
-	7,682	86,111	75,425	17,400	178,936	186,618	126,280
-	94,903	-	-	9,363	9,363	104,266	166,998
-	87,553	80	771	159	1,010	88,563	111,977
-	97,187	-	5,261	47	5,308	102,495	77,193
-	60,687	1,395	2,054	205,520	208,969	269,656	206,958
-	51,765	2,190	1,365	788	4,343	56,108	60,922
-	12,994	4,909	3,044	-	7,953	20,947	24,068
-	195,390	-	-	-	-	195,390	175,712
-	3,153	13,694	11,698	-	25,392	28,545	42,201
-	302,412	-	72	7,809	7,881	310,293	290,664
-	29,218	-	-	-	-	29,218	(164)
-	3,973	-	-	-	-	3,973	4,000
-	-	-	-	17,628	17,628	17,628	(1,500)
<u>24,729,707</u>	<u>30,467,436</u>	<u>660,203</u>	<u>674,956</u>	<u>1,164,858</u>	<u>2,500,017</u>	<u>32,967,453</u>	<u>33,708,399</u>
-	(2,500)	-	-	-	-	(2,500)	(9,000)
<u>\$ 24,729,707</u>	<u>\$ 30,464,936</u>	<u>\$ 660,203</u>	<u>\$ 674,956</u>	<u>\$ 1,164,858</u>	<u>\$ 2,500,017</u>	<u>\$ 32,964,953</u>	<u>\$ 33,699,399</u>

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2016

	Program Services					
	Augusta Distribution	Augusta Master's Table	Faith Food Factory	Aiken Distribution	Upstate SC Distribution	Direct Services
Food donations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and payroll expenses	813,923	74,839	35,120	207,340	168,754	-
Payroll taxes	75,446	5,764	2,757	16,059	12,391	-
Fringe benefits	129,545	29,865	2,936	29,581	36,644	-
Advertising	14,354	-	-	2,215	2,527	-
Auto and delivery	42,882	311	-	16,469	6,982	492
Office and postage	46,339	294	-	3,345	2,503	23
Job training	1,535	-	-	-	302	-
Casual labor	-	-	-	-	-	-
Dues and subscriptions	2,079	295	-	163	362	50
Food purchases	822,832	5,994	-	142,178	183,735	1,463,823
Freight	53,104	-	-	(70)	750	-
Insurance	63,052	5,798	11,157	21,840	15,968	-
Interest	-	-	-	-	3,955	-
Miscellaneous	8,960	711	628	251	389	-
Professional services	5,408	643	-	4,530	1,738	-
Rental	93,070	(600)	-	-	63,600	-
Maintenance	47,752	16,624	7,168	31,494	8,314	120
Fees	58,289	-	-	11,951	3,954	-
Supplies	27,444	11,337	3,242	4,774	4,646	12,176
Telephone	42,283	2,609	2,314	4,968	3,974	210
Travel	6,335	42	-	5,619	2,526	710
Utilities	78,092	43,351	5,651	28,026	20,216	-
Events	1,764	350	-	509	45	390
Depreciation	179,698	41,533	336	29,251	22,334	-
Equipment at agencies	(164)	-	-	-	-	-
Contributions made	-	-	-	4,000	-	-
Income tax	-	-	-	-	-	-
	<u>2,614,022</u>	<u>239,760</u>	<u>71,309</u>	<u>564,493</u>	<u>566,609</u>	<u>1,477,994</u>
(Gain) loss on disposal of assets	(9,000)	-	-	-	-	-
	<u>\$ 2,605,022</u>	<u>\$ 239,760</u>	<u>\$ 71,309</u>	<u>\$ 564,493</u>	<u>\$ 566,609</u>	<u>\$ 1,477,994</u>

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

Food Distributions	Total	Supporting Services			Total	2016 Total
		Management & General	Fundraising - GHFB	Fundraising - Affiliates		
\$ 26,051,787	\$ 26,051,787	\$ -	\$ -	\$ -	\$ -	\$ 26,051,787
-	1,299,976	408,406	262,417	541,361	1,212,184	2,512,160
-	112,417	30,607	20,262	47,833	98,702	211,119
-	228,571	62,493	42,456	59,082	164,031	392,602
-	19,096	598	210,339	-	210,937	230,033
-	67,136	415	1,105	-	1,520	68,656
-	52,504	125	13,481	3,495	17,101	69,605
-	1,837	428	-	-	428	2,265
-	-	-	-	-	-	-
-	2,949	5,064	6,883	150	12,097	15,046
-	2,618,562	-	-	-	-	2,618,562
-	53,784	-	-	-	-	53,784
-	117,815	12,652	864	22,190	35,706	153,521
-	3,955	-	4,667	-	4,667	8,622
-	10,939	4,423	344	19,622	24,389	35,328
-	12,319	76,815	11,425	25,721	113,961	126,280
-	156,070	-	122	10,806	10,928	166,998
-	111,472	228	277	-	505	111,977
-	74,194	2,000	964	35	2,999	77,193
-	63,619	1,734	1,076	140,529	143,339	206,958
-	56,358	2,170	1,644	750	4,564	60,922
-	15,232	4,063	4,773	-	8,836	24,068
-	175,336	-	376	-	376	175,712
-	3,058	22,065	17,078	-	39,143	42,201
-	273,152	-	10,704	6,808	17,512	290,664
-	(164)	-	-	-	-	(164)
-	4,000	-	-	-	-	4,000
-	-	-	-	(1,500)	(1,500)	(1,500)
<u>26,051,787</u>	<u>31,585,974</u>	<u>634,286</u>	<u>611,257</u>	<u>876,882</u>	<u>2,122,425</u>	<u>33,708,399</u>
-	(9,000)	-	-	-	-	(9,000)
<u>\$ 26,051,787</u>	<u>\$ 31,576,974</u>	<u>\$ 634,286</u>	<u>\$ 611,257</u>	<u>\$ 876,882</u>	<u>\$ 2,122,425</u>	<u>\$ 33,699,399</u>

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 241,374	\$ 716,812
Adjustment to reconcile increase in net assets to net cash from operating activities:		
Depreciation	310,293	290,664
Net unrealized and realized loss (gain) on investments	(43,104)	(38,622)
Loss (gain) on disposal of assets	(2,500)	(9,000)
Increase in accounts receivable	(7,639)	(156,349)
(Increase) decrease in prepaid expenses	10,377	(855)
(Increase) decrease in inventories	114,319	(744,264)
Increase (decrease) in accounts payable	152,157	(59,112)
Increase (decrease) in accrued payroll and other liabilities	(21,848)	69,980
Increase (decrease) in deferred revenue	67,212	(14,188)
Net cash from operating activities	<u>820,641</u>	<u>55,066</u>
Cash flows from investing activities:		
Purchase of property and equipment	(440,407)	(256,274)
Proceeds from disposal of assets	2,500	9,000
Purchase of long-term investments	(194,957)	(61,402)
Proceeds from sale of long-term investments	-	127,744
Net cash from investing activities	<u>(632,864)</u>	<u>(180,932)</u>
Cash flows from financing activities:		
Principal payments on long-term notes payable	(61,534)	(41,085)
Principal payments on capital lease obligation	(19,827)	(23,793)
(Increase) decrease in restricted cash	(82,581)	24,202
Net cash from financing activities	<u>(163,942)</u>	<u>(40,676)</u>
Net increase (decrease) in cash and cash equivalents and designated cash	23,835	(166,542)
Cash and cash equivalents and designated cash at beginning of year	<u>469,292</u>	<u>635,834</u>
Cash and cash equivalents and designated cash at end of year	<u>\$ 493,127</u>	<u>\$ 469,292</u>
Supplemental information:		
Taxes paid	<u>\$ 17,628</u>	<u>\$ -</u>
Interest paid	<u>\$ 14,489</u>	<u>\$ 8,622</u>

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 1—Summary of significant accounting policies

Nature of Operations – Golden Harvest Food Bank, Inc. (“Golden Harvest,” “the Food Bank,” or “GHFB”) is a locally supported, nonprofit, charitable food distribution center that provides grocery products to the hungry through its member agencies. The Food Bank’s core activity is its distribution network to almost 300 churches and other charitable organizations within its service area, which encompasses 30 counties within Georgia and South Carolina. Golden Harvest also operates four direct service programs that feed the hungry: The Master’s Table Soup Kitchen, which serves over 280 people a free noon-time meal daily; Senior Food Box Program, which provides a free monthly bag of groceries for senior citizens; Mobile Food Pantry, a mobile food distribution program that allows agencies in neighborhood parking lots or county crossroads to distribute at least 5,000 pounds of food to the needy at one time; and BackPack Program, that provides children at risk of hunger with a supply of nutritious, easy-open foods for the weekend. Golden Harvest’s programs are supported primarily by contributions and grants. During the years ended September 30, 2017 and 2016, approximately 25% and 26%, respectively, of unrestricted revenue and support was obtained from one federal agency.

Principles of Combination – The combined financial statements include the accounts of Golden Harvest and its Affiliates, Food Forever Fund, Inc. (“Food Forever” or “FFF”) and Golden Service Providers, Inc. (“GSP”). Food Forever is operated under common control, and GSP is a wholly owned subsidiary of Golden Harvest Food Bank, Inc. Significant intercompany transactions and balances have been eliminated in the combination. Food Forever is a nonprofit organization formed for the purpose of investing funds for providing a future income stream for the operation of Golden Harvest. The assets of Food Forever are managed by a board of directors that has authority to make distributions to or for the use of the Food Bank. Transfers are subject to Food Forever Board approval on a case by case basis. GSP is a for profit organization formed for the purpose of providing janitorial services to organizations for the purpose of generating additional funds to support the mission of the Food Bank.

Financial Statement Presentation – The combined financial statements of Golden Harvest Food Bank, Inc. and Affiliates (the “Organization”) have been prepared on the accrual basis of accounting and follow accounting principles generally accepted in the United States of America as applied to nonprofit organizations.

Revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and related activity are classified into three net asset categories: unrestricted, temporarily restricted, and permanently restricted, as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted – Net assets that are subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are restricted contributions, including pledges and grants for which restrictions have not been met. These amounts are reclassified to unrestricted when the restrictions are met or have expired. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Permanently Restricted – Net assets that are subject to donor-imposed restrictions that will be maintained permanently by the Organization. Items that affect this net asset category include gifts wherein donors stipulate that the corpus is held in perpetuity and only the income be made available for program operations.

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 1—Summary of significant accounting policies (continued)

Support and Revenue – Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless explicit donor stipulation or law restricts their use. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as a reclassification between applicable classes of net assets.

Contributions, including unconditional pledges, are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible pledges receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity. Pledges that are expected to be collected within one year are classified as current assets. Long-term pledges are expected to be collected within approximately two to four years. Revenue from fees is recognized when the program service is completed. Revenue from federal and state grants, most of which are on a reimbursement basis, is recognized when expenses are incurred in connection with the grants.

Income Taxes – The Organization has evaluated the effect of U.S. generally accepted accounting principles ("U.S. GAAP") guidance on Accounting for Uncertainty in Income Taxes. Golden Harvest and Food Forever are exempt under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization continues to satisfy the requirements of a tax-exempt organization and therefore had no uncertain income tax positions at September 30, 2017 and 2016. GSP files income tax returns in the U.S. federal jurisdiction, and various state jurisdictions. Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to depreciable assets (using accelerated depreciation methods for income tax purposes) and to the allowance for doubtful accounts (deductible for financial statement purposes but not for income tax purposes).

Use of Estimates – The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of any contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation – The costs of providing the Organization's programs and other activities have been reported on a functional basis in the combined statements of activities and changes in net assets. Directly identifiable costs have been allocated to the program or supporting service benefited. Indirect costs have been allocated based on management's estimate of resources used on behalf of the program or supporting service.

Cash Equivalents – For purposes of the combined statements of cash flows, the Organization considers unrestricted funds and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable – Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of customers to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 1—Summary of significant accounting policies (continued)

Advertising Costs – Advertising costs are expensed as incurred. These costs totaled \$184,203 and \$230,033 during the years ended September 30, 2017 and 2016, respectively.

Inventories – Inventories are valued at the lower of cost or market, determined using the first-in first-out method.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combined statements of financial position. The Organization determines fair values of equity and debt instruments based on quoted market prices. Donated investments are recorded at fair value at the date of gift.

Realized gains or losses on the sale of investments are determined based on the most recent date at which the investments were adjusted for unrealized appreciation and depreciation. Unrealized gains and losses resulting from changes in market values are included with realized gains and losses as investment income in the combined statements of activities and changes in net assets.

Property and Equipment – The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment at cost at date of acquisition for assets purchased. Donations of property and equipment are recorded as support at their estimated fair value at the date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets, which range from 5 to 40 years.

Shipping and Handling Costs – Shipping costs are expensed as incurred and are included in program services as freight.

Contributed Services – The Organization receives a significant amount of donated services from unpaid volunteers who assist in food drives and food distribution. These donated services are not reflected in the combined financial statements since they do not meet the criteria for recognition as contributed services.

Concentrations of Credit Risk – The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits. As of September 30, 2017 and 2016, the Organization had \$476,149 and \$274,453, respectively, which exceeds these insured amounts.

New Accounting Pronouncements – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 1—Summary of significant accounting policies (continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are decrease in the number of net asset classes from three to two, reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, continues to allow preparers to choose between the direct method and indirect method for presenting operating cash flows, requires disclosures of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks and requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature. This standard is effective for all fiscal years beginning after December 15, 2017. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard will be effective for the calendar year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, providing specific guidance on the cash flow classification and presentation of changes in restricted cash and restricted cash equivalents. The new guidance requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance clarifies that transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents are not part of the entity's operating, investing, and financing activities. Therefore, details of those transfers are not reported as cash flow activities in the statement of cash flows. ASU 2016-18 also requires additional disclosures about the nature of restricted cash and a reconciliation to the statement of financial position. This standard will be effective for the Organization for fiscal year 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 2—Cash designations and restrictions

At September 30, 2017 and 2016, designated and restricted cash included the following restricted funds:

Management designated funds of \$129,655 and \$122,192, respectively - Management voluntarily set aside this cash as an operating reserve.

FEMA restricted funds of \$87,035 and \$4,454, respectively - Funds were received directly from Federal Emergency Management Agency ("FEMA") to be applied towards the costs of distributing food donations to FEMA recipients. These funds are required to be maintained in a separate bank account. These funds are included in restricted cash on the combined statements of financial position.

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 3—Accounts receivable

At September 30, 2017 and 2016, accounts receivable balances consisted of the following:

	<u>2017</u>	<u>2016</u>
Agency receivables	\$ 37,138	\$ 37,490
Grants receivable	199,819	253,548
Employee advances	5,099	3,095
Program receivables	47,070	147,278
Accounts receivable – GSP	272,890	113,816
Other receivables	850	-
Total accounts receivable	<u>\$ 562,866</u>	<u>\$ 555,227</u>

Agency receivables consist of numerous receivables from local agencies. Grants receivable are receivables from federal, state and local agencies. Program receivables are receivables from other non-profits who support the direct service programs at GHFB. At September 30, 2017 and 2016, management believes all accounts receivable are fully collectible and no allowance for doubtful accounts was considered necessary.

Note 4—Inventories

At September 30, 2017 and 2016, inventories consisted of the following:

	<u>2017</u>	<u>2016</u>
Donated and purchased foods	\$ 976,499	\$ 799,356
Donated USDA foods	1,158,097	1,449,559
	<u>\$ 2,134,596</u>	<u>\$ 2,248,915</u>

Donated food is estimated at cost based upon the wholesale value of the food as determined by the Product Valuation Report, as published by Feeding America (formerly America's Second Harvest), The Nation's Food Bank Network. At September 30, 2017 and 2016, the approximate wholesale value of one pound of donated food was \$1.52 and \$1.67, respectively. Purchased food is recorded at cost, which approximates market.

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 5—Property and equipment

At September 30, 2017 and 2016, property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 223,842	\$ 223,842
Buildings	5,159,456	4,478,946
Automobiles	622,821	666,270
Equipment	2,246,751	1,927,655
Rental property	347,406	347,406
	<u>8,600,276</u>	<u>7,644,119</u>
Accumulated depreciation	<u>(3,981,560)</u>	<u>(3,725,517)</u>
	<u>\$ 4,618,716</u>	<u>\$ 3,918,602</u>

During the year ended September 30, 2016, the Organization disposed of property which resulted in a gain of \$9,000. During the year ended September 30, 2017, the Organization disposed of property which resulted in a gain of \$2,500.

Note 6—Investments

Long-term investments, carried at fair value based on quoted prices for similar assets in active markets (all Level 2 measurements – See Note 13), at September 30, 2017 and 2016, consist of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 803,392	\$ 1,034,489	\$ 625,118	\$ 796,428
Total long-term investments	<u>\$ 803,392</u>	<u>\$ 1,034,489</u>	<u>\$ 625,118</u>	<u>\$ 796,428</u>

The following summarizes net investment income in the combined statements of activities and changes in net assets:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 16,269	\$ 15,660
Gains, net of losses	57,266	58,913
Total net investment income (loss)	<u>\$ 73,535</u>	<u>\$ 74,573</u>

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 7—Note payable

The Organization's long-term debt at September 30, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Note payable to Kuhlke Investment Co., LLC, due in monthly installments of \$2,404 including interest at 4.00% with the final installment payable in September 2025. During the year ended September 30, 2016, the interest rate was reduced to 0.00% and the monthly installment was reduced to \$1,983, with the final installment payable in September 2025. The note is secured by a deed to secure debt conveying the property known as 3301 Commerce Drive, Augusta, Georgia.	\$ 192,333	\$ 214,144
Note payable to Queensborough National Bank and Trust, due in monthly installments of \$1,787 including interest at 3.95% with the final installment payable in November 2019. The note is secured by equipment, furniture, and fixtures owned by the debtor.	70,167	89,198
Note payable to Queensborough National Bank and Trust, due in monthly installments of \$2,979 including interest at 2.35% with the final installment payable in October 2021. The note is secured by property known as 311 Alliance Parkway, Anderson, South Carolina.	549,308	-
	<u>811,808</u>	<u>303,342</u>
Less current portion of note payable	<u>(65,418)</u>	<u>(42,332)</u>
Total long-term debt	<u>\$ 746,390</u>	<u>\$ 261,010</u>

The combined aggregate maturities on the Organization's notes payable as of September 30, 2017 are as follows:

2018	\$ 65,418
2019	67,146
2020	79,496
2021	48,565
2022	49,154
Thereafter	<u>502,029</u>
	<u>\$ 811,808</u>

Total interest paid of \$14,489 and \$8,622 for the years ended September 30, 2017 and 2016, respectively, was expensed and included in the combined statements of activities and changes in net assets as fundraising – GHFB and program services.

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 8—Rental income

During the years ended September 30, 2017 and 2016, the Organization leased units within a building to three (3) tenants. These three (3) tenants are under month-to-month leases. Monthly rental income was \$950 and \$920 for the years ended September 30, 2017 and 2016, respectively.

The cost and accumulated depreciation of rental property is included in property and equipment, net of accumulated depreciation on the combined statements of financial position as of September 30, 2017 and 2016 and consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 151,045	\$ 151,045
Buildings	196,361	196,361
	<u>347,406</u>	<u>347,406</u>
Accumulated depreciation	(44,306)	(37,856)
	<u>\$ 303,100</u>	<u>\$ 309,550</u>

Note 9—Operating leases

The Organization leases equipment for operations and special events on a year-to-year lease.

The Organization leases a building and various equipment under operating leases expiring in fiscal years 2017 through 2022. For the years ended September 30, 2017 and 2016, total lease expense was \$104,266 and \$166,998, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2017 that have an initial or remaining lease terms in excess of one year:

2018	\$ 29,478
2019	29,478
2020	29,478
2021	28,758
2022	10,615
	<u>\$ 127,807</u>

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 10—Capital lease obligation

In June 2013, the Organization entered into a 60-month lease agreement for three (3) forklifts, which expires in July 2018. The lease meets the criteria for recognizing a capital lease as set forth in U.S. GAAP. The economic substance of the lease is that the Organization financed the acquisition of the assets through the lease, and, accordingly, it is recorded as a capital lease in the Organization's liabilities and as equipment in the Organization's assets.

Leased assets included in property and equipment, net:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 118,963	\$ 118,963
Less accumulated depreciation	<u>(48,576)</u>	<u>(36,680)</u>
	<u>\$ 70,387</u>	<u>\$ 82,283</u>

Future minimum lease payments for equipment purchased under capital lease were as follows as of September 30, 2017:

2018	\$ 23,793
Less current portion	<u>(23,793)</u>
	<u>\$ -</u>

Note 11—Defined contribution pension plan

The Organization has a simplified employee pension plan. Under this agreement, the Organization may contribute up to 3% of eligible gross wages on an annual basis. During the years ended September 30, 2017 and 2016, the Organization made contributions to the plan of \$36,068 and \$37,270, respectively.

Note 12—Related party transactions

During the year ended September 30, 2011, Golden Harvest entered into two (2) related party loan agreements with Food Forever related to the purchase of two (2) warehouse locations. At September 30, 2017 and 2016, Golden Harvest was indebted to Food Forever an amount of \$289,390 and \$319,509, respectively, for these related party loan agreements. One-hundred and eighty consecutive monthly installments of \$3,274 principal plus interest are due beginning February 1, 2011. Interest is assessed at an initial rate of three (3) percent per annum, provided that every twelve (12) months beginning January 1, 2012, the interest rate shall be adjusted to a rate equal to the prime rate established by Food Forever's bank. The rate will never be less than three (3) percent or greater than five (5) percent. In the combined financial statements, these amounts and transactions have been eliminated in the combination.

For the years ended September 30, 2017 and 2016, the Organization recorded approximately \$70,000 and \$85,000, respectively, in contributions from the board of directors, executive management, and companies related to the board of directors.

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 13—Fair value measurements

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value.

Investments in Food Forever equity security funds are valued using quoted market prices, for similar assets in active markets.

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

Fair value of assets measured on a recurring basis at September 30, 2017 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Food Forever – Mutual funds	\$ 1,034,489	\$ -	\$ 1,034,489	\$ -
	<u>\$ 1,034,489</u>	<u>\$ -</u>	<u>\$ 1,034,489</u>	<u>\$ -</u>

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 13—Fair value measurements (continued)

Fair value of assets measured on a recurring basis at September 30, 2016 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Food Forever – Mutual funds	\$ 796,428	\$ -	\$ 796,428	\$ -
	<u>\$ 796,428</u>	<u>\$ -</u>	<u>\$ 796,428</u>	<u>\$ -</u>

All assets have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are active. There were no changes in the valuations techniques during the current year.

Note 14—Endowment funds

The Organization's endowment consists of funds established for board-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments funds:

1. The duration and preservation of the fund
2. The purposes of the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 14—Endowment funds (continued)

Endowment net assets consist of the following at September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 1,099,644	\$ -	\$ -	\$ 1,099,644
Total endowed net assets	<u>\$ 1,099,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,099,644</u>

Endowment net assets consist of the following at September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 962,636	\$ -	\$ -	\$ 962,636
Total endowed net assets	<u>\$ 962,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 962,636</u>

Endowment net assets consist of the following assets:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents - Food Forever Fund	\$ 65,155	\$ 166,208
Investments - Food Forever Fund	1,034,489	796,428
	<u>\$ 1,099,644</u>	<u>\$ 962,636</u>

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 14—Endowment funds (continued)

Changes in endowment net assets for the year ended September 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2015	\$ 838,756	\$ -	\$ -	\$ 838,756
Investment return:				
Investment income	37,182	-	-	37,182
Net appreciation	<u>36,604</u>	<u>-</u>	<u>-</u>	<u>36,604</u>
Total investment return	73,786	-	-	73,786
Contributions	24,104	-	-	24,104
Appropriation of endowment assets for expenditure	-	-	-	-
Repayments from Golden Harvest	<u>25,990</u>	<u>-</u>	<u>-</u>	<u>25,990</u>
Endowment net assets, September 30, 2016	<u>\$ 962,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 962,636</u>

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no donor-restricted endowment funds as of September 30, 2017 and 2016.

Return Objectives and Risk Parameters – The primary investment objective of the Organization is to preserve and protect the assets of the Organization while earning an appropriate return for each type of investments. The general investment objects are 1) preservation of the principal, 2) production of current income, 3) growth of principal, 4) maintenance of liquidity, and 5) investment diversification. Endowment assets include board-designated funds that the Organization has placed in the Endowment for investment purposes.

Strategies Employed for Achieving Objectives – To accomplish the Organization’s investment objectives, the portfolio manager is authorized to build a balanced portfolio of equity securities, fixed income securities and short-term investments. The quality of the assets as rated by Standard & Poor’s must be a B+ or better for common stock, BBB or better for convertible preferred stock and convertible bonds, BAA or better for fixed-income securities and A-1 or better for short-term securities. The Organization targets a diversified asset mix such that investments in equity securities of any one company may not exceed 10% of the portfolio and no more than 25% of the entire portfolio may be invested in the securities of any one industry.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Organization has a policy of disbursing each year 75% of the net earnings from the prior year. Accordingly, the Organization expects the current spending policy to allow its endowment to maintain its purchasing power. Additional real growth will be provided through new gifts and any excess investment return.

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 15—Temporarily restricted net assets

As of September 30, 2017 and 2016, temporarily restricted net assets consist of \$241,544 and \$196,676, respectively, related to unspent donations designated for the BackPack and Senior Food Box programs.

Note 16—Net assets released from restriction

During the years ended September 30, 2017 and 2016, net assets were released from restriction by incurring expenses satisfying the restricted purposes specified by donors related to the BackPack and Senior Food Box programs. Total net assets released from restriction for 2017 and 2016 were \$808,632 and \$427,819, respectively.

Note 17—Line of credit

The Organization has an operating line of credit with a bank with available credit of \$150,000. The line matured on December 14, 2017 and had not been renewed as of the date of this report. The line of credit bears interest at the Wall Street Journal US Prime Rate. The line is unsecured. The outstanding balance on the line of credit was \$33,000 and \$0 as of September 30, 2017 and 2016, respectively.

Note 18—Noncash investing activities

On October 21, 2016, the Organization obtained a term note with a principal balance of \$570,000, which was used to purchase a building. The term note has a maturity date of October 21, 2021 and bears interest at 2.35%. See Note 7.

Note 19—Subsequent events

Management has evaluated subsequent events through June 18, 2018, the date which the combined financial statements were available to be issued. As of this date, there were no material subsequent events requiring adjustment to or disclosure in the combined financial statements for the year ended September 30, 2017.

SUPPLEMENTARY INFORMATION

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2017

	<u>GHFB</u>	<u>FFF</u>	<u>GSP</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 321,330	\$ 65,155	\$ 9,987	\$ 396,472
Designated cash	129,655	-	-	129,655
Restricted cash	87,035	-	-	87,035
Accounts receivable	289,976	-	272,890	562,866
Prepaid expense	24,992	-	1,260	26,252
Inventories	2,134,596	-	-	2,134,596
Intercompany	(276,694)	289,484	(12,790)	-
Total Current Assets	<u>2,710,890</u>	<u>354,639</u>	<u>271,347</u>	<u>3,336,876</u>
Noncurrent Assets:				
Investments	-	1,034,489	-	1,034,489
Property and equipment, net of accumulated depreciation	<u>4,605,615</u>	<u>-</u>	<u>13,101</u>	<u>4,618,716</u>
Total Noncurrent Assets	<u>4,605,615</u>	<u>1,034,489</u>	<u>13,101</u>	<u>5,653,205</u>
Total Assets	<u>\$ 7,316,505</u>	<u>\$ 1,389,128</u>	<u>\$ 284,448</u>	<u>\$ 8,990,081</u>

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)

SEPTEMBER 30, 2017

	<u>GHFB</u>	<u>FFF</u>	<u>GSP</u>	<u>Total</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 207,420	\$ -	\$ 72,416	\$ 279,836
Accrued payroll and other liabilities	278,766	-	6,540	285,306
Deferred revenue	272,400	-	-	272,400
Line of credit	33,000	-	-	33,000
Current portion of lease obligation	23,793	-	-	23,793
Current portion of note payable	65,418	-	-	65,418
Total Current Liabilities	<u>880,797</u>	<u>-</u>	<u>78,956</u>	<u>959,753</u>
Noncurrent Liabilities:				
Capital lease obligation	-	-	-	-
Note payable	746,390	-	-	746,390
Total Noncurrent Liabilities	<u>746,390</u>	<u>-</u>	<u>-</u>	<u>746,390</u>
Total Liabilities	<u>1,627,187</u>	<u>-</u>	<u>78,956</u>	<u>1,706,143</u>
Net Assets:				
Unrestricted net assets	5,447,774	1,389,128	205,492	7,042,394
Temporarily restricted net assets	<u>241,544</u>	<u>-</u>	<u>-</u>	<u>241,544</u>
Total Net Assets	<u>5,689,318</u>	<u>1,389,128</u>	<u>205,492</u>	<u>7,283,938</u>
Total Liabilities and Net Assets	<u>\$ 7,316,505</u>	<u>\$ 1,389,128</u>	<u>\$ 284,448</u>	<u>\$ 8,990,081</u>

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED SEPTEMBER 30, 2017

	<u>GHFB</u>	<u>FFF</u>	<u>GSP</u>	<u>Total</u>
Unrestricted net assets:				
Support and revenue:				
Support:				
Contributions – food	\$ 24,597,486	\$ -	\$ -	\$ 24,597,486
Contributions – monetary	2,594,362	32,624	-	2,626,986
Federal, state and local grants and contracts	1,041,992	-	-	1,041,992
Corporate sponsorships	105,215	-	-	105,215
Intercompany	57,827	9,173	(67,000)	-
Net assets released from restrictions	808,632	-	-	808,632
Total support	<u>29,205,514</u>	<u>41,797</u>	<u>(67,000)</u>	<u>29,180,311</u>
Revenue:				
Purchased food sales and shared maintenance fees	2,321,016	-	-	2,321,016
Job training revenue	4,400	-	-	4,400
Agency fees	11,461	-	-	11,461
Rental income, net of bad debts, and refunds	12,400	-	-	12,400
Fundraising	240,779	-	-	240,779
Net investment income	188	73,347	-	73,535
Charges for services - Golden Service Providers	-	-	1,305,793	1,305,793
Miscellaneous	11,764	-	-	11,764
Total revenue	<u>2,602,008</u>	<u>73,347</u>	<u>1,305,793</u>	<u>3,981,148</u>
Total unrestricted support and revenue	<u>31,807,522</u>	<u>115,144</u>	<u>1,238,793</u>	<u>33,161,459</u>
Expenses:				
Program services:	<u>30,464,936</u>	-	-	<u>30,464,936</u>
Supporting services:				
Management and general	660,203	-	-	660,203
Fundraising - GHFB	674,956	-	-	674,956
Fundraising - Food Forever Fund	-	8,603	-	8,603
Fundraising - Golden Service Providers	-	-	1,156,255	1,156,255
Total supporting services	<u>1,335,159</u>	<u>8,603</u>	<u>1,156,255</u>	<u>2,500,017</u>
Total expenses	<u>31,800,095</u>	<u>8,603</u>	<u>1,156,255</u>	<u>32,964,953</u>
Increase in unrestricted net assets	<u>7,427</u>	<u>106,541</u>	<u>82,538</u>	<u>196,506</u>

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2017

	<u>GHFB</u>	<u>FFF</u>	<u>GSP</u>	<u>Total</u>
Temporarily restricted net assets				
Contributions for programs	\$ 853,500	\$ -	\$ -	\$ 853,500
Net assets released from restrictions	<u>(808,632)</u>	<u>-</u>	<u>-</u>	<u>(808,632)</u>
Increase in temporarily restricted net assets	<u>44,868</u>	<u>-</u>	<u>-</u>	<u>44,868</u>
Increase in net assets	<u>52,295</u>	<u>106,541</u>	<u>82,538</u>	<u>241,374</u>
Net assets, beginning of year	<u>5,637,023</u>	<u>1,282,587</u>	<u>122,954</u>	<u>7,042,564</u>
Net assets, end of year	<u><u>\$ 5,689,318</u></u>	<u><u>\$ 1,389,128</u></u>	<u><u>\$ 205,492</u></u>	<u><u>\$ 7,283,938</u></u>

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
STATEMENT OF FUNCTIONAL EXPENSES – GOLDEN HARVEST FOOD BANK, INC.

YEAR ENDED SEPTEMBER 30, 2017

	Program Services					
	Augusta Distribution	Augusta Master's Table	Faith Food Factory	Aiken Distribution	Upstate SC Distribution	Direct Service
Food distributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and payroll expenses	609,708	76,129	48,201	214,819	117,966	-
Payroll taxes	61,920	6,660	4,046	18,486	9,713	-
Fringe benefits	136,420	22,423	629	42,424	35,814	-
Advertising	4,027	389	-	2,104	1,450	-
Auto and delivery	48,488	207	-	11,858	5,844	1,262
Office and postage	48,824	306	-	6,175	4,497	56
Job training	3,877	-	-	93	2,498	10
Casual labor	17,797	21,993	6,820	28,387	17,609	-
Dues and subscriptions	2,094	480	-	(26)	325	-
Food purchases	640,179	7,417	-	188,327	290,599	1,826,465
Freight	38,146	-	-	-	-	-
Insurance	65,800	6,849	12,958	24,002	17,120	-
Interest	-	-	-	-	14,489	-
Miscellaneous	11,556	-	-	3,984	121	(2)
Professional services	3,306	714	-	2,723	939	-
Rental	95,251	-	(500)	33	119	-
Maintenance	46,084	20,016	5,435	20,563	(4,545)	-
Fees	56,093	-	-	37,439	3,655	-
Supplies	21,866	11,667	1,296	3,464	2,717	19,677
Telephone	38,439	2,299	2,639	2,815	5,423	150
Travel	3,550	-	-	4,838	1,410	3,196
Utilities	99,200	38,106	8,779	31,451	17,854	-
Events	2,209	471	-	209	264	-
Depreciation	139,560	74,520	6,984	64,596	16,752	-
Equipment at agencies	22,294	-	-	5,934	990	-
Contributions made	-	-	-	-	3,973	-
	<u>2,216,688</u>	<u>290,646</u>	<u>97,287</u>	<u>714,698</u>	<u>567,596</u>	<u>1,850,814</u>
(Gain) Loss on disposals of assets	(2,500)	-	-	-	-	-
	<u>\$ 2,214,188</u>	<u>\$ 290,646</u>	<u>\$ 97,287</u>	<u>\$ 714,698</u>	<u>\$ 567,596</u>	<u>\$ 1,850,814</u>

Food Distributions		Supporting Services				2017 Total
		Management & General	Fundraising - GHFB	Total		
Total						
\$ 24,729,707	\$ 24,729,707	\$ -	\$ -	\$ -	\$ 24,729,707	
-	1,066,823	408,663	297,160	705,823	1,772,646	
-	100,825	33,373	24,561	57,934	158,759	
-	237,710	55,230	49,305	104,535	342,245	
-	7,970	-	175,733	175,733	183,703	
-	67,659	267	1,060	1,327	68,986	
-	59,858	1,335	20,451	21,786	81,644	
-	6,478	2,669	-	2,669	9,147	
-	92,606	28,232	-	28,232	120,838	
-	2,873	4,391	4,521	8,912	11,785	
-	2,952,987	-	-	-	2,952,987	
-	38,146	-	-	-	38,146	
-	126,729	13,923	1,043	14,966	141,695	
-	14,489	-	-	-	14,489	
-	15,659	3,741	1,432	5,173	20,832	
-	7,682	86,111	75,425	161,536	169,218	
-	94,903	-	-	-	94,903	
-	87,553	80	771	851	88,404	
-	97,187	-	5,261	5,261	102,448	
-	60,687	1,395	2,054	3,449	64,136	
-	51,765	2,190	1,365	3,555	55,320	
-	12,994	4,909	3,044	7,953	20,947	
-	195,390	-	-	-	195,390	
-	3,153	13,694	11,698	25,392	28,545	
-	302,412	-	72	72	302,484	
-	29,218	-	-	-	29,218	
-	3,973	-	-	-	3,973	
24,729,707	30,467,436	660,203	674,956	1,335,159	31,802,595	
-	(2,500)	-	-	-	(2,500)	
\$ 24,729,707	\$ 30,464,936	\$ 660,203	\$ 674,956	\$ 1,335,159	\$ 31,800,095	

COMPLIANCE

**Report of Independent Auditor 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***

The Board of Directors
Golden Harvest Food Bank, Inc.
Augusta, Georgia

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 of the United States, the combined financial statements of Golden Harvest Food Bank, Inc. and Affiliates (the “Organization,” a nonprofit organization), which comprise the combined statements of financial position as of September 30, 2017 and 2016, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements, and have issued our report thereon dated June 18, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization’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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Purpose of this Report

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



Augusta, Georgia
June 18, 2018

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA #	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Dept. of Agriculture				
Food Distribution Cluster				
Commodity Supplemental Food Program (CSFP)				
Pass-through program from:				
SC Dept. of Social Services				
CSFP (Admin costs)	10.565	4400014042	\$ 32,930	
CSFP (Food commodities)	10.565	4400014042	<u>337,007</u>	\$ 337,007
		Total CFDA #10.565	369,937	
Emergency Food Assistance Program (Administrative Costs)				
Pass-through program from:				
42700-040-				
Georgia Dept. of Human Resources	10.568	0000054119	132,768	
SC Dept. of Social Services	10.568	4400014275	<u>159,360</u>	
		Total CFDA #10.568	292,128	
Emergency Food Assistance Program (Food Commodities)				
Pass-through program from:				
42700-040-				
Georgia Dept. of Human Resources	10.569	0000054119	4,262,632	
SC Dept. of Social Services	10.569	4400014275	<u>3,619,821</u>	
		Total CFDA #10.569	7,882,453	7,882,453
Total Food Distribution Cluster			<u>8,544,518</u>	
Total U.S. Dept. of Agriculture			<u>8,544,518</u>	

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA #	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Dept. of Health & Human Services				
Aging Cluster				
Pass-through program from:				
Central Savannah River Area Regional Development Center				
Special Programs for the Aging, Title III Part B, Grants for Supportive Services and Senior Centers				
	93.044	17-08-0032	15,707	
Special Programs for the Aging, Title III Part C, Nutrition Services,				
	93.045	17-08-0032	22,323	
Nutrition Services Incentive Program				
	93.053	17-08-0032	<u>52,263</u>	
Total Aging Cluster			<u>90,293</u>	
TANF Cluster				
Temporary Assistance for Needy Families (TANF)				
Pass-through program from:				
Atlanta Community Food Bank				
	93.558	42700-040- 0000050460	<u>553,380</u>	553,380
Total TANF Cluster			<u>553,380</u>	
Total U.S. Dept. of Health & Human Services			<u>643,673</u>	
Federal Emergency Management Agency				
Emergency Food and Shelter National Board Program				
Pass-through program from:				
Aiken County	97.024	33-737200-003	5,293	
Burke County	97.024	33-180600-002	265	
Lincoln County	97.024	33-196200-003	72	
McDuffie County	97.024	33-197000-003	259	
Richmond County	97.024	33-202600-002	27,434	
Screven County	97.024	33-203200-002	150	
Washington County	97.024	33-208400-004	183	
Wilkes County	97.024	33-209800-003	<u>107</u>	
Total CFDA #97.024			<u>33,763</u>	<u>33,763</u>
Total Federal Emergency Management Agency			<u>33,763</u>	
Total Expenditures of Federal Awards			<u>\$ 9,221,954</u>	<u>\$ 8,806,603</u>

See notes to schedule of expenditures of federal awards.

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2017

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Golden Harvest Food Bank, Inc. (the “Organization”) under programs of the federal government for the year ended September 30, 2017. 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 of Federal Awards* (Uniform Guidance). The value of food commodities received (support) and distributed (expense) is based on values as published by the granting agency. Such commodities are valued in the combined financial statements at a value provided by Feeding America. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present either the financial position, changes in net assets, or cash flows of the Organization.

Note 2—Summary of significant accounting policies

Expenditures reported on the schedule are prepared 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. Pass-through entity identifying numbers are presented where available.

Note 3—Indirect cost rate

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 4—Noncash awards

Food commodities are expended when distributed to agencies. Golden Harvest Food Bank, Inc. distributed \$8,219,460 in non-cash federal awards during the year ended September 30, 2017.

Note 5—Contingencies

These award programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
Golden Harvest Food Bank, Inc.
Augusta, Georgia

Report on Compliance for Each Major Federal Program

We have audited Golden Harvest Food Bank, Inc. and affiliates' (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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.



Augusta, Georgia
June 18, 2018

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2017

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a) of the Uniform Guidance yes no

Identification of Major Programs

The programs tested as major programs of Golden Harvest Food Bank, Inc. and Affiliates included:

<u>CFDA #</u>	<u>Name of Federal Program</u>
10.565, 10.568, 10.569	Emergency Food Assistance Cluster

The dollar threshold for Type A programs was \$750,000.

The Organization qualified as a low-risk auditee.

Section II. Findings in Relation to the Audit of the Financial Statements

None reported.

Section III. Federal Awards Findings and Questioned Costs

None reported.