

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

COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AND COMPLIANCE

As of and for the Years Ended September 30, 2019 and 2018

And Report of Independent Auditor

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

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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, 2019 and 2018, 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 audits 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, 2019 and 2018, 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 audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position and combining statements of activities and changes in net assets on pages 23 and 24, respectively, and the statement of functional expenses – Golden Harvest Food Bank, Inc. on page 25 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 28, 29, and 30, 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 audits 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-14, *Not-For-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The implementation of the ASU did not impact net assets, except as discussed in Note 1. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2020 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 11, 2020

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

SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 490,074	\$ 73,572
Designated cash	1,631	122,702
Restricted cash	4,142	61,621
Accounts receivable, net of allowance	616,481	306,198
Prepaid expense	13,669	16,562
Inventories	3,421,394	2,459,924
Total Current Assets	<u>4,547,391</u>	<u>3,040,579</u>
Noncurrent Assets:		
Investments	1,053,883	1,049,031
Property and equipment, net of accumulated depreciation	4,225,076	4,444,759
Total Noncurrent Assets	<u>5,278,959</u>	<u>5,493,790</u>
Total Assets	<u>\$ 9,826,350</u>	<u>\$ 8,534,369</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 79,694	\$ 220,853
Accrued payroll and other liabilities	172,565	261,818
Deferred revenue	108,601	78,974
Line of credit	150,000	-
Current portion of notes payable	81,066	83,368
Total Current Liabilities	<u>591,926</u>	<u>645,013</u>
Noncurrent Liabilities:		
Notes payable	682,472	762,863
Total Noncurrent Liabilities	<u>682,472</u>	<u>762,863</u>
Total Liabilities	<u>1,274,398</u>	<u>1,407,876</u>
Net Assets:		
Without donor restrictions	8,284,297	6,812,553
With donor restrictions	267,655	313,940
Total Net Assets	<u>8,551,952</u>	<u>7,126,493</u>
Total Liabilities and Net Assets	<u>\$ 9,826,350</u>	<u>\$ 8,534,369</u>

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

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions:		
Support and Revenue:		
Support:		
Contributions - food	\$ 26,536,610	\$ 23,084,722
Contributions - monetary	2,824,203	2,285,619
Federal, state, and local grants and contracts	1,539,729	1,259,278
Net assets released from restrictions	489,222	616,732
Total Support	<u>31,389,764</u>	<u>27,246,351</u>
Revenue:		
Purchased food sales and shared maintenance fees	1,790,686	1,510,225
Agency fees	14,900	5,700
Rental income	6,800	8,200
Fundraising events	308,020	371,931
Net investment income	20,606	38,046
Charges for services - Golden Service Providers	180,584	434,208
Miscellaneous	30,988	48,576
Total Revenue	<u>2,352,584</u>	<u>2,416,886</u>
Total Support and Revenue Without Donor Restrictions	<u>33,742,348</u>	<u>29,663,237</u>
Expenses:		
Program Services	<u>30,663,857</u>	<u>27,879,332</u>
Supporting Services:		
Management and general	572,505	627,912
Fundraising - Golden Harvest Food Bank, Inc.	874,040	881,645
Fundraising - Food Forever Fund	6,707	9,665
Fundraising - Golden Service Providers	153,495	494,524
Total Supporting Services	<u>1,606,747</u>	<u>2,013,746</u>
Total Expenses	<u>32,270,604</u>	<u>29,893,078</u>
Change in Net Assets Without Donor Restrictions	<u>1,471,744</u>	<u>(229,841)</u>
Net Assets with Donor Restrictions:		
Contributions for programs	442,937	689,128
Net assets released from restrictions	<u>(489,222)</u>	<u>(616,732)</u>
Change in Net Assets With Donor Restrictions	<u>(46,285)</u>	<u>72,396</u>
Change in net assets	1,425,459	(157,445)
Net assets, beginning of year	<u>7,126,493</u>	<u>7,283,938</u>
Net assets, end of year	<u>\$ 8,551,952</u>	<u>\$ 7,126,493</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, 2019 AND 2018 (MEMO ONLY)

	Program Services					
	Augusta Distribution	Augusta Master's Table	Faith Food Factory	Aiken Distribution	Upstate SC Distribution	Direct Service
Food distributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and payroll expenses	673,644	80,544	35,056	173,441	105,039	-
Payroll taxes	58,869	6,406	2,801	18,657	8,503	-
Fringe benefits	156,978	31,652	-	20,064	21,096	-
Advertising	7,425	239	-	3,065	3,065	-
Auto and delivery	55,121	-	-	8,671	7,682	-
Office and postage	112,520	42	-	5,723	3,771	-
Job training	2,781	-	-	178	800	-
Casual labor	8,137	31,626	-	2,020	1,951	-
Dues and subscriptions	7,561	12	-	-	305	-
Food purchases	680,433	5,863	-	302,750	58,400	1,398,851
Freight	18,850	-	-	-	-	-
Insurance	57,506	5,765	13,567	23,652	17,603	-
Interest	3,124	-	-	133	14,606	-
Miscellaneous	2,218	16,473	196	280	1,071	26
Professional services	7,072	2,049	-	75	464	-
Rental	112,068	-	-	-	1,739	-
Maintenance	79,350	17,464	5,000	21,700	14,850	-
Fees	32,874	-	-	22,927	3,818	-
Supplies	28,069	16,194	1,850	6,101	8,997	4,679
Telephone	38,356	2,740	2,455	6,689	7,030	-
Travel	17,495	282	-	872	610	1,077
Utilities	90,960	39,660	7,100	21,937	28,154	-
Events	3,135	2,503	-	1,250	-	-
Depreciation	123,731	74,628	7,452	66,996	16,752	-
Charitable contributions	-	-	-	-	-	-
Income tax expense (benefit)	-	-	-	-	-	-
	<u>2,378,277</u>	<u>334,142</u>	<u>75,477</u>	<u>707,181</u>	<u>326,306</u>	<u>1,404,633</u>
Gain on disposal of assets	(26,800)	-	-	-	-	-
	<u>\$ 2,351,477</u>	<u>\$ 334,142</u>	<u>\$ 75,477</u>	<u>\$ 707,181</u>	<u>\$ 326,306</u>	<u>\$ 1,404,633</u>

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

Food Distributions	Total	Supporting Services			Total	2019 Total	2018 Total (Memo only)
		Management and General	Fundraising - GHFB	Fundraising - Affiliates			
\$ 25,464,641	\$ 25,464,641	\$ -	\$ -	\$ -	\$ -	\$ 25,464,641	\$ 22,797,102
-	1,067,724	391,929	410,209	-	802,138	1,869,862	2,133,842
-	95,236	30,939	32,643	9,256	72,838	168,074	163,979
-	229,790	49,856	52,362	-	102,218	332,008	372,282
-	13,794	-	225,912	-	225,912	239,706	243,622
-	71,474	108	35	-	143	71,617	80,130
-	122,056	5,954	11,582	477	18,013	140,069	133,149
-	3,759	-	99	-	99	3,858	4,518
-	43,734	-	25,121	-	25,121	68,855	52,850
-	7,878	4,582	2,902	649	8,133	16,011	19,081
-	2,446,297	-	-	-	-	2,446,297	2,229,495
-	18,850	-	-	-	-	18,850	45,291
-	118,093	12,911	1,155	3,000	17,066	135,159	139,687
-	17,863	852	-	-	852	18,715	15,252
-	20,264	3,120	2,109	90,861	96,090	116,354	136,747
-	9,660	64,309	67,328	54,120	185,757	195,417	190,928
-	113,807	-	-	-	-	113,807	104,611
-	138,364	216	497	-	713	139,077	130,348
-	59,619	-	2,857	-	2,857	62,476	82,411
-	65,890	990	1,508	21,939	24,437	90,327	132,563
-	57,270	2,578	2,509	96	5,183	62,453	62,979
-	20,336	4,161	6,572	-	10,733	31,069	40,251
-	187,811	-	-	-	-	187,811	182,585
-	6,888	-	26,672	-	26,672	33,560	48,924
-	289,559	-	1,968	-	1,968	291,527	302,660
-	-	-	-	-	-	-	8,500
-	-	-	-	(20,196)	(20,196)	(20,196)	40,321
25,464,641	30,690,657	572,505	874,040	160,202	1,606,747	32,297,404	29,894,108
-	(26,800)	-	-	-	-	(26,800)	(1,030)
<u>\$ 25,464,641</u>	<u>\$ 30,663,857</u>	<u>\$ 572,505</u>	<u>\$ 874,040</u>	<u>\$ 160,202</u>	<u>\$ 1,606,747</u>	<u>\$ 32,270,604</u>	<u>\$ 29,893,078</u>

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

YEAR ENDED SEPTEMBER 30, 2018

	Program Services					
	Augusta Distribution	Augusta Master's Table	Faith Food Factory	Aiken Distribution	Upstate SC Distribution	Direct Services
Food donations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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 tax expense	-	-	-	-	-	-
	<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.

		Supporting Services					
Food Distributions	Total	Management and General	Fundraising - GHFB	Fundraising - Affiliates	Total	2018 Total	
\$22,797,102	\$22,797,102	\$ -	\$ -	\$ -	\$ -	\$22,797,102	
-	1,118,531	374,802	443,459	197,050	1,015,311	2,133,842	
-	88,528	27,783	33,557	14,111	75,451	163,979	
-	238,223	61,299	66,937	5,823	134,059	372,282	
-	8,078	24,169	211,375	-	235,544	243,622	
-	79,069	330	731	-	1,061	80,130	
-	113,274	2,892	13,924	3,059	19,875	133,149	
-	2,700	660	1,158	-	1,818	4,518	
-	52,850	-	-	-	-	52,850	
-	5,973	3,366	9,567	175	13,108	19,081	
-	2,229,495	-	-	-	-	2,229,495	
-	45,291	-	-	-	-	45,291	
-	107,527	17,015	6,307	8,838	32,160	139,687	
-	14,146	1,106	-	-	1,106	15,252	
-	25,140	2,795	360	108,452	111,607	136,747	
-	12,431	90,433	40,767	47,297	178,497	190,928	
-	93,048	-	-	11,563	11,563	104,611	
-	128,391	754	1,203	-	1,957	130,348	
-	75,909	-	6,487	15	6,502	82,411	
-	76,221	1,095	988	54,259	56,342	132,563	
-	59,077	2,055	1,722	125	3,902	62,979	
-	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	13,101	14,599	302,660	
-	8,500	-	-	-	-	8,500	
-	-	-	-	40,321	40,321	40,321	
<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>	
-	(1,030)	-	-	-	-	(1,030)	
<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>	

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

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,425,459	\$ (157,445)
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	291,527	302,660
Net unrealized and realized loss (gain) on investments	22,578	13,372
Gain on disposal of assets	(26,800)	(1,030)
(Increase) decrease in accounts receivable	(310,283)	256,668
Decrease in prepaid expenses	2,893	9,690
Increase in inventories	(961,470)	(325,328)
Decrease in accounts payable	(141,159)	(58,983)
Decrease in accrued payroll and other liabilities	(89,253)	(23,488)
(Increase) decrease in deferred revenue	29,627	(193,426)
Net cash from operating activities	<u>243,119</u>	<u>(177,310)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(71,844)	(27,413)
Proceeds from disposal of assets	26,800	1,030
Purchase of long-term investments	(27,430)	(27,914)
Net cash from investing activities	<u>(72,474)</u>	<u>(54,297)</u>
Cash flows from financing activities:		
Net change in line of credit	150,000	(33,000)
Principal payments on long-term notes payable	(82,693)	(66,867)
Principal payments on capital lease obligation	-	(23,793)
Decrease in restricted cash	57,479	25,414
Net cash from financing activities	<u>124,786</u>	<u>(98,246)</u>
Net increase (decrease) in cash and cash equivalents and designated cash	295,431	(329,853)
Cash and cash equivalents and designated cash, beginning of year	<u>196,274</u>	<u>526,127</u>
Cash and cash equivalents and designated cash, end of year	<u>\$ 491,705</u>	<u>\$ 196,274</u>
Supplemental information:		
Taxes paid	<u>\$ -</u>	<u>\$ 40,321</u>
Interest paid	<u>\$ 18,715</u>	<u>\$ 15,252</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, 2019 AND 2018

Note 1—Nature of operations and 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, 2019 and 2018, approximately 40% and 22%, respectively, of revenue and support without donor restrictions 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.

Recent Accounting Pronouncements – In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its combined financial statements accordingly. The new standards change the following aspects of the Organization’s combined financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions. The Organization did not have any permanently restricted net assets.
- The unrestricted net asset class has been renamed net assets without donor restrictions.

The combined financial statements include a new disclosure about liquidity and availability of resources (see Note 17).

Financial Statement Presentation – The combined financial statements of 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 two net asset categories: net assets without donor restrictions and net assets with donor restrictions, as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

- Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Organization or the passage of time. Other donor-imposed restrictions are perpetual in nature, when the donor stipulates that resources be maintained in perpetuity.

Support and Revenue – Support and revenue are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless explicit donor stipulation or law restricts their use. When a donor restriction expires, that is, when a stipulated time restriction ends or the donor-stipulated purpose has been fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

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, 2019 and 2018. 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 and the combined statements of functional expenses. 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.

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

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

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

Advertising Costs – Advertising costs are expensed as incurred. These costs totaled \$239,706 and \$243,622 during the years ended September 30, 2019 and 2018, 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 net 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 support without donor restrictions 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 support with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions 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, 2019 and 2018, the Organization had \$246,394 and \$121,569, respectively, which exceeds these insured amounts.

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

Future Accounting Pronouncements – In February 2016, FASB issued 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 May 2014, 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, 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.

Note 2—Cash designations and restrictions

At September 30, 2019 and 2018, designated and restricted cash included the following restricted funds:

Management designated funds of \$1,631 and \$122,702, respectively – Management voluntarily set aside this cash as an operating reserve.

FEMA restricted funds of \$4,142 and \$61,621, respectively – Funds were received directly from Federal Emergency Management Agency (“FEMA”) to be applied towards the costs of distributing food donations to FEMA recipients. These funds are required to be maintained in a separate bank account. These funds are included in restricted cash on the combined statements of financial position.

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

SEPTEMBER 30, 2019 AND 2018

Note 3—Accounts receivable

At September 30, 2019 and 2018, accounts receivable balances consisted of the following:

	<u>2019</u>	<u>2018</u>
Agency receivables	\$ 32,536	\$ 51,753
Grants receivable	536,637	224,303
Employee advances	(1,949)	(1,383)
Accounts receivable - GSP	51,651	31,525
Allowance for doubtful accounts - GSP	(2,394)	-
Total accounts receivable	<u>\$ 616,481</u>	<u>\$ 306,198</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 the Organization. At September 30, 2019 and 2018, management's estimated allowance for doubtful accounts was \$2,394 and \$-0-, respectively.

Note 4—Inventories

At September 30, 2019 and 2018, inventories consisted of the following:

	<u>2019</u>	<u>2018</u>
Donated USDA food	\$ 2,743,961	\$ 1,333,919
Donated - other	239,041	697,725
Donated - non-food	183,872	66,659
Purchased	254,520	361,621
	<u>\$ 3,421,394</u>	<u>\$ 2,459,924</u>

Donated food is estimated at cost based upon the wholesale value of the food as determined by the Product Valuation Report, as published by Feeding America (formerly America's Second Harvest), The Nation's Food Bank Network. At September 30, 2019 and 2018, the approximate wholesale value of one pound of donated food was \$1.52 and \$1.57, respectively. At September 30, 2019 and 2018, the approximate wholesale value of one pound of donated non-food was \$5.59 and \$6.15, respectively. Purchased items are recorded at cost, which approximates market.

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

SEPTEMBER 30, 2019 AND 2018

Note 5—Property and equipment

At September 30, 2019 and 2018, property and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 230,812	\$ 230,812
Buildings	5,168,238	5,159,456
Automobiles	577,840	708,718
Equipment	2,332,526	2,267,194
Rental property	347,406	347,406
	<u>8,656,822</u>	<u>8,713,586</u>
Accumulated depreciation	(4,431,746)	(4,268,827)
	<u>\$ 4,225,076</u>	<u>\$ 4,444,759</u>

During the year ended September 30, 2019, and 2018, the Organization disposed of property which resulted in a gain of \$26,800 and \$1,030, 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, 2019 and 2018, consisted of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 799,614	\$ 1,053,883	\$ 803,316	\$ 1,049,031
Total long-term investments	<u>\$ 799,614</u>	<u>\$ 1,053,883</u>	<u>\$ 803,316</u>	<u>\$ 1,049,031</u>

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 26,403	\$ 22,264
Net investment gain (loss)	(5,797)	15,782
Total net investment income	<u>\$ 20,606</u>	<u>\$ 38,046</u>

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

SEPTEMBER 30, 2019 AND 2018

Note 7—Notes payable

The Organization's long-term debt at September 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</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.	\$ 144,746	\$ 168,539
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. During November 2019, the remaining balance of the note was refinanced with an interest rate of 4.59%, due in monthly installments of \$1,339, with the final installment payable in November 2025. The note is secured by equipment, furniture, and fixtures owned by the debtor.	32,310	51,223
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.	501,592	525,179
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>84,890</u>	<u>101,290</u>
	763,538	846,231
Less current portion of notes payable	<u>(81,066)</u>	<u>(83,368)</u>
Total long-term debt	<u>\$ 682,472</u>	<u>\$ 762,863</u>

The combined aggregate maturities on the Organization's notes payable as of September 30, 2019 are as follows:

2020	\$ 81,066
2021	84,380
2022	72,233
2023	70,379
2024	53,871
Thereafter	<u>401,609</u>
	<u>\$ 763,538</u>

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

SEPTEMBER 30, 2019 AND 2018

Note 7—Notes payable (continued)

Total interest paid of \$18,715 and \$15,252 for the years ended September 30, 2019 and 2018, 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, 2019 and 2018, the Organization leased units within a building to two (2) and three (3) tenants, respectively. These tenants are under month-to-month leases. Monthly rental income was \$650 and \$950 for the years ended September 30, 2019 and 2018, respectively.

The cost and accumulated depreciation of rental property is included in property and equipment, net of accumulated depreciation on the combined statements of financial position as of September 30, 2019 and 2018 and consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 151,045	\$ 151,045
Buildings	196,361	196,361
	<u>347,406</u>	<u>347,406</u>
Accumulated depreciation	(57,209)	(50,758)
	<u>\$ 290,197</u>	<u>\$ 296,648</u>

Note 9—Operating leases

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

The Organization leases a building and various equipment under operating leases expiring in fiscal years 2021 through 2023. For the years ended September 30, 2019 and 2018, total lease expense was \$113,807 and \$104,611, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2019 that have an initial or remaining lease terms in excess of one year:

2020	\$ 49,710
2021	47,568
2022	13,643
2023	2,004
	<u>\$ 112,925</u>

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

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>2019</u>	<u>2018</u>
Equipment	\$ -	\$ 118,963
Less accumulated depreciation	-	(60,473)
	<u>\$ -</u>	<u>\$ 58,490</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, 2019 and 2018, the Organization made contributions to the plan of \$-0- and \$35,737, respectively, which is included in fringe benefits on the combined statements of functional expenses.

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, 2019 and 2018, Golden Harvest was indebted to Food Forever an amount of \$226,378 and \$258,357, 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, 2019 and 2018, the Organization recorded approximately \$39,000 and \$46,000, respectively, in contributions from the Board of Directors, executive management, and companies related to the Board of Directors.

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

SEPTEMBER 30, 2019 AND 2018

Note 13—Fair value measurements

FASB 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.

Fair value of assets measured on a recurring basis at September 30, 2019 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Food Forever – Mutual funds	\$ 1,053,883	\$ -	\$ 1,053,883	\$ -
	<u>\$ 1,053,883</u>	<u>\$ -</u>	<u>\$ 1,053,883</u>	<u>\$ -</u>

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

SEPTEMBER 30, 2019 AND 2018

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>

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-designated endowment funds. Net assets associated with endowment funds designated by the Board of Directors 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 retains in perpetuity (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.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments funds:

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

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

SEPTEMBER 30, 2019 AND 2018

Note 14—Endowment funds (continued)

Endowment net assets consisted of the following at September 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 1,126,393	\$ -	\$ 1,126,393
Total endowed net assets	<u>\$ 1,126,393</u>	<u>\$ -</u>	<u>\$ 1,126,393</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</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>\$ 1,123,785</u>

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents - Food Forever Fund	\$ 72,510	\$ 74,754
Investments - Food Forever Fund	1,053,883	1,049,031
	<u>\$ 1,126,393</u>	<u>\$ 1,123,785</u>

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

SEPTEMBER 30, 2019 AND 2018

Note 14—Endowment funds (continued)

Changes in endowment net assets for the year ended September 30, 2019 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, October 1, 2018	\$ 1,123,785	\$ -	\$ 1,123,785
Investment Return:			
Investment income	42,536	-	42,536
Net depreciation	(22,577)	-	(22,577)
Total investment return	19,959	-	19,959
Contributions	29,475	-	29,475
Appropriation of endowment assets for expenditure	(87,230)	-	(87,230)
Repayments from Golden Harvest	40,404	-	40,404
Endowment net assets, September 30, 2019	<u>\$ 1,126,393</u>	<u>\$ -</u>	<u>\$ 1,126,393</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, October 1, 2017	\$ 1,099,644	\$ -	\$ 1,099,644
Investment return:			
Investment income	49,423	-	49,423
Net appreciation	(13,371)	-	(13,371)
Total investment return	36,052	-	36,052
Contributions	8,425	-	8,425
Appropriation of endowment assets for expenditure	(43,038)	-	(43,038)
Repayments from Golden Harvest	22,702	-	22,702
Endowment net assets, September 30, 2018	<u>\$ 1,123,785</u>	<u>\$ -</u>	<u>\$ 1,123,785</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, 2019 and 2018.

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

SEPTEMBER 30, 2019 AND 2018

Note 14—Endowment funds (continued)

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.

Note 15—Net assets with donor restrictions

As of September 30, 2019 and 2018, net assets with donor restrictions consisted of \$267,655 and \$313,940, 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, 2019 and 2018, 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 2019 and 2018 were \$489,222 and \$616,732, respectively.

Note 17—Liquidity and availability of resources

The Organization’s financial assets available for general expenditures that is, without donor or other restrictions limiting their use, within one year of the combined statement of financial position date are as follows:

	2019
Cash and cash equivalents	\$ 417,564
Accounts receivable, net of allowance	616,481
	1,034,045
Less board-designated endowment funds - cash	(72,510)
	<u>\$ 961,535</u>

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 17—Liquidity and availability of resources (continued)

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of program services, management and general, and fundraising to be general expenditures. To help manage unanticipated liquidity needs, the Organization has a line of credit in the amount of \$150,000 with \$-0- available at September 30, 2019, which it could draw upon.

Note 18—Line of credit

The Organization has an operating line of credit with a bank with available credit of \$150,000. The line matures on March 14, 2020. The line of credit bears interest at the Wall Street Journal U.S. Prime Rate and the line is unsecured. The outstanding balance on the line of credit was \$150,000 and \$-0- as of September 30, 2019 and 2018, respectively.

Note 19—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 20—Subsequent events

In November 2019, the Organization refinanced the outstanding balance on one of their notes payable, extending the loan to November 2025. See Note 7.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. There have been mandates from federal, state, and local authorities requiring forced closures of non-essential businesses and limit person-to-person contact. The Organization has evaluated the impact of this outbreak on their daily operations, noting the Organization has received increased funding in order to help meet the community needs. The Organization will continue to monitor the situation. As of the date of this report, there is no estimated impact to operations as a result of this outbreak.

Management has evaluated subsequent events through May 11, 2020, the date which the combined financial statements were available to be issued. As of this date, other than the events mentioned above and disclosed in Note 7, there were no additional material subsequent events requiring adjustment to or disclosure in the combined financial statements for the year ended September 30, 2019.

SUPPLEMENTARY INFORMATION

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

SEPTEMBER 30, 2019

	<u>GHFB</u>	<u>FFF</u>	<u>GSP</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 387,960	\$ 72,510	\$ 29,604	\$ 490,074
Designated cash	1,631	-	-	1,631
Restricted cash	4,142	-	-	4,142
Accounts receivable, net of allowance	567,224	-	49,257	616,481
Prepaid expense	12,409	-	1,260	13,669
Inventories	3,421,394	-	-	3,421,394
Intercompany	(213,649)	226,378	(12,729)	-
Total Current Assets	<u>4,181,111</u>	<u>298,888</u>	<u>67,392</u>	<u>4,547,391</u>
Noncurrent Assets:				
Investments	-	1,053,883	-	1,053,883
Property and equipment, net of accumulated depreciation	4,225,076	-	-	4,225,076
Total Noncurrent Assets	<u>4,225,076</u>	<u>1,053,883</u>	<u>-</u>	<u>5,278,959</u>
Total Assets	<u>\$ 8,406,187</u>	<u>\$ 1,352,771</u>	<u>\$ 67,392</u>	<u>\$ 9,826,350</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 65,837	\$ -	\$ 13,857	\$ 79,694
Accrued payroll and other liabilities	168,295	-	4,270	172,565
Deferred revenue	108,601	-	-	108,601
Line of credit	150,000	-	-	150,000
Current portion of notes payable	81,066	-	-	81,066
Total Current Liabilities	<u>573,799</u>	<u>-</u>	<u>18,127</u>	<u>591,926</u>
Noncurrent Liabilities:				
Notes payable	682,472	-	-	682,472
Total Noncurrent Liabilities	<u>682,472</u>	<u>-</u>	<u>-</u>	<u>682,472</u>
Total Liabilities	<u>1,256,271</u>	<u>-</u>	<u>18,127</u>	<u>1,274,398</u>
Net Assets:				
Without donor restrictions	6,882,261	1,352,771	49,265	8,284,297
With donor restrictions	267,655	-	-	267,655
Total Net Assets	<u>7,149,916</u>	<u>1,352,771</u>	<u>49,265</u>	<u>8,551,952</u>
Total Liabilities and Net Assets	<u>\$ 8,406,187</u>	<u>\$ 1,352,771</u>	<u>\$ 67,392</u>	<u>\$ 9,826,350</u>

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

YEAR ENDED SEPTEMBER 30, 2019

	<u>GHFB</u>	<u>FFF</u>	<u>GSP</u>	<u>Total</u>
Net Assets Without Donor Restrictions:				
Support and Revenue:				
Support:				
Contributions - food	\$ 26,536,610	\$ -	\$ -	\$ 26,536,610
Contributions - monetary	2,794,728	29,475	-	2,824,203
Federal, state, and local grants and contracts	1,539,729	-	-	1,539,729
Intercompany	127,916	(79,916)	(48,000)	-
Net assets released from restrictions	489,222	-	-	489,222
Total Support	<u>31,488,205</u>	<u>(50,441)</u>	<u>(48,000)</u>	<u>31,389,764</u>
Revenue:				
Purchased food sales and shared maintenance fees	1,790,686	-	-	1,790,686
Agency fees	14,900	-	-	14,900
Rental income	6,800	-	-	6,800
Fundraising events	308,020	-	-	308,020
Net investment income	1,254	19,352	-	20,606
Charges for services - GSP	-	-	180,584	180,584
Miscellaneous	30,988	-	-	30,988
Total Revenue	<u>2,152,648</u>	<u>19,352</u>	<u>180,584</u>	<u>2,352,584</u>
Total Support and Revenue Without Donor Restrictions	<u>33,640,853</u>	<u>(31,089)</u>	<u>132,584</u>	<u>33,742,348</u>
Expenses:				
Program Services	<u>30,663,857</u>	-	-	<u>30,663,857</u>
Supporting Services:				
Management and general	572,505	-	-	572,505
Fundraising - GHFB	874,040	-	-	874,040
Fundraising - FFF	-	6,707	-	6,707
Fundraising - GSP	-	-	153,495	153,495
Total Supporting Services	<u>1,446,545</u>	<u>6,707</u>	<u>153,495</u>	<u>1,606,747</u>
Total Expenses	<u>32,110,402</u>	<u>6,707</u>	<u>153,495</u>	<u>32,270,604</u>
Change in Net Assets Without Donor Restrictions	<u>1,530,451</u>	<u>(37,796)</u>	<u>(20,911)</u>	<u>1,471,744</u>
Net Assets with Donor Restrictions:				
Contributions for programs	442,937	-	-	442,937
Net assets released from restrictions	<u>(489,222)</u>	-	-	<u>(489,222)</u>
Change in Net Assets With Donor Restrictions	<u>(46,285)</u>	-	-	<u>(46,285)</u>
Change in net assets	<u>1,484,166</u>	<u>(37,796)</u>	<u>(20,911)</u>	<u>1,425,459</u>
Net assets, beginning of year	<u>5,665,750</u>	<u>1,390,567</u>	<u>70,176</u>	<u>7,126,493</u>
Net assets, end of year	<u>\$ 7,149,916</u>	<u>\$ 1,352,771</u>	<u>\$ 49,265</u>	<u>\$ 8,551,952</u>

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

YEAR ENDED SEPTEMBER 30, 2019

	Program Services					
	Augusta Distribution	Augusta Master's Table	Faith Food Factory	Aiken Distribution	Upstate SC Distribution	Direct Service
Food distributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and payroll expenses	673,644	80,544	35,056	173,441	105,039	-
Payroll taxes	58,869	6,406	2,801	18,657	8,503	-
Fringe benefits	156,978	31,652	-	20,064	21,096	-
Advertising	7,425	239	-	3,065	3,065	-
Auto and delivery	55,121	-	-	8,671	7,682	-
Office and postage	112,520	42	-	5,723	3,771	-
Job training	2,781	-	-	178	800	-
Casual labor	8,137	31,626	-	2,020	1,951	-
Dues and subscriptions	7,561	12	-	-	305	-
Food purchases	680,433	5,863	-	302,750	58,400	1,398,851
Freight	18,850	-	-	-	-	-
Insurance	57,506	5,765	13,567	23,652	17,603	-
Interest	3,124	-	-	133	14,606	-
Miscellaneous	2,218	16,473	196	280	1,071	26
Professional services	7,072	2,049	-	75	464	-
Rental	112,068	-	-	-	1,739	-
Maintenance	79,350	17,464	5,000	21,700	14,850	-
Fees	32,874	-	-	22,927	3,818	-
Supplies	28,069	16,194	1,850	6,101	8,997	4,679
Telephone	38,356	2,740	2,455	6,689	7,030	-
Travel	17,495	282	-	872	610	1,077
Utilities	90,960	39,660	7,100	21,937	28,154	-
Events	3,135	2,503	-	1,250	-	-
Depreciation	123,731	74,628	7,452	66,996	16,752	-
	<u>2,378,277</u>	<u>334,142</u>	<u>75,477</u>	<u>707,181</u>	<u>326,306</u>	<u>1,404,633</u>
Gain on disposals of assets	(26,800)	-	-	-	-	-
	<u>\$ 2,351,477</u>	<u>\$ 334,142</u>	<u>\$ 75,477</u>	<u>\$ 707,181</u>	<u>\$ 326,306</u>	<u>\$ 1,404,633</u>

Food Distributions	Total	Supporting Services			2019 Total
		Management and General	Fundraising - GHFB	Total	
\$ 25,464,641	\$ 25,464,641	\$ -	\$ -	\$ -	\$ 25,464,641
-	1,067,724	391,929	410,209	802,138	1,869,862
-	95,236	30,939	32,643	63,582	158,818
-	229,790	49,856	52,362	102,218	332,008
-	13,794	-	225,912	225,912	239,706
-	71,474	108	35	143	71,617
-	122,056	5,954	11,582	17,536	139,592
-	3,759	-	99	99	3,858
-	43,734	-	25,121	25,121	68,855
-	7,878	4,582	2,902	7,484	15,362
-	2,446,297	-	-	-	2,446,297
-	18,850	-	-	-	18,850
-	118,093	12,911	1,155	14,066	132,159
-	17,863	852	-	852	18,715
-	20,264	3,120	2,109	5,229	25,493
-	9,660	64,309	67,328	131,637	141,297
-	113,807	-	-	-	113,807
-	138,364	216	497	713	139,077
-	59,619	-	2,857	2,857	62,476
-	65,890	990	1,508	2,498	68,388
-	57,270	2,578	2,509	5,087	62,357
-	20,336	4,161	6,572	10,733	31,069
-	187,811	-	-	-	187,811
-	6,888	-	26,672	26,672	33,560
-	289,559	-	1,968	1,968	291,527
25,464,641	30,690,657	572,505	874,040	1,446,545	32,137,202
-	(26,800)	-	-	-	(26,800)
<u>\$ 25,464,641</u>	<u>\$ 30,663,857</u>	<u>\$ 572,505</u>	<u>\$ 874,040</u>	<u>\$ 1,446,545</u>	<u>\$ 32,110,402</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, 2019 and 2018, 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 11, 2020.

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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Augusta, Georgia
May 11, 2020

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

YEAR ENDED SEPTEMBER 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA #</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Dept. of Agriculture				
Food Distribution Cluster				
Commodity Supplemental Food Program (CSFP)				
Pass-through program from:				
SC Dept. of Social Services				
CSFP (Admin costs)	10.565	4400019914	\$ 6,105	
CSFP (Food commodities)	10.565	4400019914	133,732	\$ 133,732
SC Dept. of Agriculture				
CSFP (Admin costs)	10.565	4400019914	30,010	
CSFP (Food commodities)	10.565	4400019914	<u>210,696</u>	210,696
		Total CFDA #10.565	380,543	
Emergency Food Assistance Program (Administrative Costs)				
Pass-through program from:				
Georgia Dept. of Human Services	10.568	42700-040-0000078791	522,644	
SC Dept. of Social Services	10.568	4400019889	30,510	
SC Dept. of Agriculture	10.568	4400019889	<u>201,510</u>	
		Total CFDA #10.568	754,664	
Emergency Food Assistance Program (Food Commodities)				
Pass-through program from:				
Georgia Dept. of Human Services	10.569	42700-040-0000078791	5,979,568	
SC Dept. of Social Services	10.569	4400019889	896,631	
SC Dept. of Agriculture	10.569	4400019889	<u>4,089,487</u>	
		Total CFDA #10.569	10,965,686	10,965,686
		Total Food Distribution Cluster	<u>12,100,893</u>	
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
Pass-through program from:				
Georgia Dept. of Human Services	10.561	42700-040-0000064137	18,651	
SC Thrive	10.561	4400017259	<u>28,402</u>	
		Total CFDA #10.561	47,053	
		Total SNAP Cluster	<u>47,053</u>	
Total U.S. Dept. of Agriculture			<u>12,147,946</u>	

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

YEAR ENDED SEPTEMBER 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA #</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Aging Cluster				
Pass-through program from:				
Central Savannah River Area				
Regional Development Center				
Special Programs for the Aging, Title III Part B, Grants for Supportive Services and Senior Centers				
	93.044	19-08-032	\$ 14,166	
Special Programs for the Aging, Title III Part C, Nutrition Services				
	93.045	19-08-032	66,101	
Nutrition Services Incentive Program				
	93.053	19-08-032	11,865	
		Total Aging Cluster	92,132	
TANF Cluster				
Temporary Assistance for Needy Families (TANF)				
Pass-through program from:				
Atlanta Community Food Bank	93.558	42700-040-0000073817	545,024	\$ 545,024
		Total TANF Cluster	545,024	
Total U.S. Dept. of Health and Human Services			\$ 637,156	

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

YEAR ENDED SEPTEMBER 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA #</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Pass-through program from:				
Abbeville County	97.024	737000-012	\$ 734	
Aiken County	97.024	737200-003	2,016	
Anderson County	97.024	737600-008	2,500	
Bamberg County	97.024	737800-003	1,624	
Burke County	97.024	180600-002	4,079	
Elbert County	97.024	188200-006	107	
Glascock County	97.024	190400-001	1,125	
Greene County	97.024	191200-004	346	
Greenwood County	97.024	742200-010	604	
Jefferson County	97.024	194200-018	2,720	
Mduffie County	97.024	197000-003	5,548	
Oconee County	97.024	744800-013	2,000	
Pickens County	97.024	745200-007	1,410	
Richmond County	97.024	202600-002	12,018	
Screven County	97.024	203200-002	1,385	
Washington County	97.024	208400-004	2,194	
		Total CFDA #97.024	40,410	\$ 40,410
Total Federal Emergency Management Agency			40,410	
Total Expenditures of Federal Awards			\$ 12,825,512	\$ 11,895,548

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATES

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2019

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. and Affiliates (the “Organization”) under programs of the federal government for the year ended September 30, 2019. 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. The Organization distributed \$11,310,114 in non-cash federal awards during the year ended September 30, 2019.

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, 2019. 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, 2019.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Augusta, Georgia
May 11, 2020

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

YEAR ENDED SEPTEMBER 30, 2019

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 Golden Statements

None reported.

Section III. Federal Awards Findings and Questioned Costs

None reported.