

**AMERICA'S SECOND HARVEST  
OF THE BIG BEND, INC.**

**TALLAHASSEE, FLORIDA**

**JUNE 30, 2018 AND 2017**



**Law, Redd, Crona & Munroe, P.A.**

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Law, Redd, Crona & Munroe, P.A.  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
America's Second Harvest of the Big Bend, Inc.

### ***Report on the Financial Statement***

We have audited the accompanying financial statements of America's Second Harvest of the Big Bend, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of America's Second Harvest of the Big Bend, Inc. as of June 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***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards on page 20, 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedules of functional expenses on page 19 are presented for purposes of additional analysis and are also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 8, 2019, on our consideration of America's Second Harvest of the Big Bend, Inc.'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of America's Second Harvest of the Big Bend's 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 America's Second Harvest of the Big Bend, Inc.'s internal control over financial reporting and compliance.

*Law Redd Crona + Munroe P.A.*

**LAW, REDD, CRONA & MUNROE, P.A.**

Tallahassee, Florida

May 8, 2019

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

<b>ASSETS</b>		
	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 515,065	\$ 123,407
Accounts Receivable:		
Shared Maintenance Fees Receivable	11,715	11,715
Contract and Grants Receivable	260,801	299,009
Unconditional Promises to Give	8,258	12,272
Inventory	1,023,252	948,095
Prepaid expenses	3,249	1,982
Investments	589	388
<b>Total Current Assets</b>	<b>1,822,929</b>	<b>1,396,868</b>
<b>TEMPORARILY RESTRICTED ASSETS</b>		
Cash	-	83,072
Investments	5,552	5,552
<b>Total Temporarily Restricted Assets</b>	<b>5,552</b>	<b>88,624</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>1,641,533</b>	<b>1,643,484</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,470,014</b>	<b>\$ 3,128,976</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 125,630	\$ 93,914
Current Portion of Long-Term Debt	11,313	10,763
Deferred Revenue	1,532	-
<b>Total Current Liabilities</b>	<b>138,475</b>	<b>104,677</b>
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt	987,731	998,911
<b>Total Long-Term Liabilities</b>	<b>987,731</b>	<b>998,911</b>
<b>TOTAL LIABILITIES</b>	<b>1,126,206</b>	<b>1,103,588</b>
<b>NET ASSETS</b>		
Unrestricted	2,338,256	1,936,764
Temporarily Restricted	5,552	88,624
<b>Total Net Assets</b>	<b>2,343,808</b>	<b>2,025,388</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,470,014</b>	<b>\$ 3,128,976</b>

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

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Unrestricted Support and Revenue</b>		
Contribution Revenue	\$ 867,638	\$ 725,341
Special Events and Other	74,255	64,621
Shared Maintenance Fee	162,210	154,530
Program Income	32,633	46,970
Food Donations	12,589,825	10,350,386
Grant and Contract Revenue	1,681,048	965,485
Rental Income	31,037	80,987
In-Kind Contributions	75,079	95,523
Miscellaneous	45,153	16,501
<b>Unrestricted Support and Revenue</b>	15,558,878	12,500,344
<b>Net Assets Released from Restriction</b>	83,072	172,726
<b>TOTAL UNRESTRICTED SUPPORT AND REVENUE</b>	15,641,950	12,673,070
<b>EXPENSES</b>		
<b>Program Services</b>		
Value of Food Distributed	12,766,727	10,230,924
Program Services	1,873,592	1,492,467
<b>Total Program Services</b>	14,640,319	11,723,391
<b>Supporting Services</b>		
General and Administrative	308,758	268,580
Fundraising	291,381	227,702
<b>Total Supporting Services</b>	600,139	496,282
<b>TOTAL EXPENSES</b>	15,240,458	12,219,673
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	401,492	453,397
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Grant and Contract Revenue	-	178,000
<b>Temporarily Restricted Net Assets Released from Restriction</b>	(83,072)	(172,726)
<b>(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	(83,072)	5,274
<b>INCREASE IN NET ASSETS</b>	318,420	458,671
<b>NET ASSETS - Beginning of Year</b>	2,025,388	1,566,717
<b>NET ASSETS - End of Year</b>	\$ 2,343,808	\$ 2,025,388

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

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 318,420	\$ 458,671
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	97,980	101,557
Donation of Investment	-	(1,271)
Donation of Noncash Property and Equipment	-	(1,800)
Unrealized Gain on Investments	(201)	585
Loss on Disposal of Fixed Assets	66,582	-
(Increase) Decrease in Assets:		
Shared Maintenance Fees Receivable	-	(3,392)
Contract and Grants Receivable	38,208	(228,959)
Unconditional Promises to Give	4,014	(987)
Inventory	(75,157)	(257,301)
Prepaid Expenses	(1,267)	39,802
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	31,716	(1,284)
Deferred Revenue	1,532	-
<b>Net Cash Provided by Operating Activities</b>	<b>481,827</b>	<b>105,621</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	-	1,205
Purchase of Fixed Assets	(162,611)	(31,463)
<b>Net Cash Used in Investing Activities</b>	<b>(162,611)</b>	<b>(30,258)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(10,630)	(85,220)
<b>Net Cash Used in Financing Activities</b>	<b>(10,630)</b>	<b>(85,220)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	308,586	(9,857)
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<b>206,479</b>	<b>216,336</b>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<b>\$ 515,065</b>	<b>\$ 206,479</b>
<b>Supplemental Data:</b>		
Interest Paid	\$ 21,055	\$ 17,448
Noncash Activities:		
Donated Rent & Services	\$ 75,079	\$ 95,598
Donated Commodities	\$ 12,589,825	\$ 10,350,386

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

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization:** America's Second Harvest of the Big Bend, Inc. (the Organization) is a nonprofit corporation organized under the laws of the State of Florida in July 1989. The Organization is a member of Feeding America, whose mission is to: 1) feed the hungry by soliciting and distributing marketable, but surplus food to a nationwide network of food banks; 2) develop, certify, and support America's Second Harvest's efforts to channel food products to local nonprofit charities that provide services to the needy; 3) serve as liaison between food banks and the donors, and 4) educate the public about the nature of and solutions to the problems of hunger.

**Income Taxes:** The Organization is recognized as a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the *Internal Revenue Code* and has not been classified as a private foundation under Section 509(a).

A summary of the significant accounting policies and reporting practices followed by the Organization in the preparation of its financial statements is set forth below:

**Basis of Accounting:** The financial statements of the Organization have been prepared on the accrual basis. The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted, temporarily restricted, and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Cash and Cash Equivalents:** Cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near maturity at the date of purchase that they bear insignificant risk of value change due to changes in interest rates.

**Accounts Receivable:** Accounts receivable primarily represent amounts due for services provided by the Organization under federal grant funding. Additional amounts represent amounts due for shared maintenance and program purchase fees, which represent fees for food and nonfood items provided by the Organization. Management considers all accounts receivable to be collectible; therefore, no allowances for doubtful accounts have been recorded.



**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Unconditional Promises to Give:** It is the Organization's policy to use the direct write-off method for unconditional promises to give that are deemed to be uncollectible. This method yields substantially the same results as the allowance method. Management expects to receive the outstanding balance within a year.

**Inventory:** Inventory consists of donated, purchased food, and nonfood items and is recorded on a first-in, first-out basis. Purchased food and nonfood items are valued at cost. Commodities received from the United States Department of Agriculture (USDA) are valued using rates provided by the USDA. Other donated food and nonfood items are valued at the approximate average wholesale value of one pound of donated product at the national level as outlined in the Production Valuation Survey Methodology dated December 31, 2017, as prepared by Feeding America. The average wholesale value used was \$1.68 and \$1.73 per pound for the years ended June 30, 2018 and 2017, respectively.

**Property and Equipment:** Property and equipment acquisitions are recorded at cost if purchased, or estimated fair value if acquired by donation. Assets purchased or donated with a value of \$500 or more are depreciated over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives range from 5 to 39 years for building and improvements and three to ten years for vehicles, equipment and furniture. Expenditures for repairs and maintenance are charged to expense as incurred.

**Accrued Leave:** The Organization compensates its employees for unused vacation leave upon termination of employment. The amount of change in accrued vacation leave for all employees from one year to the next is recorded in salaries expense during the current year.

**Grants and Contracts:** The Organization performs various services under cost reimbursement contracts. Revenues are recognized on the basis of expenses incurred for cost reimbursement contracts. Amounts earned but not received are reported as accounts receivable. Amounts received but not yet earned are reported as deferred revenue.

**Contributions:** Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

**Advertising and Marketing:** Advertising and marketing costs are expensed as incurred. Total advertising and marketing expense for the years ended June 30, 2018 and 2017 was \$10,163 and \$729, respectively, which includes the value of donated advertising and marketing (See Note 9).

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Donations:** Donations of property, office space, marketable securities, equipment, and other non cash donations are recorded at fair value at the date of donations, and are considered to be available for unrestricted purposes unless specifically restricted by the donor. Food and nonfood items donated to the Organization are capitalized as inventory and recorded as unrestricted contributions. Upon distribution, the product is recorded as a decrease in unrestricted net assets. Only those services which create or enhance non-financial assets or require specialized skills are recognized on the Statement of Activities. Donated values for services are determined by estimating the cost of purchasing these services elsewhere. Donated services are used throughout the Organization, particularly for sorting food and nonfood items in the warehouse. No amounts have been included in the financial statements for donated member or volunteer services since they did not meet the criteria for recognition.

**Functional Allocation of Expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates made by management.

**Estimates:** The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, such as depreciation, various accruals, and the allocation of expenses by function. Actual results could differ from those estimates.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The Organization maintains its operating accounts at a North Florida commercial bank. At times, the balance may exceed the current Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. The Organization believes credit risk related to this balance is minimal. A summary of the total insured and uninsured amounts held at this bank at June 30, 2018 and 2017 follows:

	<u>2018</u>	<u>2017</u>
<b>Total Cash Held at Bank</b>	\$ 510,095	\$ 250,526
Less: Portion Insured by FDIC	(250,000)	(250,000)
<b>Uninsured Cash Balance</b>	<u>\$ 260,095</u>	<u>\$ 526</u>

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 3 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give, receivable in one year from the United Way of the Big Bend, consisted of \$8,258 and \$12,272 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 4 – INVESTMENTS**

During 2007, the Organization entered into an agreement with the Community Foundation of North Florida, Inc. (CFNF). CFNF is a 501c(3) nonprofit organization and all funds held by CFNF (including the Organization's endowment fund) are component units of CFNF, are subject to "Variance Power" described below, and are the legal property of CFNF.

The Funds are subject to the Variance Power described in Treasury Reg. Sec.1.170A-9(e)(11)(v)(B)(1) of the *Internal Revenue Code of 1986*, as amended from time to time. The CFNF Board has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations, if in the sole judgment of the Board of Directors (without the necessity of the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the north Florida community and other areas served by the corporation.

Generally accepted accounting principles require that if a community foundation accepts a contribution from an Organization, and agrees to transfer those assets, the return on investment of those assets, or both, back to the Organization, then these contributions are presented as a liability (instead of as a net asset) on the financial statements of the community foundation, and as an asset on the financial statements of the Organization. This is the case for the Organization's endowment fund. Legal ownership of the assets still remains with CFNF with a corresponding liability to the Organization, which reports the endowment on its balance sheet as well. Distributions to the Organization from these funds are based upon a spending policy adopted from year to year by the Board of Directors of CFNF. CFNF's current spending policy is 4% of the 20-quarter average market value of the funds beginning with the last quarter of the immediately preceding year.

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 4 – INVESTMENTS (Continued)**

Fair Value Measurement and Disclosures Topic of the FASB Accounting Standards Codification 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 the Fair Value Measurement and Disclosures Topic are described as follows:

- Level 1:* Quoted Prices in active markets for identical assets or liabilities.
- Level 2:* Observable market based inputs or unobservable inputs that are corroborated by the market data.
- Level 3:* Unobservable inputs that are not corroborated by market data.

The fair value of the Public Portion of the Organization's fund, for which the Organization retains a beneficial interest only, was \$19,595 and \$18,052, at June 30, 2018 and 2017, respectively. The fair value of the Organization's contribution held for investment by CFNF, was \$6,140 and \$5,935, at June 30, 2018 and 2017, respectively, which is valued at Level 2 based on information provided from CFNF that the fair value of the investment as reported to the Organization is based market value.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Buildings and Improvements	\$1,620,590	\$1,597,887
Land	127,360	127,360
Furniture and Equipment	56,211	52,628
Vehicles	370,623	371,357
Warehouse Equipment	122,483	330,038
<b>Total Cost</b>	<u>2,297,267</u>	<u>2,479,270</u>
Less: Accumulated Depreciation	<u>(655,734)</u>	<u>(835,786)</u>
<b>Net Property and Equipment</b>	<u>\$1,641,533</u>	<u>\$1,643,484</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$97,980 and \$101,557, respectively.

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 6 – LONG-TERM DEBT**

Long-term debt is summarized as follows:

	<b>2018</b>	<b>2017</b>
<p>Note payable to a private company that was modified on September 16, 2015. The interest rate was modified to 1.2% and applied to a modified principal amount of \$1,000,000 effective October 1, 2015, based upon variables on the eventual sale of the real estate that collateralizes the note. Except for a minimum principal escrow requirement of \$10,000, no principal payments are required after March 1, 2015. The term of the note was also modified from 30 years to 20 years and is due on January 1, 2030. The Organization made two principal payments during fiscal year 2017. No principal payments were made during fiscal year 2018.</p>	\$ 925,000	\$ 925,000
<p>A five-year note payable to Capital City Bank Group with variable interest at no less than 5.0%, adjustable daily based upon the J.P. Morgan Chase Prime Rate, collateralized by grants, donations, and equipment. The note matures on July 5, 2020.</p>	24,044	34,674
<p>A 15 year, 0%, \$50,000 note payable to the City of Tallahassee received during July 2015. No payments are due for the first five years of the loan. Payments of \$10,000 commence on the completion of the sixth year from the date of the full execution of the loan agreement and continue until the loan is paid in full.</p>	50,000	50,000
<b>Total</b>	999,044	1,009,674
Less: Current Portion	(11,313)	(10,763)
<b>Long-Term Debt</b>	\$ 987,731	\$ 998,911

Interest expense for the years ended June 30, 2018 and 2017 was \$21,055 and \$17,448, respectively.

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 6 – LONG-TERM DEBT (Continued)**

Principal maturities at June 30, 2018 were as follows:

<b>Year ending June 30,</b>		
2019	\$	11,313
2020		11,892
2021		839
2022		10,000
2023		10,000
Thereafter		955,000
<b>Total</b>	\$	<b>999,044</b>

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2018 and 2017 are summarized as follows:

	<b>2018</b>	<b>2017</b>
Community Foundation of North Florida, Inc. – Endowment	\$ 5,552	\$ 5,552
Publix Super Market Charities	0	5,072
Walmart Corporation	0	78,000
<b>Total</b>	\$ 5,552	\$ 88,624

**NOTE 8 – SUPPORT FROM GOVERNMENTAL AGENCIES**

The Organization received approximately 88% and 97% of its support from governmental grants for the years ended June 30, 2018 and 2017, respectively. Contracts are renegotiated annually. Although a maximum amount is established during the contract negotiation process, income is earned either on a cost reimbursement basis, or an allocation basis for receipt of USDA products. Income is recognized to the extent of eligible expenses incurred and/or current rates of USDA product at the time of delivery. At June 30, 2018 and 2017, the Organization recorded accounts receivable of \$171,872 and \$290,514, respectively, from governmental agencies for governmental grants.

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 9 – IN-KIND CONTRIBUTIONS**

Following is a summary of the Organization's in-kind contributions for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Office Rent	\$ 67,180	\$ 90,920
Office Supplies and Printing	374	2,803
Advertising and Marketing	7,525	0
Sub-Total In-Kind Expenses	<u>75,079</u>	<u>93,723</u>
Donated Software	0	1,800
<b>Total In-Kind Contributions</b>	<u>\$ 75,079</u>	<u>\$ 95,523</u>

**NOTE 10 – RETIREMENT**

The Organization has a Simple IRA that covers substantially all full time employees. Employer contributions under this plan were \$17,956 and \$8,305 for the years ended June 30, 2018 and 2017.

**NOTE 11 – OPERATING LEASES**

The Organization has entered into various non-cancelable operating leases for office equipment, to include two copiers and a postage meter. Total equipment lease expenses were \$3,288 and \$2,628 for the years ended June 30, 2018 and 2017.

The Organization entered into an operating lease on October 25, 2016 for their current location at Entrepot Boulevard, which began on January 1, 2017. Terms of the lease include payments of \$3,000 per month through December 31, 2017. The Organization entered into another operating lease on October 19, 2017 for their current location at Entrepot Boulevard, which began January 1, 2018. Terms of the lease include payments of \$3,800 per month through December 31, 2018. Total building lease expenses were \$40,800 and \$21,000 for the years ended June 30, 2018 and 2017, respectively.

The Organization entered into an operating lease on March 23, 2016 for a Freightliner refrigerated truck, which began September 1, 2016. The term of the lease is seven years at a rate of \$1,808 per month. The Organization entered into an operating lease on March 15, 2018 for another Freightliner truck, which began March 20, 2018. The term of the lease is three years at a rate of \$1,799 per month. Total truck lease expenses were \$23,477 and \$18,084 for the years ended June 30, 2018 and 2017, respectively.

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 11 – OPERATING LEASES (Continued)**

As of June 30, 2018, the future minimum lease payments under these operating leases are as follows:

<u>Year Ending June 30,</u>		
2019	\$	70,330
2020		47,530
2021		41,390
2022		23,496
2023		21,696
Thereafter		5,424
	\$	<u>209,866</u>

**NOTE 12 – COMMITMENTS**

The Organization contracts with a direct mailing company for fundraising services on a campaign by campaign basis. Contract amounts vary throughout the year based on specific events. The contract amounts outstanding at June 30, 2018 and 2017 were \$21,000 and \$18,000, respectively.

**NOTE 13 – INCOME TAXES**

An entity must recognize the impact of uncertain tax positions in the financial statements if it is more likely than not that a tax position taken for tax return purposes will not be sustained upon examination by taxing authorities. The Organization has concluded that it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits. The Organization has filed all required tax returns in all jurisdictions in which it operates. Tax years after 2013 remain subject to examination by the applicable taxing authorities.

**NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 8, 2019, the date which the financial statements were available to be issued.



**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS (Continued)**

The Organization is seeking a loan from the United States Department of Agriculture in the amount of \$1 million, which will be used for the purchase of their current location at 4446 Entrepot Boulevard. As of September 2018, the Organization was preapproved for \$1.1 million, which will include a loan in the amount of \$969,500 and a grant in the amount of \$130,500. The terms of the loan are 30 years at 4.25%. The Organization anticipates obtaining final approval by May 31, 2019.

The Organization has also received funding in the amount of \$1 million from the State of Florida, Division of Emergency Management, which is being provided as the result of Legislative appropriation (HB 3349). The agreement covers the period of July 1, 2018 to June 30, 2021 and is a cost reimbursement agreement. Section 287.05805, *Florida Statutes*, requires that any state funds provided for the purchase of or improvements to real property are contingent upon the contractor or political subdivision granting to the state a security interest in the property at least to the amount of state funds provided for at least five years from the date of purchase or the completion of the improvements, or as further required by law. The improvement, renovation or construction activities may include, but not limited to: selective demolition; remodeling and repairs; replace existing outdoor refrigerator unit; replace two refrigerator evaporators; acquire and install two automatic emergency defibrillators in the warehouse; repair the cooler/freezer transitions; wiring for heaters in middle cooler; install secure roof access; and install a 200 kW standby generator set with 48-hour fuel tank. The Organization is intending to utilize this funding as follows: \$650,000 for the building purchase, and \$350,000 for generator purchase/installation and warehouse upgrades. Reimbursement for project costs shall be based on the percentage of completion of the project. Real property acquired, purchased, improved, renovated, or constructed with these funds shall be dedicated for emergency management purposes from the date of the purchase of the property, or of receipt of a certificate of occupancy, for a period of 40 years, the estimated life of the facility, or until the end of the useful life of the facility as agreed to by the Division of Emergency Management. If the Organization fails to operate, maintain, repair, and administer the facility in accordance with the purposes for which the funds were originally granted, they will return to the Division of Emergency Management, an amount calculated as follows: a) The full amount of the grant funds for the first full year subsequent to the date of issue of the subject property's purchase deed, or facility improvement's certificate of occupancy, or completion by the Authority Having Jurisdiction, whichever is later, or; b) Beginning the second full year subsequent to the date of issue of the property's purchase deed, or facility improvement's certificate of occupancy or completion by the Authority Having Jurisdiction, whichever is later, the amount of the grant less 2% for each full year which the facility was used for such purposes. The Board of Directors approved this contract during November 2018 and the contract was executed on January 18, 2019.

The Organization sold its Four Points Way location on April 18, 2019.

**SUPPLEMENTAL INFORMATION**

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

<b><u>2018</u></b>	<b><u>Program Services</u></b>	<b><u>General and Administrative</u></b>	<b><u>Fundraising</u></b>	<b><u>2018 Total</u></b>
Auto Expense	\$ 117,998	\$ 21,787	\$ 14,524	\$ 154,309
Computer Expense	7,826	1,565	6,658	16,049
Contract Services	329,654	-	42,384	372,038
Depreciation	73,485	14,697	9,798	97,980
Dues and Subscriptions	11,851	2,303	2,094	16,248
Equipment Rental Expense	3,910	717	766	5,393
Grant Writing Expense	-	-	-	-
In-Kind Rent and Services	56,309	11,262	7,508	75,079
Insurance	120,336	28,484	15,716	164,536
Interest	1,223	19,669	163	21,055
Loss on Disposition of Equipment	66,499	83	-	66,582
Miscellaneous	8,925	2,024	31,830	42,779
Office Lease Expense	41,937	8,387	5,592	55,916
Personnel Expense	824,056	166,835	101,174	1,092,065
Postage and Freight	39,682	263	12,974	52,919
Printing	9,077	942	4,656	14,675
Professional Fees	20,625	4,125	2,750	27,500
Repairs and Maintenance	27,210	6,351	3,434	36,995
Supplies and Office Expense	23,025	3,517	15,536	42,078
Telephone	7,598	1,520	1,013	10,131
Travel	31,896	2,795	6,082	40,773
Utilities	50,470	11,432	6,729	68,631
<b>Subtotal</b>	<b>1,873,592</b>	<b>308,758</b>	<b>291,381</b>	<b>2,473,731</b>
<b>Cost of Food</b>	<b>12,766,727</b>	<b>-</b>	<b>-</b>	<b>12,766,727</b>
<b>Total Expenses</b>	<b><u>\$ 14,640,319</u></b>	<b><u>\$ 308,758</u></b>	<b><u>\$ 291,381</u></b>	<b><u>\$ 15,240,458</u></b>

<u>2017</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2017 Total</u>
Auto Expense	\$ 120,392	\$ 23,302	\$ 15,535	\$ 159,229
Computer Expense	6,402	1,273	5,910	13,585
Contract Services	218,398	-	37,135	255,533
Depreciation	76,168	15,233	10,156	101,557
Dues and Subscriptions	9,437	1,815	1,556	12,808
Equipment Rental Expense	2,992	598	399	3,989
Grant Writing Expense	4,721	-	-	4,721
In-Kind Rent and Services	69,842	14,396	9,485	93,723
Insurance	113,179	26,852	13,870	153,901
Interest	1,531	15,713	204	17,448
Loss on Disposition of Equipment	-	-	-	-
Miscellaneous	4,096	5,609	11,609	21,314
Office Lease Expense	27,098	5,420	3,613	36,131
Personnel Expense	667,258	133,170	87,458	887,886
Postage and Freight	23,321	6	6,623	29,950
Printing	4,954	753	3,312	9,019
Professional Fees	17,963	3,592	2,395	23,950
Repairs and Maintenance	26,906	5,137	3,321	35,364
Supplies and Office Expense	22,423	3,639	6,247	32,309
Telephone	7,825	1,516	1,043	10,384
Travel	20,373	1,118	1,539	23,030
Utilities	47,188	9,438	6,292	62,918
Subtotal	1,492,467	268,580	227,702	1,988,749
Cost of Food	10,230,924	-	-	10,230,924
<b>Total Expenses</b>	<b>\$ 11,723,391</b>	<b>\$ 268,580</b>	<b>\$ 227,702</b>	<b>\$ 12,219,673</b>

See independent auditor's report.

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>U.S. Department of Agriculture</u>				
Pass-through from State of Florida Department of Agriculture and Consumer Services:				
Commodity Supplemental Food Program	10.565	024303	\$ 90,413	
Commodity Supplemental Food Program	10.565	024305	148,395	
Commodity Supplemental Food Program (Food Commodities)	10.565	024303 & 024305	170,805	\$ 170,805
Emergency Food Assistance Program (Administrative Costs)	10.568	022719	297,810	
Emergency Food Assistance Program (Food Commodities)	10.569	022719	<u>1,760,922</u>	1,760,922
Total CFDA # 10.565, 10.568 & 10.569 Food Distribution Cluster			2,468,345	
Pass-through from State of Florida Department of Agriculture and Consumer Services:				
Summer Food Service Program for Children	10.559	018644	48,869	
Pass-through from State of Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-3050	123,442	
<u>Federal Emergency Management Agency</u>				
Direct Program				
Emergency Food and Shelter National Board Program	97.024	LRO 173200-005	1,224	
Emergency Food and Shelter National Board Program	97.024	LRO 162000-006	8,131	
Emergency Food and Shelter National Board Program	97.024	LRO 164800-008	1,844	
Emergency Food and Shelter National Board Program	97.024	LRO 165600-014	20,752	
Emergency Food and Shelter National Board Program	97.024	LRO 166400-006	4,679	
Emergency Food and Shelter National Board Program	97.024	LRO 172400-008	3,200	
Emergency Food and Shelter National Board Program	97.024	LRO 161800-005	<u>3,664</u>	
Total Emergency Food and Shelter National Board Program			43,494	
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 2,684,150</u>	<u>\$ 1,931,727</u>

**NOTES:**

- (1) The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal programs of the Organization for the year ended June 30, 2018. All expenditures related to federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included in the accompanying Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
- (2) The Schedule was prepared on the accrual basis of accounting.
- (3) The Organization elected not to use the 10% de minimis indirect cost rate.

See independent auditor's report.



Law, Redd, Crona & Munroe, P.A.  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
America's Second Harvest of the Big Bend, Inc.  
Tallahassee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of America's Second Harvest of the Big Bend, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 8, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered America's Second Harvest of the Big Bend, Inc.'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of America's Second Harvest of the Big Bend, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of America's Second Harvest of the Big Bend, Inc.'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether America's Second Harvest of the Big Bend, Inc.'s 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**LAW, REDD, CRONA & MUNROE, P.A.**

Tallahassee, Florida

May 8, 2019



Law, Redd, Crona & Munroe, P.A.  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
America's Second Harvest of the Big Bend, Inc.  
Tallahassee, Florida

**Report on Compliance for Each Major Federal Program**

We have audited America's Second Harvest of the Big Bend, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of America's Second Harvest of the Big Bend, Inc.'s major federal programs for the year ended June 30, 2018. America's Second Harvest of the Big Bend, Inc.'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 America's Second Harvest of the Big Bend, Inc.'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 America's Second Harvest of the Big Bend, Inc.'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 America's Second Harvest of the Big Bend, Inc.'s compliance.

**Opinion on Each Major Federal Program**

In our opinion, America's Second Harvest of the Big Bend, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.



**Report on Internal Control Over Compliance**

Management of America's Second Harvest of the Big Bend, Inc. 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 America's Second Harvest of the Big Bend, Inc.'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 America's Second Harvest of the Big Bend, Inc.'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.

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.



**LAW, REDD, CRONA & MUNROE, P.A.**  
Tallahassee, Florida  
May 8, 2019

**AMERICA'S SECOND HARVEST OF THE BIG BEND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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?	None
Significant deficiency(ies) identified not considered to be material weaknesses?	None
Noncompliance material to financial statements noted?	None

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified not considered to be material weaknesses?	None
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 2 CFR Part 200, section 200.516(a)?	No

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program</u>
		U.S. Department of Agriculture
		Pass-through from State of Florida Department of Agriculture and Consumer Services
		Food Distribution Cluster
	10.565	Commodity Supplemental Food Program
	10.565	Commodity Supplemental Food Program (Food Commodities)
	10.568	Emergency Food Assistance Program (Administrative Costs)
	10.569	Emergency Food Assistance Program (Food Commodities)

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

See independent auditor's report.

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Financial Statement Findings:**

No findings noted.

**Federal Award Findings:**

No findings noted.

See independent auditor's report.