

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

***Report on Consolidated Financial Statements***

***For the years ended June 30, 2021 and 2020***

# 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, 2021 and 2020, 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 opinions 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 audits 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, 2021 and 2020, 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 March 28, 2022, 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  
March 28, 2022

## Harvest Hope Food Bank, Inc. and Subsidiaries

### Consolidated Statements of Financial Position

As of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 12,220,082	\$ 7,841,966
Inventory	2,356,358	2,928,436
Accounts receivable	77,344	82,978
Other assets	332,122	141,726
Property and equipment, net	3,473,601	3,301,374
Total assets	<u>\$ 18,459,507</u>	<u>\$ 14,296,480</u>
<b>Liabilities</b>		
Accounts payable	\$ 280,486	\$ 268,005
Accrued expenses	189,876	262,957
Deferred revenue	43,969	102,250
COVID-19 refundable advance	1,053,448	1,697,396
Paycheck Protection Program (PPP) refundable advance	-	666,460
Note payable	474,862	523,027
Total liabilities	<u>2,042,641</u>	<u>3,520,095</u>
<b>Net assets</b>		
Without donor restrictions		
Undesignated	15,720,549	10,443,287
Board designated	100,000	100,000
Total net assets without donor restrictions	<u>15,820,549</u>	<u>10,543,287</u>
With donor restrictions	596,317	233,098
Total net assets	<u>16,416,866</u>	<u>10,776,385</u>
Total liabilities and net assets	<u>\$ 18,459,507</u>	<u>\$ 14,296,480</u>

See Notes to Consolidated Financial Statements

## Harvest Hope Food Bank, Inc. and Subsidiaries

### Consolidated Statement of Activities

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenues</b>			
Public support			
Shared maintenance contributions and fees	\$ 563,739	\$ -	\$ 563,739
Program income	507,914	-	507,914
Support from United Way	158,713	-	158,713
Support from public contributions	6,978,484	1,653,317	8,631,801
Special events	54,659	-	54,659
Donated services, supplies and equipment	1,700	-	1,700
Donated inventory product	28,200,262	-	28,200,262
Total public support	<u>36,465,471</u>	<u>1,653,317</u>	<u>38,118,788</u>
Grants, federal funds and private donations			
Donated inventory product	11,336,029	-	11,336,029
Reimbursed costs	667,312	-	667,312
Commodity Supplemental Food Program	221,008	-	221,008
Grants	1,724,273	-	1,724,273
PPP forgiveness	666,460	-	666,460
Total grants, federal funds and private donations	<u>14,615,082</u>	<u>-</u>	<u>14,615,082</u>
Other revenue			
Miscellaneous	146,505	-	146,505
Interest income	27,567	-	27,567
Total other revenue	<u>174,072</u>	<u>-</u>	<u>174,072</u>
Total support and revenues	<u>51,254,625</u>	<u>1,653,317</u>	<u>52,907,942</u>
<b>Expenses</b>			
Program services			
Hunger and nutrition education	1,557,536	-	1,557,536
Agency food distributions	37,612,456	-	37,612,456
Emergency food box program	7,311,925	-	7,311,925
Total program services	<u>46,481,917</u>	<u>-</u>	<u>46,481,917</u>
Supporting services			
Fundraising	375,765	-	375,765
Management and general	409,779	-	409,779
Total supporting services	<u>785,544</u>	<u>-</u>	<u>785,544</u>
Total expenses	<u>47,267,461</u>	<u>-</u>	<u>47,267,461</u>
<b>Assets released from donor restrictions</b>	<u>1,290,098</u>	<u>(1,290,098)</u>	<u>-</u>
Change in net assets	5,277,262	363,219	5,640,481
<b>Net assets, beginning of year</b>	<u>10,543,287</u>	<u>233,098</u>	<u>10,776,385</u>
<b>Net assets, end of year</b>	<u>\$ 15,820,549</u>	<u>\$ 596,317</u>	<u>\$ 16,416,866</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	<u>44,093,435</u>	<u>1,936,361</u>	<u>46,029,796</u>
Grants, federal funds and private donations			
Donated inventory product	10,922,085	-	10,922,085
Reimbursed costs	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	<u>13,488,532</u>	<u>-</u>	<u>13,488,532</u>
Other revenue			
Interest income	6,022	-	6,022
Miscellaneous	248,706	-	248,706
Total other revenue	<u>254,728</u>	<u>-</u>	<u>254,728</u>
Total support and revenues	<u>57,836,695</u>	<u>1,936,361</u>	<u>59,773,056</u>
<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	<u>52,805,302</u>	<u>-</u>	<u>52,805,302</u>
Supporting services			
Fundraising	409,050	-	409,050
Management and general	440,493	-	440,493
Total supporting services	<u>849,543</u>	<u>-</u>	<u>849,543</u>
Total expenses	<u>53,654,845</u>	<u>-</u>	<u>53,654,845</u>
<b>Assets released from restrictions</b>	<u>1,872,279</u>	<u>(1,872,279)</u>	<u>-</u>
Change in net assets	6,054,129	64,082	6,118,211
<b>Net assets, beginning of year</b>	<u>4,489,158</u>	<u>169,016</u>	<u>4,658,174</u>
<b>Net assets, end of year</b>	<u>\$ 10,543,287</u>	<u>\$ 233,098</u>	<u>\$ 10,776,385</u>

See Notes to Consolidated Financial Statements

## Harvest Hope Food Bank, Inc. and Subsidiaries

### Consolidated Statements of Cash Flows

For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b><i>Cash flows from operating activities</i></b>		
Change in net assets	\$ 5,640,481	\$ 6,118,211
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	397,869	352,384
Forgiveness of PPP refundable advance	(666,460)	-
COVID-19 refundable advance	(643,948)	-
Changes in deferred amounts		
Accounts receivable	5,634	(82,978)
Inventory	572,078	(804,209)
Other assets	(190,396)	(57,325)
Accounts payable	12,481	101,689
Accrued expenses	(73,081)	100,172
Deferred revenue	(58,281)	(155,000)
Net cash provided by operating activities	<u>4,996,377</u>	<u>5,572,944</u>
<b><i>Investing activities</i></b>		
Purchases of property and equipment	(570,096)	(284,054)
Net cash used for investing activities	<u>(570,096)</u>	<u>(284,054)</u>
<b><i>Financing activities</i></b>		
Proceeds from PPP	-	666,460
Proceeds from COVID-19 refundable advance	-	1,697,396
Payments on line of credit	-	(22,883)
Payments on note payable	(48,165)	(38,137)
Net cash provided by (used for) financing activities	<u>(48,165)</u>	<u>2,302,836</u>
Net change in cash and cash equivalents	4,378,116	7,591,726
<b><i>Cash and cash equivalents, beginning of year</i></b>	7,841,966	250,240
<b><i>Cash and cash equivalents, end of year</i></b>	<u>\$ 12,220,082</u>	<u>\$ 7,841,966</u>
<b><i>Supplemental cash flow information</i></b>		
Cash paid for interest	<u>\$ 18,845</u>	<u>\$ 25,792</u>
<b><i>Noncash investing and financing activities</i></b>		
Forgiveness of PPP refundable advance	<u>\$ (666,460)</u>	<u>\$ -</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, 2021*

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	\$ -	\$ 34,645,061	\$ 6,113,834	\$ 40,758,895	\$ -	\$ -	\$ -	\$ 40,758,895
Salaries and related expenses	434,952	1,708,738	279,612	2,423,302	341,748	341,747	683,495	3,106,797
Professional fees	223,094	250,135	182,531	655,760	6,760	13,521	20,281	676,041
Supplies	47,972	53,787	39,250	141,009	1,454	2,907	4,361	145,370
Telephone	23,518	26,369	19,242	69,129	713	1,425	2,138	71,267
Postage and freight	50,710	56,857	41,490	149,057	1,537	3,073	4,610	153,667
Building insurance	25,877	29,014	21,172	76,063	784	1,568	2,352	78,415
Utilities	151,707	170,095	124,124	445,926	4,597	9,194	13,791	459,717
Uniforms	-	-	-	-	-	1	1	1
Building and grounds maintenance	119,955	134,495	98,145	352,595	3,635	7,270	10,905	363,500
Printing	30,296	33,969	24,788	89,053	918	1,835	2,753	91,806
Conferences and meetings	3,538	3,967	2,895	10,400	107	214	321	10,721
Travel and entertainment	6,891	7,726	5,638	20,255	209	418	627	20,882
Volunteer recognition expenses	6,819	7,646	5,580	20,045	207	413	620	20,665
Rent	172,737	193,675	141,330	507,742	5,234	10,469	15,703	523,445
Vehicle expense	71,772	80,472	58,723	210,967	2,175	4,350	6,525	217,492
Miscellaneous	7,041	7,895	5,761	20,697	213	427	640	21,337
Dues and subscriptions	39,175	43,923	32,052	115,150	1,187	2,374	3,561	118,711
Bank charges	3,966	4,447	3,245	11,658	120	240	360	12,018
Total before interest, depreciation and amortization	1,420,020	37,458,271	7,199,412	46,077,703	371,598	401,446	773,044	46,850,747
Interest expense	6,219	6,973	5,088	18,280	188	377	565	18,845
Depreciation and amortization	131,297	147,212	107,425	385,934	3,979	7,956	11,935	397,869
Total interest, depreciation, and amortization	137,516	154,185	112,513	404,214	4,167	8,333	12,500	416,714
Total expenses	\$ 1,557,536	\$ 37,612,456	\$ 7,311,925	\$ 46,481,917	\$ 375,765	\$ 409,779	\$ 785,544	\$ 47,267,461

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

### *Notes to Consolidated Financial Statements*

*June 30, 2021 and 2020*

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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.

In January 2020, the World Health Organization declared the coronavirus outbreak (“COVID-19”) a “Public Health Emergency of International Concern” and in March 2020, declared COVID-19 a pandemic. For the past two fiscal years, the impact of COVID-19 has affected the Organization’s operations, donors, suppliers, vendors, and other key stakeholders. The Organization’s financial statements reflect significant increases to certain balances and results from historical levels (cash, public contributions, food sourcing, and net assets, etc.) as a result of the public response to COVID-19 in the last few months of fiscal year 2020 as well as hunger awareness throughout fiscal year 2021.

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, 2021 and 2020.

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, 2021 and 2020.

##### 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.

# Harvest Hope Food Bank, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

#### 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.

#### 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, 2021 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, 2021 and 2020, 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, 2021 and 2020, have been priced at the Feeding America rates of \$1.79 and \$1.74 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.

# Harvest Hope Food Bank, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

#### 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

#### 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.

#### 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.

# Harvest Hope Food Bank, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

#### 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.

#### 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 \$1,700 and \$65,000 for the years ended June 30, 2021 and 2020, 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, 2021 and 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 \$19,241 and \$38,408 for the years ended June 30, 2021 and 2020, respectively.

## Harvest Hope Food Bank, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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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.

##### 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, 2021 and 2020

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

#### New accounting pronouncements:

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Subtopic 842). The ASU will require organizations to recognize lease assets and lease liabilities and disclose key information about leasing arrangements. This standard is effective for annual reporting periods beginning after December 15, 2021. The Organization is currently in the process of evaluating the impact of adoption of this guidance.

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 March 28, 2022, 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, 2021, are comprised of the following at June 30, 2021:

Assets at year-end	<u>\$ 18,459,507</u>
Less amounts not available to be used within one year due to illiquidity:	
Other assets	332,122
Inventory	2,356,358
Property and equipment, net	<u>3,473,601</u>
	<u>6,162,081</u>
Less amounts not available to be used within one year due to restrictions on use:	
Board/donor designations:	
Restricted amounts that may not be used within one year, net of spendable amounts and administrative fees	<u>596,317</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,701,109</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, 2021 and 2020

#### Note 3. Inventory

Inventory consists of the following at June 30:

	<u>Valuation Basis</u>	<u>2021</u>	<u>2020</u>
Donated items	Pounds	\$ 1,369,874	\$ 1,618,505
Donated items	USDA	831,232	1,177,612
Purchased items	Cost	<u>155,252</u>	<u>132,319</u>
		<u>\$ 2,356,358</u>	<u>\$ 2,928,436</u>

#### Note 4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 679,134	679,134
Building and improvements	3,593,755	3,512,869
Furniture and equipment	1,962,052	1,599,848
Software	320,837	320,837
Autos and trucks	<u>1,376,230</u>	<u>1,249,223</u>
	7,932,008	7,361,911
Less accumulated depreciation and amortization	<u>4,458,407</u>	<u>4,060,537</u>
	<u>\$ 3,473,601</u>	<u>\$ 3,301,374</u>

Depreciation and amortization expense totaled \$397,869 and \$352,384 for the years ended June 30, 2021 and 2020, 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.

#### Note 6. Note Payable

Note payable consist of the following at June 30:

	<u>2021</u>	<u>2020</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>\$ 474,862</u>	<u>\$ 523,027</u>

## Harvest Hope Food Bank, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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#### Note 6. Note Payable, Continued

Maturities of notes payable for the year following June 30, 2021 is as follows:

2022	\$	45,965
2023		47,743
2024		49,554
2025		<u>331,600</u>
	\$	<u>474,862</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 building mortgage and will continue in effect so long as the Organization's mortgage is outstanding. Borrowings outstanding on this facility were \$0 at June 30, 2021 and June 30, 2020.

#### 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 \$11,869 and \$6,990 to the plan for the years ended June 30, 2021 and 2020, 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 \$226,043 and \$198,305 at June 30, 2021 and 2020, 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. 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. Management anticipates similar amounts in future periods.

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.