

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

TALLAHASSEE, FLORIDA

JUNE 30, 2020



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 Statements

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, 2020, and the related statements of activities, functional expenses and cash flows for the year 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, 2020, and the changes in its net assets and its cash flows for the year 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, 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. 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 January 28, 2021, 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.

Tallahassee, Florida

January 28, 2021

AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,916,774
Accounts Receivable:	
Shared Maintenance Fees Receivable	14,481
Contract and Grants Receivable	751,075
Inventory	2,354,347
Prepaid expenses	21,627
Investments	533
Total Current Assets	5,058,837

ASSETS WITH DONOR RESTRICTIONS

Cash	174,255
Investments	5,552
Total Assets With Donor Restrictions	179,807

PROPERTY AND EQUIPMENT, NET

2,631,953

TOTAL ASSETS

\$ 7,870,597

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 334,719
Notes Payable, Current Portion	130,474
Deferred Revenue	128,512
Total Current Liabilities	593,705

LONG-TERM LIABILITIES

Notes Payable, Long-Term	1,254,329
Total Long-Term Liabilities	1,254,329

TOTAL LIABILITIES

1,848,034

NET ASSETS

Without Donor Restrictions	5,842,756
With Donor Restrictions	179,807
Total Net Assets	6,022,563

TOTAL LIABILITIES AND NET ASSETS

\$ 7,870,597

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

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

NET ASSETS WITHOUT DONOR RESTRICTIONS	
Support and Revenue Without Donor Restrictions	
Contribution Revenue	\$ 2,012,829
Special Events and Other	49,318
Shared Maintenance Fee	146,370
Food Donations	21,597,877
Grant and Contract Revenue	2,884,886
In-Kind Contributions	42,018
Miscellaneous	35,561
Support and Revenue Without Donor Restrictions	<u>26,768,859</u>
 Net Assets Released from Restriction	 <u>64,870</u>
 TOTAL SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS	 <u>26,833,729</u>
EXPENSES	
Program Services	
Value of Food Distributed	21,598,986
Program Services	2,358,015
Total Program Services	<u>23,957,001</u>
 Supporting Services	
General and Administrative	462,229
Fundraising	320,872
Total Supporting Services	<u>783,101</u>
 TOTAL EXPENSES	 <u>24,740,102</u>
 LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	 <u>4,106</u>
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 2,089,521
NET ASSETS WITH DONOR RESTRICTIONS	
Grant and Contract Revenue	174,255
 NET ASSETS WITH DONOR RESTRICTIONS RELEASED FROM RESTRICTION	 <u>(64,870)</u>
 CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	 109,385
 CHANGE IN NET ASSETS	 2,198,906
 NET ASSETS - Beginning of Year (Restated, Note 2)	 <u>3,823,657</u>
 NET ASSETS - End of Year	 <u><u>\$ 6,022,563</u></u>

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

AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Auto Expense	\$ 223,956	\$ 32,179	\$ 21,792	\$ 277,927
Bad Debt Expense	39,139	-	-	39,139
Computer Expense	21,292	5,702	2,839	29,833
Contract Services	323,708	-	35,458	359,166
Depreciation	81,357	11,555	10,848	103,760
Dues and Subscriptions	7,783	4,425	2,796	15,004
Equipment Rental Expense	6,037	1,475	827	8,339
Grant Writing Expense	-	25	-	25
In-Kind Rent and Services	31,513	6,303	4,202	42,018
Insurance	166,685	32,432	21,194	220,311
Interest	50,509	12,341	6,735	69,585
Miscellaneous	135,381	81,122	36,333	252,836
Office Lease Expense	14,790	308	-	15,098
Personnel Expense	938,384	181,383	121,353	1,241,120
Postage and Freight	52,640	987	268	53,895
Printing	5,778	1,093	3,137	10,008
Professional Fees	55,907	45,284	7,454	108,645
Repairs and Maintenance	43,269	15,703	5,268	64,240
Supplies and Office Expense	75,145	9,853	25,712	110,710
Telephone	12,809	2,562	1,708	17,079
Travel	19,899	7,090	6,010	32,999
Utilities	52,034	10,407	6,938	69,379
Subtotal	2,358,015	462,229	320,872	3,141,116
Cost of Food	21,598,986	-	-	21,598,986
Total Expenses	\$ 23,957,001	\$ 462,229	\$ 320,872	\$ 24,740,102

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

AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 2,198,906
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	103,760
Unrealized Loss on Investments	267
Loss on Disposal of Property and Equipment	4,106
(Increase) Decrease in Assets:	
Shared Maintenance Fees Receivable	(263)
Contract and Grants Receivable	352,041
Unconditional Promises to Give	8,258
Inventory	(463,934)
Prepaid Expenses	(7,984)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	212,634
Deferred Revenue	125,137
Net Cash Provided by Operating Activities	2,532,928

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(618,594)
Net Cash Used in Investing Activities	(618,594)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Notes Payable	1,336,933
Principal Payments on Notes Payable	(1,831,058)
Net Cash Used in Financing Activities	(494,125)

Net Increase in Cash and Cash Equivalents	1,420,209
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CASH AND CASH EQUIVALENTS - Beginning of Year	670,820
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CASH AND CASH EQUIVALENTS - End of Year	\$ 2,091,029
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Supplemental Data:

Interest Paid	\$ 69,585
Noncash Activities:	
Donated Services	\$ 42,018
Donated Commodities	\$ 21,597,877

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, 2020

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 two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) based on the existence or absence of donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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), 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 Product Valuation Survey Methodology (PVSM), as prepared by Feeding America. This value for USDA food inventory was \$1.52 per pound for the year ended June 30, 2020. The value for other donated food and nonfood items was \$1.62 for the year ended June 30, 2020.

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 \$2,500 or more are depreciated over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives range from five to thirty-nine years for building and improvements and three to fifteen 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 considered to be without donor restrictions unless specifically restricted by the donor.

Advertising and Marketing: Advertising and marketing costs are expensed as incurred. Total advertising and marketing expense for the year ended June 30, 2020 was \$45,040.

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 use without restriction unless specifically restricted by the donor. Food and nonfood items donated to the Organization are capitalized as inventory and recorded as contributions without restriction. Upon distribution, the product is recorded as a decrease in net assets without restriction. 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.

AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Costs that can be identified with a specific program or support services are charged directly to that program or support service. Costs common to multiple functions have been allocated among the programs and supporting services benefited. The functional allocation of indirect expenses is based on estimates of time of employees involved and on percentages of assets utilized.

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.

Delay of Implementation of Accounting Standard: In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-05, *Effective Dates for Certain Entities*, the Organization has elected to delay implementation of ASU 2014-09, *Revenue from Contracts with Customers*, until fiscal year ending June 30, 2021.

Recently Adopted Accounting Standard: For the year ended June 30, 2020, the Organization adopted the provisions of FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This amendment provides additional guidance for contributions received and contributions made. The adoption of this standard had no material effect on the Organization's recognition of contribution revenues or expenses.

AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

On July 1, 2019, the Organization changed its method of valuing commodities received from the United States Department of Agriculture (USDA) to the approximate average wholesale value of food as outlined in the Product Valuation Survey Methodology (PVSM), as prepared by Feeding America. In all prior years, USDA inventory was valued using the rates provided by the USDA. The new valuation method for USDA inventory was adopted in order to streamline the inventory process. As a result of the accounting change, net assets were restated as of July 1, 2019.

Beginning Net Assets, previously reported	\$ 3,473,526
Increase in Inventory	350,131
Beginning Net Assets, Restated	\$ 3,823,657

NOTE 3 – 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, 2020 follows:

Total Cash Held at Bank	\$ 2,111,869
Less: Portion Insured by FDIC	(250,000)
Uninsured Cash Balance	\$ 1,861,869

NOTE 4 – INVESTMENTS

The Organization has 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.

AMERICA’S SECOND HARVEST OF THE BIG BEND, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 – INVESTMENTS (continued)

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 Statement of Financial Position, 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.

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 \$21,063 at June 30, 2020. The fair value of the Organization’s contribution held for investment by CFNF, was \$6,085, at June 30, 2020 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 on market value.

AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2020:

Buildings and Improvements	\$ 1,771,752
Land	447,810
Furniture and Equipment	72,914
Vehicles	425,637
Warehouse Equipment	261,614
Total Cost	2,979,727
Less: Accumulated Depreciation	(347,774)
Net Property and Equipment	\$ 2,631,953

Depreciation expense for the year ended June 30, 2020 was \$103,760.

NOTE 6 – NOTES PAYABLE

Notes payable is summarized as follows:

<p>A thirty-year, 2.375%, \$1,100,000 mortgage loan payable to the United States Department of Agriculture, received during May 2020. Original payments were due in annual installments of \$51,689 beginning May 22, 2021. A supplementary payment agreement was signed on May 22, 2020 requiring monthly payments of \$4,308 beginning June 22, 2020 for the term of the loan. The note is collateralized by all of the personal property, equipment, fixtures, revenues, fees, charges, assessments, and all income derived from the operation of the facilities owned or acquired by the Organization.</p>	\$ 1,097,870
<p>A two-year paycheck protection program loan payable to Capital City Bank Group at 1% interest was issued under the CARES Act during April 2020. No payments are due for the 6 month period beginning on the date of the note. The full amount of this loan is expected to be forgiven.</p>	236,933
<p>A fifteen-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
Total	1,384,803
Less: Current Portion	(130,474)
Notes Payable, Long-Term	\$ 1,254,329

AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – NOTES PAYABLE (continued)

Interest expense for the year ended June 30, 2020 was \$69,585.

Principal maturities at June 30, 2020 were as follows:

<u>Year ending June 30,</u>	
2021	\$ 130,474
2022	168,285
2023	36,840
2024	37,477
2025	38,130
Thereafter	973,597
Total	<u>\$ 1,384,803</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 are summarized as follows:

Community Foundation of North Florida, Inc. – Endowment	\$ 5,552
COVID-19 Relief	174,255
Total	<u>\$ 179,807</u>

NOTE 8 – SUPPORT FROM GOVERNMENTAL AGENCIES

The Organization received approximately 74% of its support from governmental grants for the year ended June 30, 2020. 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, 2020, the Organization recorded accounts receivable of \$542,553 from governmental agencies for governmental grants.

NOTE 9 – IN-KIND CONTRIBUTIONS

Following is a summary of the Organization's in-kind contributions for the year ended June 30, 2020:

Legal Services	\$ 23,446
Professional Services	18,572
Total In-Kind Contributions	<u>\$ 42,018</u>

AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 – RETIREMENT

The Organization has a Simple IRA that covers substantially all full time employees. Employer contributions under this plan were \$22,039 for the year ended June 30, 2020.

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 expense was \$5,477 for the year ended June 30, 2020.

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 a Freightliner truck, which began March 20, 2018. The term of the lease is three years at a rate of \$1,799 per month. The Organization entered into an operating lease on March 18, 2019 for a Freightliner truck, which began April 16, 2019. The term of the lease is two years at a rate of \$1,910 per month. Total truck lease expenses was \$75,083 for the year ended June 30, 2020.

As of June 30, 2020, the future minimum lease payments under these operating leases are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 83,321
2022	27,980
2023	21,359
2024	<u>1,271</u>
Total	<u>\$ 133,931</u>

NOTE 12 – FEDERAL EMERGENCY MANAGEMENT AGENCY INVENTORY

The Organization held inventory for the Federal Emergency Management Agency in the amount of \$408,274 as of June 30, 2020. This inventory is the property of the Federal Emergency Management Agency (FEMA) and is available to be distributed by the Organization in the event of an emergency. FEMA dictates when the inventory can be distributed. The FEMA inventory is excluded from inventory reported on the statement of financial position.

AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – LIQUIDITY AND AVAILABILITY OF RESOURCES

At June 30, 2020, the Organization had approximately \$2.7 million of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of cash totaling approximately \$1.9 million and accounts receivable totaling approximately \$751,000. None of these financial assets are subject to donor or other contractual restrictions that would make them unavailable for general expenditures within one year of the statement of financial position date. The accounts receivable are expected to be collected within 120 days subsequent to the statement of financial position date. Additionally, the Organization has planned annual fundraising events and reoccurring cash grants that will also be available to meet cash needs for general expenditures.

NOTE 14 – CONTINGENCIES

In March 2020, the World Health Organization made the assessment that a novel strain of Coronavirus (COVID-19) can be characterized as a pandemic. The pandemic is disrupting organizations worldwide as national and local governments implement measures intended to slow the spread of COVID-19. The extent of the impact of COVID-19 on the organization's operations and its financial performance will depend on certain developments outside of the organization's control, including the duration and spread of the outbreak; its impact on donors, employees and vendors, and broader economic conditions; all of which are uncertain and cannot be predicted at this time.

NOTE 15 – 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 2015 remain subject to examination by the applicable taxing authorities.

NOTE 16 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 28, 2021, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**AMERICA'S SECOND HARVEST OF THE BIG BEND, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

	CFDA Number	Contract Number	Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture</u>				
Pass-through from State of Florida Department of Agriculture and Consumer Services:				
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	026185	\$ 199,942	
Trade Mitigation Program Eligible Recipient Agency (Food Commodities)	10.178	026185	5,656,702	\$ 5,656,702
Commodity Supplemental Food Program	10.565	024305	86,007	
Commodity Supplemental Food Program (Food Commodities)	10.565	024305	393,773	393,773
Emergency Food Assistance Program (Administrative Costs)	10.568	022719	426,745	
Emergency Food Assistance Program (Food Commodities)	10.569	022719	3,142,777	3,142,777
Emergency Food Assistance Program (Administrative Costs) CARES	10.568	026927	275,115	
Emergency Food Assistance Program (Food Commodities) CARES	10.568	026927	1,013,051	1,013,051
Pass-through from Feeding the Gulf Coast:				
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	026184	9,518	
Trade Mitigation Program Eligible Recipient Agency (Food Commodities)	10.178	026184	283,243	283,243
Emergency Food Assistance Program (Administrative Costs)	10.568	022189	20,058	
Emergency Food Assistance Program (Food Commodities)	10.569	022189	596,889	596,889
Emergency Food Assistance Program (Administrative Costs) CARES	10.568	026926	4,135	
Emergency Food Assistance Program (Food Commodities) CARES	10.568	026926	123,058	123,058
Total CFDA #10.178, 10.565, 10.568 & 10.569 Food Distribution Cluster			12,231,013	
Pass-through from State of Florida Department of Agriculture and Consumer Services:				
Summer Food Service Program for Children	10.559	018644	29,272	
Pass-through from State of Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-3050	72,844	
<u>Federal Emergency Management Agency</u>				
Direct Program				
Emergency Food and Shelter National Board Program	97.024	LRO 173200-005	1,038	
Emergency Food and Shelter National Board Program	97.024	LRO 162000-006	5,893	
Emergency Food and Shelter National Board Program	97.024	LRO 164800-008	937	
Emergency Food and Shelter National Board Program	97.024	LRO 165600-014	14,912	
Emergency Food and Shelter National Board Program	97.024	LRO 166400-006	2,630	
Emergency Food and Shelter National Board Program	97.024	LRO 172400-008	3,158	
Emergency Food and Shelter National Board Program	97.024	LRO 161800-005	1,978	
Total Emergency Food and Shelter National Board Program			30,546	
TOTAL FEDERAL AWARDS			\$ 12,363,675	\$ 11,209,493

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, 2020. 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, 2020, 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 January 28, 2021.

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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 financial statements. 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*.

America's Second Harvest of the Big Bend, Inc.'s Response to Findings

America's Second Harvest of the Big Bend, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. America's Second Harvest of the Big Bend, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of America's Second Harvest of the Big Bend, Inc., in a separate letter dated January 28, 2021.

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
January 28, 2021



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, 2020. 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 each of its major federal programs for the year ended June 30, 2020.

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. 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. *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.

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

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.

LAW, REDD, CRONA & MUNROE, P.A.
Tallahassee, Florida
January 28, 2021

**AMERICA'S SECOND HARVEST OF THE BIG BEND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

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?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
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 and Feeding the Gulf Coast
		Food Distribution Cluster
	10.178	Trade Mitigation Program
		Operational Funds
	10.178	Trade Mitigation Program (Food Commodities)
	10.565	Commodity Supplemental Food Program
	10.565	Commodity Supplemental Food Program (Food Commodities)
	10.568	Emergency Food Assistance Program CARES (Food Commodities and Administrative Costs)
	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?	No

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, 2020**

Financial Statement and Federal Award Finding:

SIGNIFICANT DEFICIENCY

2019-001 Grant Schedule

The expenditures reported on the preliminary grant schedule were not complete. Additionally, the expenditures reported could not be supported by adequate documentation. The errors were discovered during the audit process and were properly investigated and corrected by management.

Current year status: Corrective action was taken.

See independent auditor's report.