

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

COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
AND COMPLIANCE

*As of and for the Years Ended September 30, 2018 and 2017*

*And Report of Independent Auditor*

# GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

## TABLE OF CONTENTS

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|  |       |
|--|-------|
| <b>REPORT OF INDEPENDENT AUDITOR</b> .....   | 1-2   |
| <b>COMBINED FINANCIAL STATEMENTS</b>   |       |
| Combined Statements of Financial Position .....  | 3     |
| Combined Statements of Activities and Changes in Net Assets .....  | 4     |
| Combined Statements of Functional Expenses .....   | 5-6   |
| Combined Statements of Cash Flows.....   | 7     |
| Notes to the Combined Financial Statements .....   | 8-22  |
| <b>SUPPLEMENTARY INFORMATION</b>   |       |
| Combining Statement of Financial Position .....  | 23-24 |
| Combining Statement of Activities and Changes in Net Assets .....  | 25-26 |
| Statement of Functional Expenses – Golden Harvest Food Bank, Inc.....  | 27    |
| <b>COMPLIANCE</b>  |       |
| Report of Independent Auditor on Internal Control over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> ..... | 28-29 |
| Schedule of Expenditures of Federal Awards.....  | 30-32 |
| Notes to Schedule of Expenditures of Federal Awards .....  | 33    |
| Report of Independent Auditor on Compliance for Each Major Program and on<br>Internal Control over Compliance Required by the Uniform Guidance.....  | 34-35 |
| Schedule of Findings and Questioned Costs.....   | 36    |

## **Report of Independent Auditor**

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

### **Report on the Combined 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, 2018 and 2017, 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 Combined 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, 2018 and 2017, 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, 31 and 32 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 May 13, 2019 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  
May 13, 2019

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

SEPTEMBER 30, 2018 AND 2017

|   | <u>2018</u>         | <u>2017</u>         |
|---|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |
| Current Assets:   |                     |                     |
| Cash and cash equivalents                               | \$ 73,572           | \$ 396,472          |
| Designated cash   | 122,702             | 129,655             |
| Restricted cash   | 61,621              | 87,035              |
| Accounts receivable                                     | 306,198             | 562,866             |
| Prepaid expense   | 16,562              | 26,252              |
| Inventories   | 2,459,924           | 2,134,596           |
| Total Current Assets                                    | <u>3,040,579</u>    | <u>3,336,876</u>    |
| Noncurrent Assets:                                      |                     |                     |
| Investments   | 1,049,031           | 1,034,489           |
| Property and equipment, net of accumulated depreciation | 4,444,759           | 4,618,716           |
| Total Noncurrent Assets                                 | <u>5,493,790</u>    | <u>5,653,205</u>    |
| <b>Total Assets</b>                                     | <u>\$ 8,534,369</u> | <u>\$ 8,990,081</u> |
| <b>LIABILITIES AND NET ASSETS</b>                       |                     |                     |
| Current Liabilities:                                    |                     |                     |
| Accounts payable  | \$ 220,853          | \$ 279,836          |
| Accrued payroll and other liabilities                   | 261,818             | 285,306             |
| Deferred revenue  | 78,974              | 272,400             |
| Line of credit  | -                   | 33,000              |
| Current portion of capital lease obligation             | -                   | 23,793              |
| Current portion of notes payable                        | 83,368              | 65,418              |
| Total Current Liabilities                               | <u>645,013</u>      | <u>959,753</u>      |
| Noncurrent Liabilities:                                 |                     |                     |
| Notes payable   | 762,863             | 746,390             |
| Total Noncurrent Liabilities                            | <u>762,863</u>      | <u>746,390</u>      |
| Total Liabilities                                       | <u>1,407,876</u>    | <u>1,706,143</u>    |
| Net Assets:   |                     |                     |
| Unrestricted net assets                                 | 6,812,553           | 7,042,394           |
| Temporarily restricted net assets                       | 313,940             | 241,544             |
| Total Net Assets  | <u>7,126,493</u>    | <u>7,283,938</u>    |
| <b>Total Liabilities and Net Assets</b>                 | <u>\$ 8,534,369</u> | <u>\$ 8,990,081</u> |

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

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| Unrestricted Net Assets:                         |                     |                     |
| Support and Revenue:                             |                     |                     |
| Support:   |                     |                     |
| Contributions – food                             | \$ 23,084,722       | \$ 24,597,486       |
| Contributions – monetary                         | 2,285,619           | 2,626,986           |
| Federal, state, and local grants and contracts   | 1,259,278           | 1,041,992           |
| Corporate sponsorships                           | -                   | 105,215             |
| Net assets released from restrictions            | <u>616,732</u>      | <u>808,632</u>      |
| Total Support                                    | <u>27,246,351</u>   | <u>29,180,311</u>   |
| Revenue:   |                     |                     |
| Purchased food sales and shared maintenance fees | 1,510,225           | 2,321,016           |
| Job training revenue                             | -                   | 4,400               |
| Agency fees                                      | 5,700               | 11,461              |
| Rental income, net of bad debt, and refunds      | 8,200               | 12,400              |
| Fundraising events                               | 371,931             | 240,779             |
| Net investment income                            | 38,046              | 73,535              |
| Charges for services - Golden Service Providers  | 434,208             | 1,305,793           |
| Miscellaneous                                    | <u>48,576</u>       | <u>11,764</u>       |
| Total Revenue                                    | <u>2,416,886</u>    | <u>3,981,148</u>    |
| Total Unrestricted Support and Revenue           | <u>29,663,237</u>   | <u>33,161,459</u>   |
| Expenses:  |                     |                     |
| Program Services                                 | <u>27,879,332</u>   | <u>30,464,936</u>   |
| Supporting Services:                             |                     |                     |
| Management and general                           | 627,912             | 660,203             |
| Fundraising - Golden Harvest Food Bank, Inc.     | 881,645             | 674,956             |
| Fundraising - Food Forever Fund                  | 9,665               | 8,603               |
| Fundraising - Golden Service Providers           | <u>494,524</u>      | <u>1,156,255</u>    |
| Total Supporting Services                        | <u>2,013,746</u>    | <u>2,500,017</u>    |
| Total Expenses                                   | <u>29,893,078</u>   | <u>32,964,953</u>   |
| (Decrease) increase in unrestricted net assets   | <u>(229,841)</u>    | <u>196,506</u>      |
| Temporarily Restricted Net Assets:               |                     |                     |
| Contributions for programs                       | 689,128             | 853,500             |
| Net assets released from restrictions            | <u>(616,732)</u>    | <u>(808,632)</u>    |
| Increase in Temporarily Restricted Net Assets    | <u>72,396</u>       | <u>44,868</u>       |
| Change in net assets                             | (157,445)           | 241,374             |
| Net assets, beginning of year                    | <u>7,283,938</u>    | <u>7,042,564</u>    |
| Net assets, end of year                          | <u>\$ 7,126,493</u> | <u>\$ 7,283,938</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, 2018 AND 2017 (MEMO ONLY)

|                               | Program Services        |                           |                       |                       |                            |                     |
|-------------------------------|-------------------------|---------------------------|-----------------------|-----------------------|----------------------------|---------------------|
|                               | Augusta<br>Distribution | Augusta<br>Master's Table | Faith Food<br>Factory | Aiken<br>Distribution | Upstate SC<br>Distribution | Direct<br>Service   |
| Food distributions            | \$ -                    | \$ -                      | \$ -                  | \$ -                  | \$ -                       | \$ -                |
| Salaries and payroll expenses | 655,626                 | 103,768                   | 42,675                | 209,497               | 106,965                    | -                   |
| Payroll taxes                 | 53,622                  | 8,083                     | 3,071                 | 15,682                | 8,070                      | -                   |
| Fringe benefits               | 154,000                 | 32,337                    | 364                   | 25,755                | 25,767                     | -                   |
| Advertising                   | 5,582                   | 197                       | 138                   | 1,100                 | 1,061                      | -                   |
| Auto and delivery             | 57,942                  | -                         | -                     | 13,711                | 6,824                      | 592                 |
| Office and postage            | 102,878                 | -                         | -                     | 6,002                 | 4,387                      | 7                   |
| Job training                  | 567                     | 115                       | 29                    | -                     | 1,989                      | -                   |
| Casual labor                  | 1,504                   | 15,649                    | -                     | 25,384                | 10,313                     | -                   |
| Dues and subscriptions        | 5,188                   | -                         | -                     | 60                    | 350                        | 375                 |
| Food purchases                | 730,952                 | 1,770                     | -                     | 148,463               | 120,006                    | 1,228,304           |
| Freight                       | 45,291                  | -                         | -                     | -                     | -                          | -                   |
| Insurance                     | 51,185                  | 6,965                     | 12,224                | 21,370                | 15,783                     | -                   |
| Interest                      | -                       | -                         | -                     | -                     | 14,146                     | -                   |
| Miscellaneous                 | 15,615                  | 5,135                     | 71                    | 2,979                 | 1,323                      | 17                  |
| Professional services         | 6,720                   | 1,231                     | -                     | 3,503                 | 977                        | -                   |
| Rental                        | 92,040                  | -                         | -                     | -                     | 1,008                      | -                   |
| Maintenance                   | 63,455                  | 16,803                    | 5,469                 | 21,322                | 21,342                     | -                   |
| Fees                          | 44,561                  | -                         | -                     | 27,624                | 3,724                      | -                   |
| Supplies                      | 26,448                  | 12,719                    | 3,241                 | 4,764                 | 4,796                      | 24,253              |
| Telephone                     | 39,333                  | 2,647                     | 2,436                 | 4,842                 | 9,190                      | 629                 |
| Travel                        | 13,835                  | 143                       | 171                   | 5,069                 | 2,847                      | 2,361               |
| Utilities                     | 86,794                  | 36,026                    | 9,454                 | 27,074                | 23,237                     | -                   |
| Events                        | 3,276                   | -                         | -                     | 11                    | 2,507                      | (8)                 |
| Depreciation                  | 122,642                 | 74,752                    | 7,350                 | 66,531                | 16,786                     | -                   |
| Charitable contributions      | 8,500                   | -                         | -                     | -                     | -                          | -                   |
| Income taxes                  | -                       | -                         | -                     | -                     | -                          | -                   |
|                               | <u>2,387,556</u>        | <u>318,340</u>            | <u>86,693</u>         | <u>630,743</u>        | <u>403,398</u>             | <u>1,256,530</u>    |
| Gain on disposal of assets    | (1,030)                 | -                         | -                     | -                     | -                          | -                   |
|                               | <u>\$ 2,386,526</u>     | <u>\$ 318,340</u>         | <u>\$ 86,693</u>      | <u>\$ 630,743</u>     | <u>\$ 403,398</u>          | <u>\$ 1,256,530</u> |

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

| Food Distributions   | Total                | Supporting Services    |                    |                          |                     | 2018 Total           | 2017 Total (Memo only) |
|----------------------|----------------------|------------------------|--------------------|--------------------------|---------------------|----------------------|------------------------|
|                      |                      | Management and General | Fundraising - GHFB | Fundraising - Affiliates | Total               |                      |                        |
| \$ 22,797,102        | \$ 22,797,102        | \$ -                   | \$ -               | \$ -                     | \$ -                | \$ 22,797,102        | \$ 24,729,707          |
| -                    | 1,118,531            | 374,802                | 443,459            | 197,050                  | 1,015,311           | 2,133,842            | 2,462,696              |
| -                    | 88,528               | 27,783                 | 33,557             | 14,111                   | 75,451              | 163,979              | 220,584                |
| -                    | 238,223              | 61,299                 | 66,937             | 5,823                    | 134,059             | 372,282              | 377,738                |
| -                    | 8,078                | 24,169                 | 211,375            | -                        | 235,544             | 243,622              | 184,203                |
| -                    | 79,069               | 330                    | 731                | -                        | 1,061               | 80,130               | 68,986                 |
| -                    | 113,274              | 2,892                  | 13,924             | 3,059                    | 19,875              | 133,149              | 87,361                 |
| -                    | 2,700                | 660                    | 1,158              | -                        | 1,818               | 4,518                | 9,147                  |
| -                    | 52,850               | -                      | -                  | -                        | -                   | 52,850               | 120,838                |
| -                    | 5,973                | 3,366                  | 9,567              | 175                      | 13,108              | 19,081               | 11,835                 |
| -                    | 2,229,495            | -                      | -                  | -                        | -                   | 2,229,495            | 2,952,987              |
| -                    | 45,291               | -                      | -                  | -                        | -                   | 45,291               | 38,146                 |
| -                    | 107,527              | 17,015                 | 6,307              | 8,838                    | 32,160              | 139,687              | 158,823                |
| -                    | 14,146               | 1,106                  | -                  | -                        | 1,106               | 15,252               | 14,489                 |
| -                    | 25,140               | 2,795                  | 360                | 108,452                  | 111,607             | 136,747              | 116,213                |
| -                    | 12,431               | 90,433                 | 40,767             | 47,297                   | 178,497             | 190,928              | 186,618                |
| -                    | 93,048               | -                      | -                  | 11,563                   | 11,563              | 104,611              | 104,266                |
| -                    | 128,391              | 754                    | 1,203              | -                        | 1,957               | 130,348              | 88,563                 |
| -                    | 75,909               | -                      | 6,487              | 15                       | 6,502               | 82,411               | 102,495                |
| -                    | 76,221               | 1,095                  | 988                | 54,259                   | 56,342              | 132,563              | 269,656                |
| -                    | 59,077               | 2,055                  | 1,722              | 125                      | 3,902               | 62,979               | 56,108                 |
| -                    | 24,426               | 8,224                  | 7,601              | -                        | 15,825              | 40,251               | 20,947                 |
| -                    | 182,585              | -                      | -                  | -                        | -                   | 182,585              | 195,390                |
| -                    | 5,786                | 9,134                  | 34,004             | -                        | 43,138              | 48,924               | 28,545                 |
| -                    | 288,061              | -                      | 1,498              | 13,101                   | 14,599              | 302,660              | 310,293                |
| -                    | 8,500                | -                      | -                  | -                        | -                   | 8,500                | 3,973                  |
| -                    | -                    | -                      | -                  | 40,321                   | 40,321              | 40,321               | 17,628                 |
| <u>22,797,102</u>    | <u>27,880,362</u>    | <u>627,912</u>         | <u>881,645</u>     | <u>504,189</u>           | <u>2,013,746</u>    | <u>29,894,108</u>    | <u>32,967,453</u>      |
| -                    | (1,030)              | -                      | -                  | -                        | -                   | (1,030)              | (2,500)                |
| <u>\$ 22,797,102</u> | <u>\$ 27,879,332</u> | <u>\$ 627,912</u>      | <u>\$ 881,645</u>  | <u>\$ 504,189</u>        | <u>\$ 2,013,746</u> | <u>\$ 29,893,078</u> | <u>\$ 32,964,953</u>   |



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

YEAR ENDED SEPTEMBER 30, 2017

|                               | Program Services        |                           |                       |                       |                            |                     |
|-------------------------------|-------------------------|---------------------------|-----------------------|-----------------------|----------------------------|---------------------|
|                               | Augusta<br>Distribution | Augusta<br>Master's Table | Faith Food<br>Factory | Aiken<br>Distribution | Upstate SC<br>Distribution | Direct<br>Services  |
| Food donations                | \$ -                    | \$ -                      | \$ -                  | \$ -                  | \$ -                       | \$ -                |
| 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                      | -                   |
| Income tax                    | -                       | -                         | -                     | -                     | -                          | -                   |
|                               | <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 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 | Supporting Services |                        |                    |                          |              | 2017 Total    |
|--------------------|---------------------|------------------------|--------------------|--------------------------|--------------|---------------|
|                    | Total               | Management and General | Fundraising - GHFB | Fundraising - Affiliates | Total        |               |
| \$ 24,729,707      | \$ 24,729,707       | \$ -                   | \$ -               | \$ -                     | \$ -         | \$ 24,729,707 |
| -                  | 1,066,823           | 408,663                | 297,160            | 690,050                  | 1,395,873    | 2,462,696     |
| -                  | 100,825             | 33,373                 | 24,561             | 61,825                   | 119,759      | 220,584       |
| -                  | 237,710             | 55,230                 | 49,305             | 35,493                   | 140,028      | 377,738       |
| -                  | 7,970               | -                      | 175,733            | 500                      | 176,233      | 184,203       |
| -                  | 67,659              | 267                    | 1,060              | -                        | 1,327        | 68,986        |
| -                  | 59,858              | 1,335                  | 20,451             | 5,717                    | 27,503       | 87,361        |
| -                  | 6,478               | 2,669                  | -                  | -                        | 2,669        | 9,147         |
| -                  | 92,606              | 28,232                 | -                  | -                        | 28,232       | 120,838       |
| -                  | 2,873               | 4,391                  | 4,521              | 50                       | 8,962        | 11,835        |
| -                  | 2,952,987           | -                      | -                  | -                        | -            | 2,952,987     |
| -                  | 38,146              | -                      | -                  | -                        | -            | 38,146        |
| -                  | 126,729             | 13,923                 | 1,043              | 17,128                   | 32,094       | 158,823       |
| -                  | 14,489              | -                      | -                  | -                        | -            | 14,489        |
| -                  | 15,659              | 3,741                  | 1,432              | 95,381                   | 100,554      | 116,213       |
| -                  | 7,682               | 86,111                 | 75,425             | 17,400                   | 178,936      | 186,618       |
| -                  | 94,903              | -                      | -                  | 9,363                    | 9,363        | 104,266       |
| -                  | 87,553              | 80                     | 771                | 159                      | 1,010        | 88,563        |
| -                  | 97,187              | -                      | 5,261              | 47                       | 5,308        | 102,495       |
| -                  | 60,687              | 1,395                  | 2,054              | 205,520                  | 208,969      | 269,656       |
| -                  | 51,765              | 2,190                  | 1,365              | 788                      | 4,343        | 56,108        |
| -                  | 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                 | 7,809                    | 7,881        | 310,293       |
| -                  | 29,218              | -                      | -                  | -                        | -            | 29,218        |
| -                  | 3,973               | -                      | -                  | -                        | -            | 3,973         |
| -                  | -                   | -                      | -                  | 17,628                   | 17,628       | 17,628        |
| 24,729,707         | 30,467,436          | 660,203                | 674,956            | 1,164,858                | 2,500,017    | 32,967,453    |
| -                  | (2,500)             | -                      | -                  | -                        | -            | (2,500)       |
| \$ 24,729,707      | \$ 30,464,936       | \$ 660,203             | \$ 674,956         | \$ 1,164,858             | \$ 2,500,017 | \$ 32,964,953 |

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

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

|  | <u>2018</u>       | <u>2017</u>       |
|--|-------------------|-------------------|
| <b>Cash flows from operating activities:</b>   |                   |                   |
| Change in net assets   | \$ (157,445)      | \$ 241,374        |
| Adjustment to reconcile change in net assets<br>to net cash from operating activities: |                   |                   |
| Depreciation   | 302,660           | 310,293           |
| Net unrealized and realized loss (gain) on investments                                 | 13,372            | (43,104)          |
| Gain on disposal of assets   | (1,030)           | (2,500)           |
| Increase (decrease) in accounts receivable   | 256,668           | (7,639)           |
| Decrease in prepaid expenses   | 9,690             | 10,377            |
| (Increase) decrease in inventories   | (325,328)         | 114,319           |
| (Decrease) increase in accounts payable  | (58,983)          | 152,157           |
| Decrease in accrued payroll and other liabilities                                      | (23,488)          | (21,848)          |
| (Decrease) increase in deferred revenue  | (193,426)         | 67,212            |
| Net cash from operating activities   | <u>(177,310)</u>  | <u>820,641</u>    |
| <b>Cash flows from investing activities:</b>   |                   |                   |
| Purchase of property and equipment   | (27,413)          | (440,407)         |
| Proceeds from disposal of assets   | 1,030             | 2,500             |
| Purchase of long-term investments  | (27,914)          | (194,957)         |
| Net cash from investing activities   | <u>(54,297)</u>   | <u>(632,864)</u>  |
| <b>Cash flows from financing activities:</b>   |                   |                   |
| Net change in line of credit   | (33,000)          | 33,000            |
| Principal payments on long-term notes payable  | (66,867)          | (61,534)          |
| Principal payments on capital lease obligation   | (23,793)          | (19,827)          |
| Decrease (increase) in restricted cash   | 25,414            | (82,581)          |
| Net cash from financing activities   | <u>(98,246)</u>   | <u>(130,942)</u>  |
| Net (decrease) increase in cash and cash equivalents<br>and designated cash            | (329,853)         | 56,835            |
| Cash and cash equivalents and designated cash,<br>beginning of year                    | <u>526,127</u>    | <u>469,292</u>    |
| Cash and cash equivalents and designated cash,<br>end of year                          | <u>\$ 196,274</u> | <u>\$ 526,127</u> |
| <b>Supplemental information:</b>   |                   |                   |
| Taxes paid   | <u>\$ 40,321</u>  | <u>\$ 17,628</u>  |
| Interest paid  | <u>\$ 15,252</u>  | <u>\$ 14,489</u>  |

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

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

## **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2018 AND 2017

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### **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, 2018 and 2017, approximately 22% and 25%, 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 (“U.S. GAAP”) 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, 2018 AND 2017

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### **Note 1—Summary of significant accounting policies (continued)**

*Support and Revenue* – Support and revenue 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. 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. 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, 2018 and 2017. 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 U.S. GAAP 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.

# GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

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### Note 1—Summary of significant accounting policies (continued)

*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.

*Advertising Costs* – Advertising costs are expensed as incurred. These costs totaled \$243,622 and \$184,203 during the years ended September 30, 2018 and 2017, 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, 2018 and 2017, the Organization had \$121,569 and \$476,149, respectively, which exceeds these insured amounts.

# GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

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### Note 1—Summary of significant accounting policies (continued)

*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 fiscal year ending September 30, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the combined financial statements.

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 will be effective for the Organization’s year ending September 30, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the combined 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 U.S. 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 fiscal year ending September 30, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the combined 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 ending September 30, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the combined financial statements.

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

SEPTEMBER 30, 2018 AND 2017

**Note 2—Cash designations and restrictions**

At September 30, 2018 and 2017, designated and restricted cash included the following restricted funds:

Management designated funds of \$122,702 and \$129,655, respectively - Management voluntarily set aside this cash as an operating reserve.

FEMA restricted funds of \$61,621 and \$87,035, 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.

**Note 3—Accounts receivable**

At September 30, 2018 and 2017, accounts receivable balances consisted of the following:

|                           | <u>2018</u>       | <u>2017</u>       |
|---------------------------|-------------------|-------------------|
| Agency receivables        | \$ 51,753         | \$ 37,138         |
| Grants receivable         | 224,303           | 199,819           |
| Employee advances         | (1,383)           | 5,099             |
| Program receivables       | -                 | 47,070            |
| Accounts receivable – GSP | 31,525            | 272,890           |
| Other receivables         | -                 | 850               |
| Total accounts receivable | <u>\$ 306,198</u> | <u>\$ 562,866</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, 2018 and 2017, management believes all accounts receivable are fully collectible and no allowance for doubtful accounts was considered necessary.

**Note 4—Inventories**

At September 30, 2018 and 2017, inventories consisted of the following:

|                    | <u>2018</u>         | <u>2017</u>         |
|--------------------|---------------------|---------------------|
| Donated USDA food  | \$ 1,333,919        | \$ 1,158,097        |
| Donated - other    | 697,725             | 574,779             |
| Donated - non-food | 66,659              | 80,408              |
| Purchased          | 361,621             | 321,312             |
|                    | <u>\$ 2,459,924</u> | <u>\$ 2,134,596</u> |



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

SEPTEMBER 30, 2018 AND 2017

**Note 4—Inventories (continued)**

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, 2018 and 2017, the approximate wholesale value of one pound of donated food was \$1.57 and \$1.52, respectively. At September 30, 2018 and 2017, the approximate wholesale value of one pound of donated non-food was \$6.15 and \$2.35, respectively. Purchased items are recorded at cost, which approximates market.

**Note 5—Property and equipment**

At September 30, 2018 and 2017, property and equipment consisted of the following:

|                          | <u>2018</u>         | <u>2017</u>         |
|--------------------------|---------------------|---------------------|
| Land                     | \$ 230,812          | \$ 223,842          |
| Buildings                | 5,159,456           | 5,159,456           |
| Automobiles              | 708,718             | 622,821             |
| Equipment                | 2,267,194           | 2,246,751           |
| Rental property          | <u>347,406</u>      | <u>347,406</u>      |
|                          | 8,713,586           | 8,600,276           |
| Accumulated depreciation | <u>(4,268,827)</u>  | <u>(3,981,560)</u>  |
|                          | <u>\$ 4,444,759</u> | <u>\$ 4,618,716</u> |

During the year ended September 30, 2018, and 2017, the Organization disposed of property which resulted in a gain of \$1,030 and \$2,500, respectively.

**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, 2018 and 2017, consisted of the following:

|                             | <u>2018</u>       |                     | <u>2017</u>       |                     |
|-----------------------------|-------------------|---------------------|-------------------|---------------------|
|                             | <u>Cost</u>       | <u>Fair Value</u>   | <u>Cost</u>       | <u>Fair Value</u>   |
| Mutual funds                | <u>\$ 803,316</u> | <u>\$ 1,049,031</u> | <u>\$ 803,392</u> | <u>\$ 1,034,489</u> |
| Total long-term investments | <u>\$ 803,316</u> | <u>\$ 1,049,031</u> | <u>\$ 803,392</u> | <u>\$ 1,034,489</u> |

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

SEPTEMBER 30, 2018 AND 2017

**Note 6—Investments (continued)**

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

|                             | <u>2018</u>      | <u>2017</u>      |
|-----------------------------|------------------|------------------|
| Interest and dividends      | \$ 22,264        | \$ 16,269        |
| Gains, net of losses        | 15,782           | 57,266           |
| Total net investment income | <u>\$ 38,046</u> | <u>\$ 73,535</u> |

**Note 7—Notes payable**

The Organization's long-term debt at September 30, 2018 and 2017 consisted of the following:

|   | <u>2018</u>       | <u>2017</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. | \$ 168,539        | \$ 192,333        |
| 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.   | 51,223            | 70,167            |
| 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.  | 525,179           | 549,308           |
| Notes payable to Nissan Motor Acceptance Corporation, due in monthly installments of \$1,730 including interest at 0.90% with the final installment payable in December 2023. The notes are secured by the vehicles.  | <u>101,290</u>    | <u>-</u>          |
|   | 846,231           | 811,808           |
| Less current portion of notes payable   | <u>(83,368)</u>   | <u>(65,418)</u>   |
| Total long-term debt  | <u>\$ 762,863</u> | <u>\$ 746,390</u> |

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

SEPTEMBER 30, 2018 AND 2017

**Note 7—Notes payable (continued)**

The combined aggregate maturities on the Organization's notes payable as of September 30, 2018 are as follows:

|            |                   |
|------------|-------------------|
| 2019       | \$ 83,368         |
| 2020       | 100,749           |
| 2021       | 68,821            |
| 2022       | 69,593            |
| 2023       | 70,739            |
| Thereafter | <u>453,321</u>    |
|            | <u>\$ 846,591</u> |

Total interest paid of \$15,252 and \$14,489 for the years ended September 30, 2018 and 2017, respectively, was expensed and included in the combined statements of activities and changes in net assets as management and general, and program services.

**Note 8—Rental income**

During the years ended September 30, 2018 and 2017, 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 for the both years ended September 30, 2018 and 2017.

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, 2018 and 2017 and consisted of the following:

|                          | <u>2018</u>       | <u>2017</u>       |
|--------------------------|-------------------|-------------------|
| Land                     | \$ 151,045        | \$ 151,045        |
| Buildings                | <u>196,361</u>    | <u>196,361</u>    |
|                          | 347,406           | 347,406           |
| Accumulated depreciation | <u>(50,758)</u>   | <u>(44,306)</u>   |
|                          | <u>\$ 296,648</u> | <u>\$ 303,100</u> |

# GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

### 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 2021 through 2023. For the years ended September 30, 2018 and 2017, total lease expense was \$104,611 and \$104,266, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2018 that have an initial or remaining lease terms in excess of one year:

|      |    |                |
|------|----|----------------|
| 2019 | \$ | 49,290         |
| 2020 |    | 49,290         |
| 2021 |    | 47,148         |
| 2022 |    | 13,363         |
| 2023 |    | 2,004          |
|      | \$ | <u>161,095</u> |

### Note 10—Capital lease obligation

In June 2013, the Organization entered into a 60-month lease agreement for three (3) forklifts, which expired 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 consisted of the following at September 30:

|                               | <u>2018</u>      | <u>2017</u>      |
|-------------------------------|------------------|------------------|
| Equipment                     | \$ 118,963       | \$ 118,963       |
| Less accumulated depreciation | <u>(60,473)</u>  | <u>(48,576)</u>  |
|                               | <u>\$ 58,490</u> | <u>\$ 70,387</u> |

The lease was paid in full during the year ended September 30, 2018.

### 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, 2018 and 2017, the Organization made contributions to the plan of \$35,737 and \$36,068, respectively, which is included in fringe benefits on the combined statements of functional expenses.

# GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

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### 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, 2018 and 2017, Golden Harvest was indebted to Food Forever an amount of \$258,357 and \$289,390, respectively, for these related party loan agreements. Due beginning February 1, 2011 are 180 consecutive monthly installments of \$3,274 principal plus interest. Interest is assessed at an initial rate of three percent (3%) 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 percent (3%) or greater than five percent (5%). In the combined financial statements, these amounts and transactions have been eliminated in the combination.

For the years ended September 30, 2018 and 2017, the Organization recorded approximately \$46,000 and \$70,000, respectively, in contributions from the Board of Directors, executive management, and companies related to the Board of Directors.

### Note 13—Fair value measurements

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 mutual 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.

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

SEPTEMBER 30, 2018 AND 2017

**Note 13—Fair value measurements (continued)**

Fair value of assets measured on a recurring basis at September 30, 2018 is as follows:

|                             | <u>Fair Value</u>   | <u>Level 1</u> | <u>Level 2</u>      | <u>Level 3</u> |
|-----------------------------|---------------------|----------------|---------------------|----------------|
| Investments:                |                     |                |                     |                |
| Food Forever – Mutual funds | \$ 1,049,031        | \$ -           | \$ 1,049,031        | \$ -           |
|                             | <u>\$ 1,049,031</u> | <u>\$ -</u>    | <u>\$ 1,049,031</u> | <u>\$ -</u>    |

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>    |

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.

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

SEPTEMBER 30, 2018 AND 2017

**Note 14—Endowment funds (continued)**

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

Endowment net assets consisted of the following at September 30, 2018:

|                                  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Board-designated endowment funds | \$ 1,123,785        | \$ -                              | \$ -                              | \$ 1,123,785        |
| Total endowed net assets         | <u>\$ 1,123,785</u> | <u>\$ -</u>                       | <u>\$ -</u>                       | <u>\$ 1,123,785</u> |

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

|                                  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>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 consisted of the following assets at September 30:

|   | <u>2018</u>         | <u>2017</u>         |
|---|---------------------|---------------------|
| Cash and cash equivalents - Food Forever Fund | \$ 74,754           | \$ 65,155           |
| Investments - Food Forever Fund               | <u>1,049,031</u>    | <u>1,034,489</u>    |
|   | <u>\$ 1,123,785</u> | <u>\$ 1,099,644</u> |

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

SEPTEMBER 30, 2018 AND 2017

**Note 14—Endowment funds (continued)**

Changes in endowment net assets for the year ended September 30, 2018 were as follows:

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets,<br>October 1, 2017             | \$ 1,099,644        | \$ -                              | \$ -                              | \$ 1,099,644        |
| Investment Return:                                   |                     |                                   |                                   |                     |
| Investment income                                    | 49,423              | -                                 | -                                 | 49,423              |
| Net depreciation                                     | (13,371)            | -                                 | -                                 | (13,371)            |
| Total investment return                              | 36,052              | -                                 | -                                 | 36,052              |
| Contributions  | 8,425               | -                                 | -                                 | 8,425               |
| Appropriation of endowment<br>assets for expenditure | (43,038)            | -                                 | -                                 | (43,038)            |
| Repayments from Golden Harvest                       | 22,702              | -                                 | -                                 | 22,702              |
| Endowment net assets,<br>September 30, 2018          | <u>\$ 1,123,785</u> | <u>\$ -</u>                       | <u>\$ -</u>                       | <u>\$ 1,123,785</u> |



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

SEPTEMBER 30, 2018 AND 2017

**Note 14—Endowment funds (continued)**

Changes in endowment net assets for the year ended September 30, 2017 were as follows:

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets,<br>October 1, 2016             | \$ 962,636          | \$ -                              | \$ -                              | \$ 962,636          |
| Investment return:                                   |                     |                                   |                                   |                     |
| Investment income                                    | 30,813              | -                                 | -                                 | 30,813              |
| Net appreciation                                     | 43,104              | -                                 | -                                 | 43,104              |
| Total investment return                              | 73,917              | -                                 | -                                 | 73,917              |
| Contributions  | 32,624              | -                                 | -                                 | 32,624              |
| Appropriation of endowment<br>assets for expenditure | -                   | -                                 | -                                 | -                   |
| Repayments from Golden Harvest                       | 30,467              | -                                 | -                                 | 30,467              |
| Endowment net assets,<br>September 30, 2017          | <u>\$ 1,099,644</u> | <u>\$ -</u>                       | <u>\$ -</u>                       | <u>\$ 1,099,644</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, 2018 and 2017.

*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, 2018 AND 2017*

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### **Note 15—Temporarily restricted net assets**

As of September 30, 2018 and 2017, temporarily restricted net assets consisted of \$313,940 and \$241,544, 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, 2018 and 2017, 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 2018 and 2017 were \$616,732 and \$808,632, respectively.

### **Note 17—Line of credit**

The Organization had an operating line of credit with a bank with available credit of \$150,000. The line matured on December 14, 2017 and was not renewed. The line of credit bore interest at the Wall Street Journal U.S. Prime Rate and the line was unsecured. The outstanding balance on the line of credit was \$-0- and \$33,000 as of September 30, 2018 and 2017, 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.

During the year ended September 30, 2018, the Organization purchased vehicles through financing for a total of \$101,290. See Note 7.

### **Note 19—Subsequent events**

Management has evaluated subsequent events through May 13, 2019, 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, 2018.

## **SUPPLEMENTARY INFORMATION**

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

SEPTEMBER 30, 2018

|  | <u>GHFB</u>         | <u>FFF</u>          | <u>GSP</u>       | <u>Total</u>        |
|--|---------------------|---------------------|------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |                  |                     |
| Current Assets:  |                     |                     |                  |                     |
| Cash and cash equivalents                                  | \$ (81,319)         | \$ 74,754           | \$ 80,137        | \$ 73,572           |
| Designated cash  | 122,702             | -                   | -                | 122,702             |
| Restricted cash  | 61,621              | -                   | -                | 61,621              |
| Accounts receivable  | 274,673             | -                   | 31,525           | 306,198             |
| Prepaid expense  | 15,302              | -                   | 1,260            | 16,562              |
| Inventories  | 2,459,924           | -                   | -                | 2,459,924           |
| Intercompany   | <u>(252,378)</u>    | <u>266,782</u>      | <u>(14,404)</u>  | <u>-</u>            |
| Total Current Assets                                       | <u>2,600,525</u>    | <u>341,536</u>      | <u>98,518</u>    | <u>3,040,579</u>    |
| Noncurrent Assets:   |                     |                     |                  |                     |
| Investments  | -                   | 1,049,031           | -                | 1,049,031           |
| Property and equipment, net of<br>accumulated depreciation | <u>4,444,759</u>    | <u>-</u>            | <u>-</u>         | <u>4,444,759</u>    |
| Total Noncurrent Assets                                    | <u>4,444,759</u>    | <u>1,049,031</u>    | <u>-</u>         | <u>5,493,790</u>    |
| Total Assets   | <u>\$ 7,045,284</u> | <u>\$ 1,390,567</u> | <u>\$ 98,518</u> | <u>\$ 8,534,369</u> |

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

SEPTEMBER 30, 2018

|                                       | <u>GHFB</u>         | <u>FFF</u>          | <u>GSP</u>       | <u>Total</u>        |
|---------------------------------------|---------------------|---------------------|------------------|---------------------|
| <b>LIABILITIES AND NET ASSETS</b>     |                     |                     |                  |                     |
| Current Liabilities:                  |                     |                     |                  |                     |
| Accounts payable                      | \$ 218,278          | \$ -                | \$ 2,575         | \$ 220,853          |
| Accrued payroll and other liabilities | 236,051             | -                   | 25,767           | 261,818             |
| Deferred revenue                      | 78,974              | -                   | -                | 78,974              |
| Current portion of notes payable      | 83,368              | -                   | -                | 83,368              |
| Total Current Liabilities             | <u>616,671</u>      | <u>-</u>            | <u>28,342</u>    | <u>645,013</u>      |
| Noncurrent Liabilities:               |                     |                     |                  |                     |
| Notes payable                         | 762,863             | -                   | -                | 762,863             |
| Total Noncurrent Liabilities          | <u>762,863</u>      | <u>-</u>            | <u>-</u>         | <u>762,863</u>      |
| Total Liabilities                     | <u>1,379,534</u>    | <u>-</u>            | <u>28,342</u>    | <u>1,407,876</u>    |
| Net Assets:                           |                     |                     |                  |                     |
| Unrestricted net assets               | 5,351,810           | 1,390,567           | 70,176           | 6,812,553           |
| Temporarily restricted net assets     | 313,940             | -                   | -                | 313,940             |
| Total Net Assets                      | <u>5,665,750</u>    | <u>1,390,567</u>    | <u>70,176</u>    | <u>7,126,493</u>    |
| Total Liabilities and Net Assets      | <u>\$ 7,045,284</u> | <u>\$ 1,390,567</u> | <u>\$ 98,518</u> | <u>\$ 8,534,369</u> |

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

YEAR ENDED SEPTEMBER 30, 2018

|  | <u>GHFB</u>       | <u>FFF</u>      | <u>GSP</u>       | <u>Total</u>      |
|--|-------------------|-----------------|------------------|-------------------|
| Unrestricted Net Assets:                         |                   |                 |                  |                   |
| Support and Revenue:                             |                   |                 |                  |                   |
| Support:   |                   |                 |                  |                   |
| Contributions – food                             | \$ 23,084,722     | \$ -            | \$ -             | \$ 23,084,722     |
| Contributions – monetary                         | 2,277,194         | 8,425           | -                | 2,285,619         |
| Federal, state, and local grants and contracts   | 1,259,278         | -               | -                | 1,259,278         |
| Intercompany                                     | 109,780           | (34,780)        | (75,000)         | -                 |
| Net assets released from restrictions            | 616,732           | -               | -                | 616,732           |
| Total Support                                    | <u>27,347,706</u> | <u>(26,355)</u> | <u>(75,000)</u>  | <u>27,246,351</u> |
| Revenue:   |                   |                 |                  |                   |
| Purchased food sales and shared maintenance fees | 1,510,225         | -               | -                | 1,510,225         |
| Agency fees                                      | 5,700             | -               | -                | 5,700             |
| Rental income, net of bad debts, and refunds     | 8,200             | -               | -                | 8,200             |
| Fundraising                                      | 371,931           | -               | -                | 371,931           |
| Net investment income                            | 587               | 37,459          | -                | 38,046            |
| Charges for services - Golden Service Providers  | -                 | -               | 434,208          | 434,208           |
| Miscellaneous                                    | 48,576            | -               | -                | 48,576            |
| Total Revenue                                    | <u>1,945,219</u>  | <u>37,459</u>   | <u>434,208</u>   | <u>2,416,886</u>  |
| Total Unrestricted Support and Revenue           | <u>29,292,925</u> | <u>11,104</u>   | <u>359,208</u>   | <u>29,663,237</u> |
| Expenses:  |                   |                 |                  |                   |
| Program Services:                                | <u>27,879,332</u> | -               | -                | <u>27,879,332</u> |
| Supporting Services:                             |                   |                 |                  |                   |
| Management and general                           | 627,912           | -               | -                | 627,912           |
| Fundraising - GHFB                               | 881,645           | -               | -                | 881,645           |
| Fundraising - Food Forever Fund                  | -                 | 9,665           | -                | 9,665             |
| Fundraising - Golden Service Providers           | -                 | -               | 494,524          | 494,524           |
| Total Supporting Services                        | <u>1,509,557</u>  | <u>9,665</u>    | <u>494,524</u>   | <u>2,013,746</u>  |
| Total Expenses                                   | <u>29,388,889</u> | <u>9,665</u>    | <u>494,524</u>   | <u>29,893,078</u> |
| (Decrease) increase in unrestricted net assets   | <u>(95,964)</u>   | <u>1,439</u>    | <u>(135,316)</u> | <u>(229,841)</u>  |

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

*YEAR ENDED SEPTEMBER 30, 2018*

|   | <u>GHFB</u>         | <u>FFF</u>          | <u>GSP</u>       | <u>Total</u>        |
|---|---------------------|---------------------|------------------|---------------------|
| Temporarily Restricted Net Assets:            |                     |                     |                  |                     |
| Contributions for programs                    | \$ 689,128          | \$ -                | \$ -             | \$ 689,128          |
| Net assets released from restrictions         | (616,732)           | -                   | -                | (616,732)           |
| Increase in temporarily restricted net assets | 72,396              | -                   | -                | 72,396              |
| (Decrease) increase in net assets             | (23,568)            | 1,439               | (135,316)        | (157,445)           |
| Net assets, beginning of year                 | 5,689,318           | 1,389,128           | 205,492          | 7,283,938           |
| Net assets, end of year                       | <u>\$ 5,665,750</u> | <u>\$ 1,390,567</u> | <u>\$ 70,176</u> | <u>\$ 7,126,493</u> |

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

YEAR ENDED SEPTEMBER 30, 2018

|                               | Program Services        |                           |                       |                       |                            |                     |
|-------------------------------|-------------------------|---------------------------|-----------------------|-----------------------|----------------------------|---------------------|
|                               | Augusta<br>Distribution | Augusta<br>Master's Table | Faith Food<br>Factory | Aiken<br>Distribution | Upstate SC<br>Distribution | Direct<br>Service   |
| Food distributions            | \$ -                    | \$ -                      | \$ -                  | \$ -                  | \$ -                       | \$ -                |
| Salaries and payroll expenses | 655,626                 | 103,768                   | 42,675                | 209,497               | 106,965                    | -                   |
| Payroll taxes                 | 53,622                  | 8,083                     | 3,071                 | 15,682                | 8,070                      | -                   |
| Fringe benefits               | 154,000                 | 32,337                    | 364                   | 25,755                | 25,767                     | -                   |
| Advertising                   | 5,582                   | 197                       | 138                   | 1,100                 | 1,061                      | -                   |
| Auto and delivery             | 57,942                  | -                         | -                     | 13,711                | 6,824                      | 592                 |
| Office and postage            | 102,878                 | -                         | -                     | 6,002                 | 4,387                      | 7                   |
| Job training                  | 567                     | 115                       | 29                    | -                     | 1,989                      | -                   |
| Casual labor                  | 1,504                   | 15,649                    | -                     | 25,384                | 10,313                     | -                   |
| Dues and subscriptions        | 5,188                   | -                         | -                     | 60                    | 350                        | 375                 |
| Food purchases                | 730,952                 | 1,770                     | -                     | 148,463               | 120,006                    | 1,228,304           |
| Freight                       | 45,291                  | -                         | -                     | -                     | -                          | -                   |
| Insurance                     | 51,185                  | 6,965                     | 12,224                | 21,370                | 15,783                     | -                   |
| Interest                      | -                       | -                         | -                     | -                     | 14,146                     | -                   |
| Miscellaneous                 | 15,615                  | 5,135                     | 71                    | 2,979                 | 1,323                      | 17                  |
| Professional services         | 6,720                   | 1,231                     | -                     | 3,503                 | 977                        | -                   |
| Rental                        | 92,040                  | -                         | -                     | -                     | 1,008                      | -                   |
| Maintenance                   | 63,455                  | 16,803                    | 5,469                 | 21,322                | 21,342                     | -                   |
| Fees                          | 44,561                  | -                         | -                     | 27,624                | 3,724                      | -                   |
| Supplies                      | 26,448                  | 12,719                    | 3,241                 | 4,764                 | 4,796                      | 24,253              |
| Telephone                     | 39,333                  | 2,647                     | 2,436                 | 4,842                 | 9,190                      | 629                 |
| Travel                        | 13,835                  | 143                       | 171                   | 5,069                 | 2,847                      | 2,361               |
| Utilities                     | 86,794                  | 36,026                    | 9,454                 | 27,074                | 23,237                     | -                   |
| Events                        | 3,276                   | -                         | -                     | 11                    | 2,507                      | (8)                 |
| Depreciation                  | 122,642                 | 74,752                    | 7,350                 | 66,531                | 16,786                     | -                   |
| Contributions made            | 8,500                   | -                         | -                     | -                     | -                          | -                   |
|                               | <u>2,387,556</u>        | <u>318,340</u>            | <u>86,693</u>         | <u>630,743</u>        | <u>403,398</u>             | <u>1,256,530</u>    |
| Gain on disposals of assets   | (1,030)                 | -                         | -                     | -                     | -                          | -                   |
|                               | <u>\$ 2,386,526</u>     | <u>\$ 318,340</u>         | <u>\$ 86,693</u>      | <u>\$ 630,743</u>     | <u>\$ 403,398</u>          | <u>\$ 1,256,530</u> |



| Food Distributions   | Total                | Supporting Services    |                    |                     | 2018 Total           |
|----------------------|----------------------|------------------------|--------------------|---------------------|----------------------|
|                      |                      | Management and General | Fundraising - GHFB | Total               |                      |
| \$ 22,797,102        | \$ 22,797,102        | \$ -                   | \$ -               | \$ -                | \$ 22,797,102        |
| -                    | 1,118,531            | 374,802                | 443,459            | 818,261             | 1,936,792            |
| -                    | 88,528               | 27,783                 | 33,557             | 61,340              | 149,868              |
| -                    | 238,223              | 61,299                 | 66,937             | 128,236             | 366,459              |
| -                    | 8,078                | 24,169                 | 211,375            | 235,544             | 243,622              |
| -                    | 79,069               | 330                    | 731                | 1,061               | 80,130               |
| -                    | 113,274              | 2,892                  | 13,924             | 16,816              | 130,090              |
| -                    | 2,700                | 660                    | 1,158              | 1,818               | 4,518                |
| -                    | 52,850               | -                      | -                  | -                   | 52,850               |
| -                    | 5,973                | 3,366                  | 9,567              | 12,933              | 18,906               |
| -                    | 2,229,495            | -                      | -                  | -                   | 2,229,495            |
| -                    | 45,291               | -                      | -                  | -                   | 45,291               |
| -                    | 107,527              | 17,015                 | 6,307              | 23,322              | 130,849              |
| -                    | 14,146               | 1,106                  | -                  | 1,106               | 15,252               |
| -                    | 25,140               | 2,795                  | 360                | 3,155               | 28,295               |
| -                    | 12,431               | 90,433                 | 40,767             | 131,200             | 143,631              |
| -                    | 93,048               | -                      | -                  | -                   | 93,048               |
| -                    | 128,391              | 754                    | 1,203              | 1,957               | 130,348              |
| -                    | 75,909               | -                      | 6,487              | 6,487               | 82,396               |
| -                    | 76,221               | 1,095                  | 988                | 2,083               | 78,304               |
| -                    | 59,077               | 2,055                  | 1,722              | 3,777               | 62,854               |
| -                    | 24,426               | 8,224                  | 7,601              | 15,825              | 40,251               |
| -                    | 182,585              | -                      | -                  | -                   | 182,585              |
| -                    | 5,786                | 9,134                  | 34,004             | 43,138              | 48,924               |
| -                    | 288,061              | -                      | 1,498              | 1,498               | 289,559              |
| -                    | 8,500                | -                      | -                  | -                   | 8,500                |
| <u>22,797,102</u>    | <u>27,880,362</u>    | <u>627,912</u>         | <u>881,645</u>     | <u>1,509,557</u>    | <u>29,389,919</u>    |
| -                    | (1,030)              | -                      | -                  | -                   | (1,030)              |
| <u>\$ 22,797,102</u> | <u>\$ 27,879,332</u> | <u>\$ 627,912</u>      | <u>\$ 881,645</u>  | <u>\$ 1,509,557</u> | <u>\$ 29,388,889</u> |

## **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***

To 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, 2018 and 2017, 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 May 13, 2019.

**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.

A handwritten signature in black ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Augusta, Georgia  
May 13, 2019

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

YEAR ENDED SEPTEMBER 30, 2018

| Federal Grantor/Pass-through Grantor/Program or Cluster Title                                 | Federal CFDA # | Pass-Through Entity Identifying Number | Federal Expenditures    | Passed Through to Subrecipients |
|---|----------------|--|-------------------------|---------------------------------|
| <b>U.S. Dept. of Agriculture</b>  |                |  |                         |                                 |
| <b>Food Distribution Cluster</b>  |                |  |                         |                                 |
| <b>Commodity Supplemental Food Program (CSFP)</b>   |                |  |                         |                                 |
| <b>Pass-through program from:</b>   |                |  |                         |                                 |
| SC Dept. of Social Services   |                |  |                         |                                 |
| CSFP (Admin costs)  | 10.565         | 4400017397                             | \$ 37,145               |                                 |
| CSFP (Food commodities)   | 10.565         | 4400017397                             | <u>377,264</u>          | \$ 377,264                      |
|   |                | <b>Total CFDA #10.565</b>              | <b>414,409</b>          |                                 |
| <b>Emergency Food Assistance Program (Administrative Costs)</b>                               |                |  |                         |                                 |
| <b>Pass-through program from:</b>   |                |  |                         |                                 |
| Georgia Dept. of Human Services   | 10.568         | 42700-040-0000064930                   | 143,173                 |                                 |
| SC Dept. of Social Services   | 10.568         | 4400017396                             | <u>159,360</u>          |                                 |
|   |                | <b>Total CFDA #10.568</b>              | <b>302,533</b>          |                                 |
| <b>Emergency Food Assistance Program (Food Commodities)</b>                                   |                |  |                         |                                 |
| <b>Pass-through program from:</b>   |                |  |                         |                                 |
| Georgia Dept. of Human Services   | 10.569         | 42700-040-0000064930                   | 3,410,007               |                                 |
| SC Dept. of Social Services   | 10.569         | 4400017396                             | <u>2,259,256</u>        |                                 |
|   |                | <b>Total CFDA #10.569</b>              | <b>5,669,263</b>        | 5,669,263                       |
|   |                | <b>Total Food Distribution Cluster</b> | <b>6,386,205</b>        |                                 |
| <b>SNAP Cluster</b>   |                |  |                         |                                 |
| <b>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</b> |                |  |                         |                                 |
| <b>Pass-through program from:</b>   |                |  |                         |                                 |
| Georgia Dept. of Human Services   | 10.561         | 42700-040-0000064137                   | 14,619                  |                                 |
| SC Thrive   | 10.561         | 4400017259                             | <u>13,835</u>           |                                 |
|   |                | <b>Total CFDA #10.561</b>              | <b>28,454</b>           |                                 |
|   |                | <b>Total SNAP Cluster</b>              | <b>28,454</b>           |                                 |
| <b>Total U.S. Dept. of Agriculture</b>  |                |  | <u><b>6,414,659</b></u> |                                 |

See notes to schedule of expenditures of federal awards.

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

YEAR ENDED SEPTEMBER 30, 2018

| Federal Grantor/Pass-through Grantor/Program or Cluster Title  | Federal CFDA # | Pass-Through Entity Identifying Number | Federal Expenditures | Passed Through to Subrecipients |
|--|----------------|--|----------------------|---------------------------------|
| <b>U.S. Dept. of Health and Human Services</b>   |                |  |                      |                                 |
| <b>Aging Cluster</b>   |                |  |                      |                                 |
| <b>Pass-through program from:</b>  |                |  |                      |                                 |
| Central Savannah River Area Regional Development Center  |                |  |                      |                                 |
| <b>Special Programs for the Aging, Title III Part B, Grants for Supportive Services and Senior Centers</b> |                |  |                      |                                 |
|  | 93.044         | 18-08-694                              | \$ 16,242            |                                 |
| <b>Special Programs for the Aging, Title III Part C, Nutrition Services</b>                                |                |  |                      |                                 |
|  | 93.045         | 18-08-694                              | 32,368               |                                 |
| <b>Nutrition Services Incentive Program</b>  |                |  |                      |                                 |
|  | 93.053         | 18-08-694                              | 12,831               |                                 |
|  |                | <b>Total Aging Cluster</b>             | <b>61,441</b>        |                                 |
| <b>TANF Cluster</b>  |                |  |                      |                                 |
| <b>Temporary Assistance for Needy Families (TANF)</b>  |                |  |                      |                                 |
| <b>Pass-through program from:</b>  |                |  |                      |                                 |
| Atlanta Community Food Bank  |                |  |                      |                                 |
|  | 93.558         | 42700-040-0000062964                   | 557,863              | 557,863                         |
|  |                | <b>Total TANF Cluster</b>              | <b>557,863</b>       |                                 |
| <b>Total U.S. Dept. of Health and Human Services</b>   |                |  | <b>619,304</b>       |                                 |

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

YEAR ENDED SEPTEMBER 30, 2018

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal CFDA # | Pass-Through Entity Identifying Number | Federal Expenditures | Passed Through to Subrecipients |
|---|----------------|--|----------------------|---------------------------------|
| <b>Federal Emergency Management Agency</b>                    |                |  |                      |                                 |
| <b>Emergency Food and Shelter National Board Program</b>      |                |  |                      |                                 |
| <b>Pass-through program from:</b>                             |                |  |                      |                                 |
| Abbeville County  | 97.024         | 737000-012                             | \$ 4,062             |                                 |
| Aiken County  | 97.024         | 737200-003                             | 5,984                |                                 |
| Allendale County  | 97.024         | 737400-004                             | 2,000                |                                 |
| Anderson County   | 97.024         | 737600-008                             | 6,821                |                                 |
| Bamberg County  | 97.024         | 737800-003                             | 3,878                |                                 |
| Burke County  | 97.024         | 180600-002                             | 17,635               |                                 |
| Columbia County   | 97.024         | 184600-002                             | 11,480               |                                 |
| Edgefield County  | 97.024         | 741000-012                             | 1,241                |                                 |
| Elbert County   | 97.024         | 188200-006                             | 393                  |                                 |
| Emanuel County  | 97.024         | 188400-004                             | 10,950               |                                 |
| Glaskock County   | 97.024         | 190400-001                             | 7,266                |                                 |
| Greene County   | 97.024         | 191200-004                             | 154                  |                                 |
| Greenwood County  | 97.024         | 742200-010                             | 3,652                |                                 |
| Jefferson County  | 97.024         | 194200-018                             | 11,726               |                                 |
| Lincoln County  | 97.024         | 196200-003                             | 1,744                |                                 |
| Mcduffie County   | 97.024         | 197000-003                             | 25,357               |                                 |
| Oconee County   | 97.024         | 744800-013                             | 6,306                |                                 |
| Pickens County  | 97.024         | 745200-007                             | 1,508                |                                 |
| Richmond County   | 97.024         | 202600-002                             | 36,320               |                                 |
| Screven County  | 97.024         | 203200-002                             | 7,200                |                                 |
| Taliferro County  | 97.024         | 204600-001                             | 6,819                |                                 |
| Warren County   | 97.024         | 208200-001                             | 4,011                |                                 |
| Washington County   | 97.024         | 208400-004                             | 15,606               |                                 |
| Wilkes County   | 97.024         | 209800-003                             | 8,859                |                                 |
|   |                | <b>Total CFDA #97.024</b>              | <b>200,972</b>       | 200,972                         |
| <b>Total Federal Emergency Management Agency</b>              |                |  | <b>200,972</b>       |                                 |
| <b>Total Expenditures of Federal Awards</b>                   |                |  | <b>\$ 7,234,935</b>  | <b>\$ 6,805,362</b>             |

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, 2018*

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### **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, 2018. 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 \$6,046,527 in non-cash federal awards during the year ended September 30, 2018.

### **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  
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, 2018. 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, 2018.

## **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.

A handwritten signature in black ink that reads "Chung Bekant LLP". The signature is written in a cursive, flowing style.

Augusta, Georgia  
May 13, 2019

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

YEAR ENDED SEPTEMBER 30, 2018

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**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.