

**Harvest Hope Food Bank, Inc.  
and Subsidiaries**

***Report on Consolidated Financial Statements***

***For the years ended June 30, 2020 and 2019***

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# Harvest Hope Food Bank, Inc. and Subsidiaries

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## **Independent Auditor's Report**

To the Board of Directors  
Harvest Hope Food Bank, Inc. and Subsidiaries  
Columbia, South Carolina

### **Report on Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Harvest Hope Food Bank, Inc. and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, and its changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated 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 December 15, 2020, on our consideration of the Organization's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Organization'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 the Organization's internal control over financial reporting and compliance.



Columbia, South Carolina  
December 15, 2020

## Harvest Hope Food Bank, Inc. and Subsidiaries

### Consolidated Statements of Financial Position

As of June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 7,841,966	\$ 250,240
Inventory	2,928,436	2,124,227
Accounts receivable	82,978	-
Other assets	141,726	84,401
Property and equipment, net	3,301,374	3,369,704
Total assets	<u>\$ 14,296,480</u>	<u>\$ 5,828,572</u>
<b>Liabilities</b>		
Accounts payable	\$ 268,005	\$ 166,316
Accrued expenses	262,957	162,785
CARES Act refundable advance	1,697,396	-
Deferred revenue	102,250	257,250
Line of credit	-	22,883
Paycheck Protection Program (PPP) refundable advance	666,460	-
Note payable	523,027	561,164
Total liabilities	<u>3,520,095</u>	<u>1,170,398</u>
<b>Net assets</b>		
Without donor restrictions		
Undesignated	10,443,287	4,389,158
Board designated	100,000	100,000
Total net assets without donor restrictions	<u>10,543,287</u>	<u>4,489,158</u>
With donor restrictions	<u>233,098</u>	<u>169,016</u>
Total net assets	<u>10,776,385</u>	<u>4,658,174</u>
Total liabilities and net assets	<u>\$ 14,296,480</u>	<u>\$ 5,828,572</u>

See Notes to Consolidated Financial Statements

# Harvest Hope Food Bank, Inc. and Subsidiaries

## Consolidated Statement of Activities

For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenues</b>			
Public support			
Shared maintenance contributions and fees	\$ 657,574	\$ -	\$ 657,574
Program income	640,308	-	640,308
Support from United Way	163,060	-	163,060
Support from public contributions	6,085,081	1,936,361	8,021,442
Special events	212,743	-	212,743
Donated services, supplies and equipment	65,000	-	65,000
Donated inventory product	36,269,669	-	36,269,669
Total public support	44,093,435	1,936,361	46,029,796
Grants, federal funds and private donations			
Donated inventory product	10,922,085	-	10,922,085
Reimbursed costs from SC Department of Social Services	515,620	-	515,620
Commodity Supplemental Food Program	178,214	-	178,214
Grants	1,872,613	-	1,872,613
Total grants, federal funds and private donations	13,488,532	-	13,488,532
Other revenue			
Interest income	6,022	-	6,022
Miscellaneous	248,706	-	248,706
Total other revenue	254,728	-	254,728
Total support and revenues	57,836,695	1,936,361	59,773,056
<b>Expenses</b>			
Program services			
Hunger and nutrition education	1,518,192	-	1,518,192
Agency food distributions	43,079,744	-	43,079,744
Emergency food box program	8,207,366	-	8,207,366
Total program services	52,805,302	-	52,805,302
Supporting services			
Fundraising	409,050	-	409,050
Management and general	440,493	-	440,493
Total supporting services	849,543	-	849,543
Total expenses	53,654,845	-	53,654,845
<b>Assets released from donor restrictions</b>	1,872,279	(1,872,279)	-
Change in net assets	6,054,129	64,082	6,118,211
<b>Net assets, beginning of year</b>	4,489,158	169,016	4,658,174
<b>Net assets, end of year</b>	\$ 10,543,287	\$ 233,098	\$ 10,776,385

See Notes to Consolidated Financial Statements

# Harvest Hope Food Bank, Inc. and Subsidiaries

## Consolidated Statement of Activities

For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenues</b>			
Public support			
Shared maintenance contributions and fees	\$ 893,906	\$ -	\$ 893,906
Program income	672,029	-	672,029
Support from United Way	166,637	-	166,637
Support from public contributions	2,746,737	1,315,239	4,061,976
Special events	237,771	-	237,771
Donated inventory product	38,761,516	-	38,761,516
Total public support	43,478,596	1,315,239	44,793,835
Grants, federal funds and private donations			
Donated inventory product	10,225,073	-	10,225,073
Reimbursed costs from SC Department of Social Services	492,632	-	492,632
Commodity Supplemental Food Program	179,545	-	179,545
Grants	922,748	-	922,748
Total grants, federal funds and private donations	11,819,998	-	11,819,998
Other revenue			
Interest income	3,249	-	3,249
Miscellaneous	65,456	-	65,456
Total other revenue	68,705	-	68,705
Total support and revenues	55,367,299	1,315,239	56,682,538
<b>Expenses</b>			
Program services			
Hunger and nutrition education	1,637,582	-	1,637,582
Agency food distributions	45,519,187	-	45,519,187
Emergency food box program	8,722,158	-	8,722,158
Total program services	55,878,927	-	55,878,927
Supporting services			
Fundraising	417,302	-	417,302
Management and general	452,174	-	452,174
Total supporting services	869,476	-	869,476
Total expenses	56,748,403	-	56,748,403
<b>Assets released from restrictions</b>	1,191,415	(1,191,415)	-
Change in net assets	(189,689)	123,824	(65,865)
<b>Net assets, beginning of year</b>	4,678,847	45,192	4,724,039
<b>Net assets, end of year</b>	\$ 4,489,158	\$ 169,016	\$ 4,658,174

See Notes to Consolidated Financial Statements

**Harvest Hope Food Bank, Inc. and Subsidiaries****Consolidated Statements of Cash Flows****For the years ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b><i>Cash flows from operating activities</i></b>		
Change in net assets	\$ 6,118,211	\$ (65,865)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	352,384	302,002
Changes in deferred amounts		
Accounts receivable	(82,978)	-
Inventory	(804,209)	(310,697)
Other assets	(57,325)	20,695
Accounts payable	101,689	(28,799)
Accrued expenses	100,172	58,874
Deferred revenue	(155,000)	125,000
Net cash provided by operating activities	<u>5,572,944</u>	<u>101,210</u>
<b><i>Investing activities</i></b>		
Purchases of property and equipment	(284,054)	(221,028)
Net cash used for investing activities	<u>(284,054)</u>	<u>(221,028)</u>
<b><i>Financing activities</i></b>		
Proceeds from PPP refundable advance	666,460	-
Proceeds from CARES Act refundable advance	1,697,396	-
Payments on line of credit	(22,883)	22,883
Payments on note payable	(38,137)	(36,783)
Net cash provided by (used for) financing activities	<u>2,302,836</u>	<u>(13,900)</u>
Net change in cash and cash equivalents	<u>7,591,726</u>	<u>(133,718)</u>
<b><i>Cash and cash equivalents, beginning of year</i></b>	<u>250,240</u>	<u>383,958</u>
<b><i>Cash and cash equivalents, end of year</i></b>	<u><u>\$ 7,841,966</u></u>	<u><u>\$ 250,240</u></u>
<b><i>Supplemental cash flow information</i></b>		
Cash paid for interest	<u>\$ 25,035</u>	<u>\$ 25,792</u>

**See Notes to Consolidated Financial Statements**



**Harvest Hope Food Bank, Inc. and Subsidiaries**  
**Consolidated Statement of Functional Expenses**  
**For the year ended June 30, 2020**

Description	Program Services				Supporting Services			
	Hunger and Nutrition Education	Agency Food Distributions	Emergency Food Box Program	Total	Fundraising	Management and General	Total	Total
Donated and purchased food distributed	\$ -	\$ 39,947,019	\$ 7,049,474	\$ 46,996,493	\$ -	\$ -	\$ -	\$ 46,996,493
Salaries and related expenses	480,594	1,888,047	308,953	2,677,594	377,609	377,608	755,217	3,432,811
Professional fees	176,192	197,549	144,157	517,898	5,339	10,678	16,017	533,915
Supplies	32,774	36,746	26,815	96,335	993	1,986	2,979	99,314
Telephone	22,641	25,385	18,524	66,550	686	1,372	2,058	68,608
Postage and freight	50,324	56,424	41,174	147,922	1,525	3,050	4,575	152,497
Building insurance	20,770	23,287	16,993	61,050	629	1,259	1,888	62,938
Utilities	141,238	158,358	115,558	415,154	4,280	8,560	12,840	427,994
Uniforms	25	28	20	73	1	3	4	77
Building and grounds maintenance	97,591	109,420	79,847	286,858	2,957	5,915	8,872	295,730
Printing	26,959	30,226	22,057	79,242	817	1,633	2,450	81,692
Conferences and meetings	3,457	3,876	2,828	10,161	105	210	315	10,476
Travel and entertainment	9,725	10,904	7,957	28,586	295	589	884	29,470
Volunteer recognition expenses	2,934	3,289	2,400	8,623	89	178	267	8,890
Bad debts	-	81,313	-	81,313	-	-	-	81,313
Rent	168,216	188,606	137,631	494,453	5,097	10,195	15,292	509,745
Dues to national affiliate	5,428	6,086	4,441	15,955	164	329	493	16,448
Vehicle expense	80,251	89,979	65,660	235,890	2,432	4,864	7,296	243,186
Miscellaneous	27,195	30,491	22,250	79,936	824	1,648	2,472	82,408
Dues and subscriptions	42,462	47,609	34,742	124,813	1,287	2,573	3,860	128,673
Bank charges	4,867	5,457	3,982	14,306	147	295	442	14,748
Total before interest, depreciation and amortization	1,393,643	42,940,099	8,105,463	52,439,205	405,276	432,945	838,221	53,277,426
Interest expense	8,262	9,263	6,759	24,284	250	501	751	25,035
Depreciation and amortization	116,287	130,382	95,144	341,813	3,524	7,047	10,571	352,384
Total interest, depreciation, and amortization	124,549	139,645	101,903	366,097	3,774	7,548	11,322	377,419
Total expenses	\$ 1,518,192	\$ 43,079,744	\$ 8,207,366	\$ 52,805,302	\$ 409,050	\$ 440,493	\$ 849,543	\$ 53,654,845

**See Notes to Consolidated Financial Statements**

**Harvest Hope Food Bank, Inc. and Subsidiaries**  
**Consolidated Statement of Functional Expenses**  
**For the year ended June 30, 2019**

Description	Program Services				Supporting Services			
	Hunger and Nutrition Education	Agency Food Distributions	Emergency Food Box Program	Total	Fundraising	Management and General	Total	Total
Donated and purchased food distributed	\$ -	\$ 42,316,705	\$ 7,467,654	\$ 49,784,359	\$ -	\$ -	\$ -	\$ 49,784,359
Salaries and related expenses	486,724	1,912,128	312,894	2,711,746	382,426	382,425	764,851	3,476,597
Professional fees	224,526	251,741	183,703	659,970	6,804	13,608	20,412	680,382
Supplies	53,911	60,446	44,109	158,466	1,634	3,267	4,901	163,367
Telephone	21,521	24,130	17,608	63,259	652	1,304	1,956	65,215
Postage and freight	30,271	33,940	24,767	88,978	917	1,835	2,752	91,730
Building insurance	19,011	21,315	15,554	55,880	576	1,152	1,728	57,608
Utilities	140,242	157,241	114,743	412,226	4,250	8,500	12,750	424,976
Uniforms	2,337	2,620	1,912	6,869	71	143	214	7,083
Building and grounds maintenance	105,904	118,740	86,648	311,292	3,209	6,418	9,627	320,919
Printing	31,680	35,520	25,920	93,120	960	1,919	2,879	95,999
Conferences and meetings	8,009	8,980	6,553	23,542	243	485	728	24,270
Travel and entertainment	11,905	13,348	9,741	34,994	361	722	1,083	36,077
Volunteer recognition expenses	10,845	12,160	8,873	31,878	329	657	986	32,864
Rent	199,201	223,346	162,983	585,530	6,036	12,073	18,109	603,639
Dues to national affiliate	7,238	8,115	5,922	21,275	219	439	658	21,933
Vehicle expense	101,195	113,461	82,796	297,452	3,067	6,133	9,200	306,652
Miscellaneous	8,474	9,501	6,933	24,908	257	514	771	25,679
Dues and subscriptions	61,249	68,673	50,113	180,035	1,856	3,712	5,568	185,603
Bank charges	5,167	5,793	4,227	15,187	157	313	470	15,657
Total before interest, depreciation and amortization	1,529,410	45,397,903	8,633,653	55,560,966	414,024	445,619	859,643	56,420,609
Interest expense	8,511	9,543	6,964	25,018	258	516	774	25,792
Depreciation and amortization	99,661	111,741	81,541	292,943	3,020	6,039	9,059	302,002
Total interest, depreciation and amortization	108,172	121,284	88,505	317,961	3,278	6,555	9,833	327,794
Total expenses	\$ 1,637,582	\$ 45,519,187	\$ 8,722,158	\$ 55,878,927	\$ 417,302	\$ 452,174	\$ 869,476	\$ 56,748,403

**See Notes to Consolidated Financial Statements**

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## Harvest Hope Food Bank, Inc. and Subsidiaries

### *Notes to Consolidated Financial Statements*

*June 30, 2020 and 2019*

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#### **Note 1. Summary of Significant Accounting Policies**

##### Description of organization:

Harvest Hope Food Bank, Inc. (the Organization), is a nonprofit organization incorporated on January 21, 1981, under the laws of the State of South Carolina. The mission of the Organization is to provide for the needs of hungry people by gathering and sharing quality food with dignity, compassion and education through a network of private, nonprofit agencies, and to provide services through a variety of programs. The Organization acts as a collection center for surplus and salvageable food obtained through donations from processors, wholesalers, retailers and brokers. The food is then distributed to qualifying organizations who, in return, contribute funds based on a cost per pound of food obtained to help fund operations. This contribution is known as "shared maintenance." The emergency food box program, which supplies food to families in crisis situations, is funded almost entirely with contributions from other organizations and the general public.

The Organization owns 100% of Harvest Hope House, LLC. This limited liability company was formed for the purpose of selling a home received as a donation. There was no activity for the years ended June 30, 2020 and 2019.

The Organization owns 100% of House for Harvest Hope, LLC. This limited liability company was formed for the purpose of building a home for resale. There was no activity for the years ended June 30, 2020 and 2019.

##### Consolidation:

The consolidated financial statements of the Organization include the accounts of Harvest Hope Food Bank, Inc. and its two wholly-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

##### Basis of accounting:

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

##### Net assets:

The Organization's net assets are classified as follows:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

**Net assets with donor restrictions:** Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

# Harvest Hope Food Bank, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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### Note 1. Summary of Significant Accounting Policies, Continued

#### Cash and cash equivalents:

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

#### Availability of funds for general expenditures:

The Organization has certain net assets that are available for general expenditures within one year of June 30, 2020 based on conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (see Note 2).

#### Inventory and donated food products:

The Organization receives food products governed by the United States Department of Agriculture (USDA) through the USDA's disbursing agent. Total food products received through USDA was approximately 23% and 21% of total food donations for the years ended June 30, 2020 and 2019, respectively. The food product is valued by prices determined by the USDA. Other donated food products reflected in the consolidated financial statements are valued at a rate per pound, which is determined by Feeding America, the Organization's national affiliate. The donated inventory balance, and associated revenues and expenses, as of June 30, 2020 and 2019, have been priced at the Feeding America rates of \$1.74 and \$1.62 per pound, respectively. Donated food products are recorded as support and revenue when received and recorded as expense when disbursed. Food products purchased are recorded at purchase price when received and disbursed at the same purchase price, if distinguishable. Certain purchased products are commingled and packaged with donated products; these items are revalued using the Feeding America rate per pound and disbursed at the Feeding America cost.

#### Property and equipment:

Property and equipment are stated at cost, if purchased. Donations of property and equipment are recorded as support at their estimated fair values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Building and improvements	15 - 40 years
Furniture and equipment	3 - 10 years
Software	3 years
Autos and trucks	5 - 10 years

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## Harvest Hope Food Bank, Inc. and Subsidiaries

### *Notes to Consolidated Financial Statements*

*June 30, 2020 and 2019*

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#### **Note 1. Summary of Significant Accounting Policies, Continued**

##### Revenue recognition:

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from donor restrictions.

##### Contributions:

Contributions are recognized when the donor makes a promise to give that, in substance, is unconditional. All contributions are considered to be available for use unless specifically restricted by the donor.

Deferred revenue results from funds received from restricted grants for which expenses have not yet been incurred, as well as from unearned revenue from exchange transactions.

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires or is met in the reporting period in which the support is recognized.

##### Promises to give:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. The Organization uses the allowance method to determine uncollectible unconditional promises to give when deemed necessary. The allowance is based on prior years' experience and management's analysis of specific promises made.

##### Marketable securities:

In the normal course of business, the Organization may receive donations of stock and securities as contributions from donors. These stocks and securities are valued at fair value on the date received since it is the Organization's policy to convert such contributions to cash as soon as possible. The Organization adjusts securities held at year end, if any, to fair value.

##### Compensated absences:

The Organization accounts for compensated absences (vacation pay), whereby a liability is recorded for employees' vested rights to receive compensation for future absences attributable to services already performed. No liability for sick pay is recorded since the rights to receive such pay are contingent on future services.

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## Harvest Hope Food Bank, Inc. and Subsidiaries

### *Notes to Consolidated Financial Statements*

*June 30, 2020 and 2019*

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#### **Note 1. Summary of Significant Accounting Policies, Continued**

##### *Donated services and supplies:*

The Organization receives a substantial amount of services donated by many individuals volunteering their time to the Organization's program services and fundraising events. No amounts have been recognized in the accompanying Consolidated Statements of Activities for these donated services because the criteria for recognition of such volunteer efforts have not been met. The Organization has recorded donated supplies of \$65,000 and \$0 for the years ended June 30, 2020 and 2019, respectively.

##### *Concentration of credit risk:*

The Organization places its cash and cash equivalents with high quality financial institutions. At times, deposits with financial institutions may exceed Federal Deposit Insurance Corporation insurance limits.

##### *Income taxes:*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying consolidated financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be substantiated upon examination by the IRS. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

##### *Use of estimates:*

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of results of operations during the reporting period. Actual results could differ from those estimates and assumptions.

##### *Advertising:*

Costs incurred for producing and communicating advertising and promotional material are expensed when incurred. The total promotional costs were \$38,408 and \$3,996 for the years ended June 30, 2020 and 2019, respectively.

## Harvest Hope Food Bank, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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#### Note 1. Summary of Significant Accounting Policies, Continued

##### Contingencies:

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Organization but which will only be resolved when one or more future events occur or fail to occur. The Organization's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgement. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Organization's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss is determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

##### Reclassifications:

Certain prior year consolidated financial statement amounts have been reclassified to conform to the current year presentation.

##### Expense allocation:

The costs of providing various programs and activities have been summarized on a functional basis in the Consolidated Statements of Activities and Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses of the Organization include:

**Program expenses** - Program expenses primarily include food distribution costs.

**Management and general expenses** - Management and general expenses include the general, administrative, and operating costs of the Organization.

**Fundraising expenses** - These expenses include direct and indirect activities undertaken to solicit contributions from donors.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Payroll and related expenses are allocated based on management's estimate of time and effort. The remainder of expenses are allocated based on direct costs to programs with the remainder allocated to management and general.

## Harvest Hope Food Bank, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### Note 1. Summary of Significant Accounting Policies, Continued

##### New accounting pronouncements:

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The clarifying guidance will be effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization has adopted this standard for the year ended June 30, 2020 and has adjusted the presentation of these statements accordingly.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Organization's net assets or changes in net assets.

##### Subsequent events:

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 15, 2020, the date the consolidated financial statements were available to be issued.

#### Note 2. Availability and Liquidity

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Consolidated Statement of Financial Position date of June 30, 2020, are comprised of the following at June 30, 2020:

Assets at year end	\$ 14,296,480
Less amounts not available to be used within one year due to illiquidity:	
Other assets	141,726
Inventory	2,928,436
Property and equipment, net	<u>3,301,374</u>
	<u>6,371,536</u>
Less amounts not available to be used within one year due to restrictions on use:	
CARES Act refundable advance	1,697,396
PPP refundable advance	666,460
Board/donor designations:	
Restricted amounts that may not be used within one year, net of spendable amounts and administrative fees	<u>100,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,461,088</u>

As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Organization invests excess cash in short-term investments, including money market accounts, and has the ability to redeem certain investments as necessary to meet its obligations.



## Harvest Hope Food Bank, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### Note 3. Inventory

Inventory consists of the following at June 30:

	Valuation Basis	2020	2019
Donated items	Pounds	\$ 1,618,505	\$ 1,131,971
Donated items	USDA	1,177,612	921,789
Purchased items	Cost	<u>132,319</u>	<u>70,467</u>
		<u>\$ 2,928,436</u>	<u>\$ 2,124,227</u>

#### Note 4. Property and Equipment

Property and equipment consists of the following at June 30:

	2020	2019
Land	\$ 679,134	\$ 679,134
Building and improvements	3,512,869	3,497,680
Furniture and equipment	1,599,848	1,569,242
Software	320,837	200,837
Autos and trucks	1,249,223	1,130,963
Website development	<u>-</u>	<u>8,000</u>
	7,361,911	7,085,856
Less accumulated depreciation and amortization	<u>4,060,537</u>	<u>3,716,152</u>
	<u>\$ 3,301,374</u>	<u>\$ 3,369,704</u>

Depreciation and amortization expense totaled \$352,384 and \$302,002 for the years ended June 30, 2020 and 2019, respectively.

#### Note 5. Board Designated Net Assets

The Board of Directors has established a contingency operating reserve of \$100,000. This reserve is internally designated to fund future operating expenses of the Organization.

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## Harvest Hope Food Bank, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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#### Note 6. Note Payable

Note payable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Mortgage payable to a bank in monthly installments of \$5,312 including interest of 3.75%; due May 2025. This note is secured by real estate.	\$ <u>523,027</u>	\$ <u>561,164</u>

Maturities of notes payable for the year following June 30, 2020 is as follows:

2021	\$ 100,587
2022	104,424
2023	108,408
2024	112,544
2025	<u>97,064</u>
	<u>\$ 523,027</u>

#### Note 7. Line of Credit

The Organization has a revolving line of credit for \$500,000 with a financial institution. This line of credit is collateralized by the Organization's mortgage payable and will continue in effect so long as the Organization's mortgage is outstanding. Borrowings outstanding on this facility were \$0 at June 30, 2020 and \$22,883 at June 30, 2019.

#### Note 8. Retirement Plan

The Organization has a retirement plan under Section 401(k) of the Internal Revenue Code. Under this plan, eligible employees may elect to defer a portion of their salaries until future years. The Organization will make a 25% matching contribution of the first 6% of base compensation that a participant contributes to the plan. The Organization contributed \$6,990 and \$12,953 to the plan for the years ended June 30, 2020 and 2019, respectively.

#### Note 9. Funds Held By Central Carolina Community Foundation

The Organization entered into an agreement with the Central Carolina Community Foundation (CCCF), a nonprofit agency, to create a charitable endowment fund for the purpose of investing and managing designated scholarship funds. Under the terms of this agreement, the fund is the property of CCCF, and CCCF has final authority over the operation and administration of the fund. The balance of the fund was \$198,305 and \$201,075 at June 30, 2020 and 2019, respectively.

#### Note 10. Commitments and Contingencies

The Organization leases warehouse and office space at several locations to support its operations. These leases vary in monthly payments from approximately \$500 to \$9,000 and have varying expiration dates through February 2023.

## Harvest Hope Food Bank, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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#### Note 10. Commitments and Contingencies, Continued

The Organization leases equipment such as postage machines, copiers, vehicles and a fork lift from various vendors. These equipment leases require monthly payments from approximately \$125 to \$7,000 with various lease expiration dates through July 2025.

In addition to the operating leases noted above, the Organization has entered into several service and maintenance agreements for its various locations. Agreement terms vary by location.

Future minimum commitments for the above leases, on an annual basis, are as follows for fiscal years ending June 30:

2021	\$ 226,620
2022	117,187
2023	79,331
2024	5,971
2025	5,971
	<u>\$ 435,080</u>

#### Note 11. Paycheck Protection Program Refundable Advance

During 2020, the Organization was awarded a loan in the amount of \$666,460, under the CARES Act, signed into United States law in March 2020 in response to COVID-19 events outlined above, which created a new lending program, the Paycheck Protection Program ("PPP"), within Section 7(a) of the Small Business Act (15 USC 636) to provide low-interest loans to certain small businesses for the purpose of covering payroll and other eligible expenses for a twenty-four-week period after receipt of the funds. The term of the loan is two years and payments are deferred six months with interest accruing over the period. However, the loan can be forgiven to the extent the Organization uses the funds for eligible expenses and maintains its workforce as specified in the CARES Act (Act Sec. 1106(b)).

#### Note 12. CARES Act Refundable Advance

During May 2020, the South Carolina Department of Agriculture provided CARES Act funding totaling \$1,697,396 to the Organization. These funds are eligible to be expended on food commodities and allowable administrative costs related to the distribution of food commodities such as transportation, storage, handling, repackaging, processing, and distribution. Management intends to expend these funds during fiscal year 2021 and the funds have been recorded as a refundable advance as of June 30, 2020.

#### Note 13. Risks and Uncertainties

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Organization, demand for the Organization's products and services, and the U.S. economy. These conditions could adversely affect the Organization's business, financial condition, and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of the Organization's operations or other businesses of the Organization's suppliers, which could significantly disrupt the Organization's operations. The extent of the adverse impact of the COVID-19 outbreak on the Organization cannot be predicted at this time.

## Harvest Hope Food Bank, Inc. and Subsidiaries

### Schedule of Expenditures of Federal Awards

For the year ended June 30, 2020

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Food Distribution Cluster		
U.S. Department of Agriculture		
Passed through S.C. Department of Social Services		
Commodity Supplemental Food Program	10.565	\$ 515,620
Emergency Food Assistance Program (Administrative Costs)	10.568	178,214
Emergency Food Assistance Program (Food Commodities)	10.569	<u>10,922,085</u>
Total Food Distribution Cluster		<u>11,615,919</u>
Total U.S. Department of Agriculture		<u>11,615,919</u>
Emergency Food and Shelter Program Cluster		
Federal Emergency Management Agency		
Passed through Department of Homeland Security		
The Emergency Food and Shelter National Board Program	97.024	<u>27,750</u>
Total Emergency Food and Shelter Program Cluster		<u>27,750</u>
Total Federal Emergency Management Agency		<u>27,750</u>
		<u>\$ 11,643,669</u>

#### A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2020. 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)*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position or cash flows of the Organization.

#### B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting as applicable to governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**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***

The Board of Directors  
Harvest Hope Food Bank, Inc. and Subsidiaries  
Columbia, South Carolina

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 consolidated financial statements of Harvest Hope Food Bank, Inc. and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of and for the year ended June 30, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 15, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated 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 were not identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated 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.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
December 15, 2020

**Independent Auditor's Report on Compliance for Each Major Program and  
on Internal Control Over Compliance Required by the Uniform Guidance**

The Board of Directors  
Harvest Hope Food Bank, Inc. and Subsidiaries  
Columbia, South Carolina

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

We have audited Harvest Hope Food Bank, Inc. and Subsidiaries (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Organization, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
December 15, 2020



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# Harvest Hope Food Bank, Inc. and Subsidiaries

## Schedule of Findings and Questioned Costs

For the year ended June 30, 2020

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### I. Summary of Auditor's Results

#### Financial Statements

- |   |               |
|---|---------------|
| (a.) Type of auditor's report:  | Unmodified    |
| (b.) Internal control over financial reporting:   |               |
| 1) Material weaknesses identified:  | No            |
| 2) Significant deficiencies identified that are not considered to be material weaknesses: | None reported |
| (c.) Noncompliance material to financial statements noted:                                | No            |

#### Federal Awards

- |   |               |
|---|---------------|
| (a.) Internal control over major programs:  |               |
| 1) Material weaknesses identified:  | No            |
| 2) Significant deficiencies identified that are not considered to be material weaknesses:     | None reported |
| (b.) Type of auditor's report issued on compliance for major federal programs:                | Unmodified    |
| (c.) Audit findings that are required to be reported in accordance with the Uniform Guidance: | No            |
| (d.) Identification of major program:   |               |

<u>CFDA Numbers</u>	<u>Name of federal program or cluster</u>
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10.565, 10.568, 10.569	Food Distribution Cluster
------------------------	---------------------------

- |   |           |
|---|-----------|
| (e.) Dollar threshold used to distinguish between type A and type B Programs: | \$750,000 |
| (f.) Auditee qualified as low risk auditee?                                   | Yes       |

II. Findings – Financial Statement Audit	None reported
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III. Findings and Questioned Costs Relating to Federal Awards	None reported
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