

Financial Statements

***SECOND HARVEST FOOD BANK OF
CENTRAL FLORIDA, INC.***

June 30, 2023 and 2022

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Financial Statements

June 30, 2023 and 2022

(With Independent Auditor's Report Thereon)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

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SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

Certified Public Accountants

Michael R. Schafer, CPA
Thomas R. Tschopp, CPA
Tom V. Whitcomb, CPA

541 S. Orlando Avenue, Suite 312
Maitland, Florida 32751
(407) 875-2760

Joseph P. Mitchell, CPA
Stephen J. Sheridan, CPA
Daniel M. Hinson, CPA

Independent Auditor's Report

The Board of Directors
Second Harvest Food Bank of Central Florida, Inc.:

Opinion

We have audited the accompanying financial statements of Second Harvest Food Bank of Central Florida, Inc., which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Second Harvest Food Bank of Central Florida, Inc. as of June 30, 2023 and 2022, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Second Harvest Food Bank of Central Florida, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Second Harvest Food Bank of Central Florida, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Second Harvest Food Bank of Central Florida, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Second Harvest Food Bank of Central Florida, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Second Harvest Food Bank of Central Florida, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 16, 2023 on our consideration of Second Harvest Food Bank of Central Florida, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Second Harvest Food Bank of Central Florida, Inc.'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 Second Harvest Food Bank of Central Florida, Inc.'s internal control over financial reporting and compliance.

Schaefer, Tschoy, Whittemut, Mitchell & Shuilen, LLP

October 16, 2023
Maitland, Florida

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statements of Financial Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and equivalents	\$ 2,774,320	2,096,302
Investments (note 3)	17,117,774	14,194,805
Accounts receivable	6,839,857	9,487,578
Inventories (note 4)	5,050,182	4,332,559
Prepaid expenses and other assets	271,314	246,518
Assets held by Central Florida Foundation, Inc. (note 9)	313,285	292,168
Operating lease (ROU) asset (note 10)	831,444	1,067,620
Property and equipment, net (note 5)	14,375,504	14,379,947
Total assets	<u>\$ 47,573,680</u>	<u>46,097,497</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 2,103,982	2,221,860
Operating lease liability (note 10)	831,444	1,067,620
Total liabilities	<u>2,935,426</u>	<u>3,289,480</u>
Commitments and contingencies (notes 6, 8, and 10)		
Net assets		
Without donor restrictions:		
Designated by the board (note 6)	5,539,120	6,000,481
Undesignated, available for general activities	14,857,272	11,775,294
Donated inventories	2,439,064	2,334,310
Property and equipment	14,375,504	14,379,947
Total net assets without donor restrictions	37,210,960	34,490,032
With donor restrictions (note 7)	7,427,294	8,317,985
Total net assets	<u>44,638,254</u>	<u>42,808,017</u>
Total liabilities and net assets	<u>\$ 47,573,680</u>	<u>46,097,497</u>

See accompanying notes to financial statements.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statement of Activities

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gain or losses, and other support:			
Contributions and grants	\$ 13,856,175	16,700,197	30,556,372
Value of contributed inventory, equipment, facilities and services	119,040,357	-	119,040,357
Fees from providing services	4,128,821	-	4,128,821
Power purchase sales	4,999,395	-	4,999,395
United Way revenue	254,270	-	254,270
Investment and interest income, net	955,637	21,117	976,754
Other, net	(5,876)	-	(5,876)
Net assets released from restrictions:			
Satisfaction of program and time restrictions	17,612,005	(17,612,005)	-
Total revenues, gain or losses, and other support	<u>160,840,784</u>	<u>(890,691)</u>	<u>159,950,093</u>
Expenses			
Program services (includes value of food distributed and spoilage of \$118,951,700)	152,817,975	-	152,817,975
Supporting activities:			
Management and general	1,862,991	-	1,862,991
Fund-raising and development	4,096,517	-	4,096,517
Total supporting activities	<u>5,959,508</u>	<u>-</u>	<u>5,959,508</u>
Total expenses	<u>158,777,483</u>	<u>-</u>	<u>158,777,483</u>
Change in net assets	<u>\$ 2,063,301</u>	<u>(890,691)</u>	<u>1,172,610</u>

See accompanying notes to financial statements.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statement of Activities

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gain or losses, and other support:			
Contributions and grants	\$ 12,837,959	16,893,346	29,731,305
Value of contributed inventory, equipment, facilities and services	154,516,515	-	154,516,515
Fees from providing services paid by agencies	3,606,160	-	3,606,160
Power purchase sales	5,285,874	-	5,285,874
United Way revenue	257,088	-	257,088
Investment loss and interest income , net	(1,944,462)	(32,985)	(1,977,447)
Other, net	28,107	-	28,107
Net assets released from restrictions:			
Satisfaction of program and time restrictions	11,408,143	(11,408,143)	-
Total revenues, gain or losses, and other support	<u>185,995,384</u>	<u>5,452,218</u>	<u>191,447,602</u>
Expenses			
Program services (includes value of food distributed and spoilage of \$155,773,992)	182,984,694	-	182,984,694
Supporting activities:			
Management and general	1,835,326	-	1,835,326
Fund-raising and development	3,414,717	-	3,414,717
Total supporting activities	<u>5,250,043</u>	<u>-</u>	<u>5,250,043</u>
Total expenses	<u>188,234,737</u>	<u>-</u>	<u>188,234,737</u>
Change in net assets	<u>\$ (2,239,353)</u>	<u>5,452,218</u>	<u>3,212,865</u>

See accompanying notes to financial statements.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statement of Changes in Net Assets

Years ended June 30, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets at June 30, 2021	\$ 36,729,385	2,865,767	39,595,152
Change in net assets	<u>(2,239,353)</u>	<u>5,452,218</u>	<u>3,212,865</u>
Net assets at June 30, 2022	34,490,032	8,317,985	42,808,017
Merger with First Step Food Bank (note 11)	657,627	-	657,627
Change in net assets	<u>2,063,301</u>	<u>(890,691)</u>	<u>1,172,610</u>
Net assets at June 30, 2023	<u><u>\$ 37,210,960</u></u>	<u><u>7,427,294</u></u>	<u><u>44,638,254</u></u>

See accompanying notes to financial statements.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statement of Functional Expenses

Year ended June 30, 2023

	<u>Programs</u>	<u>Management and General</u>	<u>Fund-raising and Development</u>	<u>Total</u>
Salaries and wages	\$ 6,653,751	1,004,610	1,323,394	8,981,755
Employee benefits and payroll taxes	1,711,998	246,479	299,545	2,258,022
Total salaries and benefits	8,365,749	1,251,089	1,622,939	11,239,777
Value of gifts in-kind	118,955,340	-	-	118,955,340
Contract labor	692,539	29,197	14,011	735,747
Direct mail, marketing and special events	59,571	2,140	2,003,254	2,064,965
Purchased food distributed and direct program supplies	18,482,580	-	-	18,482,580
Insurance	181,909	33,888	12,706	228,503
Licenses and fees	15,463	798	-	16,261
Maintenance and rental of equipment	426,260	-	-	426,260
Meetings, conferences and transportation	243,643	51,392	160,556	455,591
Miscellaneous	32,060	81,677	131,751	245,488
Dues and subscriptions	105,050	25,648	6,931	137,629
Occupancy	499,101	-	-	499,101
Office expenses and supplies	59,771	32,774	5,815	98,360
Postage and shipping	14,531	3,654	27,057	45,242
Printing and publications	13,051	22,959	21,606	57,616
Professional and contractual fees	113,736	270,057	37,270	421,063
Telephone	54,546	19,002	3,950	77,498
Trucking, freight, and fuel costs	3,161,679	-	-	3,161,679
Utility costs	290,782	38,716	48,671	378,169
Total expenses before depreciation	151,767,361	1,862,991	4,096,517	157,726,869
Depreciation of property and equipment	1,050,614	-	-	1,050,614
Total expenses	<u>\$ 152,817,975</u>	<u>1,862,991</u>	<u>4,096,517</u>	<u>158,777,483</u>

See accompanying notes to financial statements.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statement of Functional Expenses

Year ended June 30, 2022

	<u>Programs</u>	<u>Management and General</u>	<u>Fund-raising and Development</u>	<u>Total</u>
Salaries and wages	\$ 5,539,252	1,079,891	1,246,427	7,865,570
Employee benefits and payroll taxes	1,412,359	208,934	267,976	1,889,269
Total salaries and benefits	6,951,611	1,288,825	1,514,403	9,754,839
Value of gifts in-kind	155,787,436	-	-	155,787,436
Contract labor	427,644	54,030	10,245	491,919
Direct mail, marketing and special events	13,780	-	1,585,969	1,599,749
Purchased food distributed and direct program supplies	14,790,566	245	-	14,790,811
Insurance	163,746	33,018	6,646	203,410
Licenses and fees	16,270	275	410	16,955
Maintenance and rental of equipment	296,982	-	-	296,982
Meetings, conferences and transportation	118,515	44,999	57,267	220,781
Miscellaneous	20,635	102,195	124,225	247,055
Dues and subscriptions	82,478	15,740	14,920	113,138
Occupancy	426,502	11	8,950	435,463
Office expenses and supplies	39,489	29,919	11,469	80,877
Postage and shipping	6,616	7,335	26,645	40,596
Printing and publications	2,391	14,062	10,938	27,391
Professional and contractual fees	1,016,842	212,146	30,707	1,259,695
Telephone	45,504	21,255	3,793	70,552
Trucking, freight, and fuel costs	1,518,882	-	-	1,518,882
Utility costs	262,996	11,271	8,130	282,397
Total expenses before depreciation	181,988,885	1,835,326	3,414,717	187,238,928
Depreciation of property and equipment	995,809	-	-	995,809
Total expenses	<u>\$ 182,984,694</u>	<u>1,835,326</u>	<u>3,414,717</u>	<u>188,234,737</u>

See accompanying notes to financial statements.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statement of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,172,610	3,212,865
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,050,614	995,809
In-kind contributions of food	(119,040,357)	(154,516,515)
Distribution and spoilage of donated food	118,951,700	155,773,992
Net unrealized (gain) loss on investments	(935,925)	1,579,245
Net increase (decrease) in cash flow from changes in:		
Accounts receivable	2,651,469	(5,811,273)
Purchased/production inventories	(616,850)	(106,010)
Prepaid expenses and other assets	(17,571)	84,517
Assets held by Central Florida Foundation, Inc.	(21,117)	32,985
Accounts payable and accrued expenses	118,470	441,887
Net cash provided by operating activities	<u>3,313,043</u>	<u>1,687,502</u>
Cash flows from investing activities:		
Disposition (purchase) of investments, net	(1,987,044)	(5,757,654)
Purchases of property and equipment	(875,016)	(372,626)
Net assets acquired in merger with First Step Food Bank net cash of cash and investments acquired (note 11)	<u>227,035</u>	<u>-</u>
Net cash used in investing activities	<u>(2,635,025)</u>	<u>(6,130,280)</u>
Net increase (decrease) in cash and cash equivalents	678,018	(4,442,778)
Cash and cash equivalents at beginning of year	<u>2,096,302</u>	<u>6,539,080</u>
Cash and cash equivalents at end of year	<u>\$ 2,774,320</u>	<u>2,096,302</u>
Supplemental information:		
Cash paid for interest	<u>\$ -</u>	<u>-</u>

See accompanying notes to financial statements.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial statements

June 30, 2023 and 2022

(1) Summary of Significant Accounting Policies

(a) Organization

Second Harvest Food Bank of Central Florida, Inc. (Organization or Food Bank), is a Florida not-for-profit corporation organized to serve as a clearing house to collect, store, and redistribute surplus food to charitable 501(c)(3) organizations that operate on-site or emergency food distribution services.

Donors, such as processors, wholesalers, distributors, restaurants and resorts, provide the Organization with usable food that is not saleable because the food has been overproduced, discontinued, or will soon be out-of-date.

Second Harvest Food Bank is a member of Feeding America, a network of food banks and food rescue organizations nationwide that collect food from throughout the food industry for distribution to non-profit feeding programs.

(b) Basis of Presentation

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

The Organization prepares its financial statements on an entity wide basis, focusing on the organization as a whole. Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions---Net assets that are not subject to donor-imposed stipulations and, therefore, available for use in general operations.
- Net assets with donor restrictions---Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donor-imposed restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

The Food Bank's resources as presented on the statements of activities and changes in net assets include revenue, gains or loss, and other support. Revenue consists of fees earned for the performance of Organization services, public support such as contributions and grants, investment income which consists of dividends, interest, rents and similar payments on assets held as investments, and other revenue or support. Rents are presented separately from

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial statements

June 30, 2023 and 2022

(1) Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation (Continued)

investment income on the statements of activities and changes in net assets. Public support such as contributions and grants are unconditional gifts to the Organization of cash or other assets in a voluntary nonreciprocal transfer by another entity. Gains or losses result from activities that are peripheral or incidental to the Organization and are reported net.

Revenue, gains, and other support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses and losses are reported as decreases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expirations of restrictions on net assets (i.e., the Donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Contributions, including unconditional promises to give, less an allowance for uncollectible accounts, are recognized as revenue in the period made or received. United Way and other pledges are recorded as unconditional promises to give and net assets with donor restrictions in the period that notification is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. The Organization also receives indications of intent to support, which are commitments that are open-ended and subject to unilateral change by the donor. The amounts are not measurable since the commitments do not express a term or period. Thus, they are not considered to be unconditional promises to give and are not recognized prior to the receipt of the contribution.

Contributions of assets, materials, and facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the financial statements as an asset or expense and revenue. For the year ended June 30, 2023, in-kind contributions consisted of USDA food inventory and donated food inventory valued at approximately \$119,000,000. Contributed food inventory was redistributed to charitable organizations at a value of approximately \$118,952,000 for the year ended June 30, 2023. In addition, the Organization receives contributed time related to various program services and construction projects. These contributed services are recorded at their estimated fair value at the date of service if they meet the following criteria: (a) the services would have otherwise been purchased by the Organization, and (b) the services required specialized skills. Donated use of facilities is recognized as expense and revenue. For the years ended June 30, 2023 and 2022, there were donated equipment/supplies and marketing services amounting to approximately \$2,000 and \$13,000, respectively.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial statements

June 30, 2023 and 2022

(1) Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation (Continued)

A substantial number of unpaid volunteers have made significant contributions of their time to provide assistance to the Food Bank in its program and support activities (approximately 120,000 hours). The value of contributed time of part-time volunteers has not been recorded in the accompanying financial statements since specialized skills were not required.

(c) Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to their nearness of maturity and resulting use of cash.

(d) Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts and are recorded net of contractual adjustments and an allowance for doubtful accounts. The allowance for doubtful accounts is estimated by management based on the Organization's prior years' experience and a review of the current status of the existing receivables. Adjustments to the allowance for doubtful accounts are recorded to an expense account. When management determines that a receivable is uncollectible, it is removed from accounts receivable and is charged to the allowance for doubtful accounts. No allowance is established at June 30, 2023 as management believes all amounts are collectible.

(e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Food Bank considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(g) Restricted Cash

As applicable, cash which is externally restricted by agreements is classified as restricted cash and is not available for general operating purposes.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial statements

June 30, 2023 and 2022

(1) Summary of Significant Accounting Policies (Continued)

(h) Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which is considered a fair measure of the value at the date of donation).

(i) Inventories

Purchased food inventory is stated at the lower of cost (determined on first-in, first-out basis) or market.

USDA food inventory and donated food inventory is valued at the approximate average wholesale value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology prepared by Feeding America, at each calendar year end. This value for donated food inventory was \$1.93 and \$1.92 per pound in 2023 and 2022, respectively. The value for USDA food inventory was \$1.57 and \$1.53 per pound in 2023 and 2022, respectively.

(j) Property and Equipment

Purchased property and equipment are stated at cost. Donated property and equipment are stated at estimated fair market value at the date of donation. Depreciation is computed on a straight-line method over the estimated useful lives of the related assets which range from 5 to 30 years. All property expenditures in excess of \$5,000 are capitalized; maintenance and renewals are charged to expense as incurred.

(k) Income Taxes

The Food Bank is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. In addition, the Food Bank has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

In accordance with "Income Taxes" FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial statements

June 30, 2023 and 2022

(1) Summary of Significant Accounting Policies (Continued)

(k) Income Taxes (Continued)

an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2023, the Food Bank had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Food Bank's income tax returns are subject to review and examination by federal authorities. The Food Bank is not aware of any activities that would jeopardize its tax-exempt status. The Food Bank is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The tax returns for the fiscal years ended from 2020 to 2022 are open to examination by federal authorities.

(l) Functional Allocation of Expenses

The costs of providing Organization programs and administration of the Organization have been summarized on a functional basis as indicated in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation of expenses according to function, including payroll and occupancy costs which cannot be directly attributed to specific functions, is based on estimates by the Organization's management, of the time of employees involved and of percentages of assets utilized.

(m) Concentration of Credit Risk

The Food Bank solicits food on behalf of participating local social service agencies, all of which are 501(c)(3) organizations. These agencies contribute to the costs of food collection and storage by paying the Food Bank a "handling fee" for food received. The Food Bank grants credit to these agencies, all of which are located in Central Florida.

The Food Bank maintains its cash and cash equivalents in deposit and money market accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk related to cash and cash equivalents.

(n) Fair Value of Financial Instruments

The Food Bank's financial instruments are cash and cash equivalents, investments, prepaid expenses and deposits, short-term receivables, long-term receivables, accounts payable and accrued expenses.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial statements

June 30, 2023 and 2022

(1) Summary of Significant Accounting Policies (Continued)

(n) Fair Value of Financial Instruments (Continued)

The recorded values of cash and cash equivalents, prepaid expenses and deposits, short-term receivables, accounts payable and accrued expenses approximate their fair value based on their short-term nature.

The recorded net present value of long-term receivables approximates fair value, as the discount rate approximates market rates.

The recorded value of investments approximates fair value based on quoted market prices (Level 1 inputs) in active markets for identical assets or liabilities (see note 3).

(o) Long-Lived Assets

The Food Bank follows the policy of lifting restrictions on contributions of cash and other assets received for the acquisition of long-lived assets when the long-lived assets are acquired. In accordance with generally accepted accounting principles, long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Food Bank first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market value and third-party independent appraisals, as considered necessary. No impairment charges have been recorded in the accompanying financial statements related to long-lived assets.

(p) Recently Adopted Accounting Standard

The Organization adopted FASB Accounting Standards Codification (ASC) Topic 842, Leases, using the practical expedient method and, accordingly, did not record a cumulative effect adjustment to beginning fund balance and did not restate prior periods. The Organization elected the package of practical expedients which allowed them to carry forward their historical lease classification. The new standard established a right of use (ROU) model that requires a lessee to record an ROU asset and corresponding lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the operating statement. Leases with a term of less than 12 months or are immaterial in nature will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term. (Also see note 10)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial statements

June 30, 2023 and 2022

(1) Summary of Significant Accounting Policies (Continued)

(q) Subsequent Events

In preparing these financial statements, the Food Bank has evaluated subsequent events and transactions for potential recognition and disclosure through October 16, 2023, which is the date the financial statements were available to be issued.

(2) Liquidity and Availability

As of June 30, 2023, the Organization has approximately \$26,700,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table reflects the Organization's financial assets as of June 30, 2023 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

Cash and cash equivalents	\$ 2,774,320
Accounts receivable	6,839,857
Investments/Central Florida Foundation, Inc.	<u>17,431,059</u>
Subtotal of financial assets	27,045,236
Amounts not available for general expenditure within one year:	
Restricted - Central Florida Foundation, Inc.	<u>(313,285)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 26,731,951</u>

(3) Investments

The Food Bank has adopted accounting standards for fair value measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements of assets and liabilities to include disclosure about inputs used in the determination of fair value using the three categories listed below.

These accounting standards apply under other accounting pronouncements previously issued by the Financial Accounting Standards Board, or FASB, which require or permit fair measurements. The adoption of the new accounting standards did not impact the Organization's financial position or results of operations.

Fair value is defined under "Fair Value Measurements and Disclosures," FASB Accounting Standards Codification Topic 820 (Topic 820) as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial statements

June 30, 2023 and 2022

(3) Investments (Continued)

between market participants on the measurement date. Topic 820 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of inputs to the valuation methodology are:

- Level 1 quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 unobservable and significant to the fair value measurement of the asset or liability.

At June 30, 2023 and 2022, the Food Bank's investment portfolio consisted of mutual funds and marketable equity securities carried at fair value.

The following table summarizes the valuation of the Food Bank's financial assets measured at fair value on a recurring basis as of June 30, 2023, based on level 1 inputs utilized to measure fair value:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds/equities	\$ 14,037,896	13,398,603
Certificate of deposit	1,830,000	1,853,183
Cash	1,865,988	1,865,988
	<u>\$ 17,733,884</u>	<u>17,117,774</u>

Investment and interest income as reported in the accompanying statements of activities includes net unrealized gains of approximately \$936,000 and unrealized losses of \$1,580,000 in 2023 and 2022, respectively, associated with the investments reflected herein.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial statements

June 30, 2023 and 2022

(4) Inventories

Inventories at June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Donated food	\$ 1,691,107	2,038,677
USDA food	747,957	295,633
Purchased food	2,200,475	1,690,480
Production inventory and other	410,643	307,769
	<u>\$ 5,050,182</u>	<u>4,332,559</u>

(5) Property and Equipment

The following is a summary of the components of property and equipment at June 30, 2023 and 2022 and their estimated useful lives:

	<u>Estimated Useful Lives</u>	<u>2023</u>	<u>2022</u>
Land	-	\$ 1,938,867	1,918,867
Building and improvements	30 years	14,627,298	14,384,533
Office furniture and equipment	5 - 7 years	1,839,451	1,740,371
Warehouse equipment	5 - 7 years	2,675,529	2,353,759
Trucks	5 years	2,414,323	1,945,280
		23,495,468	22,342,810
Less accumulated depreciation		<u>(9,119,964)</u>	<u>(7,962,863)</u>
		<u>\$ 14,375,504</u>	<u>14,379,947</u>

(6) Designated Net Assets

At June 30, 2023 and 2022, the Board of Directors had designated funds for the following purposes:

	<u>2023</u>	<u>2022</u>
Capital replacements	\$ 740,493	740,493
Program services	4,788,359	5,249,720
Disaster relief	10,268	10,268
	<u>\$ 5,539,120</u>	<u>6,000,481</u>

The amount of these reserves was determined based on management's estimates of the remaining useful lives of capital equipment and estimated replacement cost for capital replacement reserves, and management's and the Board's efforts to achieve reserves equal to three months of operations available for program service reserves. The program service reserves at June 30, 2023 represent approximately three months of operations.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial statements

June 30, 2023 and 2022

(7) Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Purpose and time restricted:		
USDA rural development	\$ 89,744	-
Wawa	948,750	-
US DOL ETA Program	751,586	-
Publix Charities	175,000	-
EFSP - Counties	594,257	-
FDACS - Brevard	118,732	-
Universal Orlando Foundation	111,822	142,415
Da Vita Foundation	300,510	-
Orlando Magic/Grace Medical	5,524	23,032
United Way – for future periods	32,500	530,857
Darden	100,000	20,000
Aetna Foundation	115,150	-
West Orange Health	-	20,172
Orange County CRP	-	13,265
Advent Health (CHIC Grant)	-	41,309
Florida Blue Foundation	153,195	263,364
Culinary Training	-	50,000
Orlando Regional Health	7,218	14,540
Humana Event Sponsorship	21,000	21,000
City of Orlando	4,398	58,130
Orange County – Mercy Kitchen	1,384,956	1,692,750
Nemours	-	36,500
Osceola Cares Food Initiative	-	240,213
Costco	40,909	25,175
Farm Bill/Senior Feeding/SNAP	142,386	-
BJ’s Child and Family Feeding	40,000	-
Feeding Florida	748,346	-
Cigna Foundation	41,086	60,500
Orange County ARPA	935,421	4,553,231
Service projects	152,475	-
Other	99,044	219,364
	<u>7,114,009</u>	<u>8,025,817</u>
Restricted in perpetuity (note 9):		
Central Florida Foundation, Inc.	313,285	292,168
	<u>\$ 7,427,294</u>	<u>8,317,985</u>

(8) Retirement Benefit Plans

The Food Bank has a 403(b) Plan in which employees who normally work at least twenty hours per week and are at least 21 years of age are eligible to participate. Eligible employees may elect to contribute up to twenty percent of their compensation to the Plan. The Food Bank, at its discretion, may match participant contributions in an amount to be determined from year to year. The Food Bank may also make discretionary employer contributions based on qualifying participant compensation in an amount to be determined from year to year. Total contributions made by the Food Bank during fiscal 2023 and 2022 amounted to approximately \$ 252,000 and \$231,000, respectively.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial statements

June 30, 2023 and 2022

(9) Assets Held by Central Florida Foundation, Inc.

The Food Bank has established an endowment with the Central Florida Foundation, Inc. (CFF). This endowment will provide a source of income for the Food Bank. Future income may be withdrawn or added to the principal balance of the endowment at the Food Bank's discretion. The Food Bank's endowment is carried as an asset and included in net assets with donor restrictions on its statement of financial position as required by current financial accounting standards. (Note 7)

CFF has legal ownership of the contributed funds. As such, CFF's Board of Directors (Board) has fiduciary responsibility over the endowment. The Board shall have the power to modify or eliminate any restriction, limitation, or condition on the distribution of funds, including their use for any specified purposes or their distribution to specific organizations, if determined that such restriction, limitation or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the proper charitable, religious, scientific, literary, cultural or educational uses and purposes associated with the Central Florida area.

(10) Lease Commitments

The adoption of FASB ASC Topic 842, as previously discussed herein, resulted in the recognition of a right of use asset and associated operating lease liability in connection with the lease of certain warehouse facilities and equipment amounting to \$814,528 as of July 1, 2021. Results for periods beginning prior to this date continue to be reported in accordance with historical accounting treatment. At June 30, 2023 and 2022 the ROU asset amounted to \$831,444 and \$1,067,620, respectively, resulting from the valuation of the ROU asset and operating lease liability at those dates. Lease expense associated with this right to use asset amounted to approximately \$320,000 during 2023.

Future minimum payments applicable to long-term non-cancellable operating leases for the five years subsequent to June 30, 2023 are approximately as follows:

<u>Year ended June 30,</u>	
2024	\$ 342,000
2025	272,000
2026	106,000
2027	55,000
2028	35,000

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial statements

June 30, 2023 and 2022

(11) Merger with First Step Food Bank

In December 2022, the Organization merged with First Step Food Bank (First Step) located in Marion County Florida and, as the surviving entity, assumed management of its operating activities. There was no consideration exchanged between these parties in connection with this transaction. However, the Organization received net assets amounting to \$657,627 resulting from the merger with First Step as follows:

Cash and investments	\$ 430,592
Property and equipment	171,155
Other assets, net of current liabilities	<u>55,880</u>
	<u>\$ 657,627</u>

SUPPLEMENTARY INFORMATION

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUSIDIARY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Grantor/Pass-Through Agency/Program Title	Period of Award	Contract Number	Federal CFDA No.	Amount of Award	Federal Expenditures
United States Department of Agriculture					
Passed through from the Florida Department of Agriculture and Consumer Services					
The Emergency Food Assistance Program (TEFAP) - Food Commodities	10/1/2022 - 9/30/2023	29733	10.569	306,743	306,743 *
The Emergency Food Assistance Program (TEFAP) - Food Commodities	10/1/2022 - 9/30/2023	29727	10.569	938,587	938,587 *
The Emergency Food Assistance Program (TEFAP) - Food Commodities	10/1/2021 - 9/30/2022	27876	10.569	4,577,687	4,577,687 *
The Emergency Food Assistance Program (TEFAP) - Food Commodities	10/1/2021 - 9/30/2022	27879	10.569	13,519,408	13,519,408 *
					<u>18,097,095 *</u>
Passed through from the Florida Department of Health					
The Child and Adult Care Food Program	10/1/2021 - 9/30/2022	A-1548	10.558	351,310	128,012
The Child and Adult Care Food Program	10/1/2022 - 9/30/2023	A-1548	10.558	633,512	526,003
					<u>654,015</u>
Passed through from the Florida Department of Agriculture and Consumer Services					
The Emergency Food Assistance Program (TEFAP) - Administrative Costs	10/1/2022 - 9/30/2023	29733	10.558	22,576	22,756
The Emergency Food Assistance Program (TEFAP) - Administrative Costs	10/1/2022 - 9/30/2023	29727	10.558	76,026	76,026
The Emergency Food Assistance Program (TEFAP) - Administrative Costs	10/1/2021 - 9/30/2022	27876	10.558	493,548	279,155
The Emergency Food Assistance Program (TEFAP) - Administrative Costs	10/1/2021 - 9/30/2022	27879	10.558	1,193,219	674,895
FDACS Reach and Resiliency	1/24/2023 - 5/31/2024	29596	10.568	125,000	6,268
					<u>1,059,100</u>
Passed through from the Florida Department of Agriculture and Consumer Services					
The Summer Food Service Program for Children	5/1/2023 - 9/30/2023	022106	10.559	195,390	195,390
The Summer Food Service Program for Children	5/1/2022 - 9/30/2022	022106	10.559	420,464	199,439
					<u>394,829</u>
Passed through from the Florida Department of Children and Families					
Supplemental Nutrition Assistance Program	1/1/2019 - 9/30/2023	LF-926	10.561	1,033,964	150,320
Community Facilities Grant Agreement	4/1/2023 - 3/31/2026	10.766	10.766	150,564	60,820
Supplemental Nutrition Assistance Program Eudcation	10/1/2022 - 9/30/2025	LF-935	10.561	1,273,048	443,187
					<u>654,327</u>
Subtotal - United States Department of Agriculture					<u>\$ 20,859,366</u>
United States Department of the Treasury					
Passed through from Orange County, FL					
Provision of Food Delivery, Mobile Food Drops, and Expansion of the Storage Capacity	1/1/2022 - 9/30/2024	Y22-2411	97.024	9,000,000	\$ 3,617,783
Passed through from Seminole County, FL					
Seminole County Community Development Block Grant	5/1/2022 - 6/10/2023	CDBG-CV3	14.218	850,000	\$ 850,000
United States Department of Labor					
Passed through from Orange County, FL					
Community Project Funding/Congressional Directed Spending	4/1/2023 - 3/31/2026	23A60CP000035	17.289	755,000	\$ 23,414

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUSIDIARY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

<u>Grantor/Pass-Through Agency/Program Title</u>	<u>Period of Award</u>	<u>Contract Number</u>	<u>Federal CFDA No.</u>	<u>Amount of Award</u>	<u>Federal Expenditures</u>
United States Department of Homeland Security Federal Emergency Management Agency					
Passed through from the Orange County Emergency Food and Shelter Program					
Board - Heart of Florida United Way					
The Emergency Food and Shelter National Board Program - Phase 3C	11/1/2021 - 12/31/23	168000	97.024	32,410	-
The Emergency Food and Shelter National Board Program - Phase 4C	11/1/2021 - 12/31/23	168000	97.024	313,334	-
The Emergency Food and Shelter National Board Program - ARPA-R	11/1/2021 - 12/31/23	168000	97.024	26,131	-
Passed through from the Seminole County Emergency Flood and Shelter Program					
Board - Heart of Florida United Way					
The Emergency Food and Shelter National Board Program - Phase 3C	11/1/2021 - 12/31/23	171800	97.024	6,953	-
The Emergency Food and Shelter National Board Program - Phase 4C	11/1/2021 - 12/31/23	171800	97.024	10,000	-
The Emergency Food and Shelter National Board Program - ARPA-R	11/1/2021 - 12/31/23	171800	97.024	49,160	-
Passed through from Brevard County Emergency Food and Shelter Program					
Board - United Way of Brevard					
The Emergency Food and Shelter National Board Program - Phase 4C	11/1/2021 - 12/31/23	156600-034	97.024	15,313	-
Passed through from Marion County Emergency Food and Shelter Program					
Board - United Way of Marion					
The Emergency Food and Shelter National Board Program - Phase 3C	11/1/2021 - 12/31/23	172800-027	97.024	18,089	
The Emergency Food and Shelter National Board Program - ARPA-R	11/1/2021 - 12/31/23	172800-027	97.024	55,909	
Passed through from Volusia County Emergency Food and Shelter Program					
Board - United Way of Volusia					
The Emergency Food and Shelter National Board Program - Phase 3C	11/1/2021 - 12/31/23	166800-048	97.024	1,699	1,699
The Emergency Food and Shelter National Board Program - ARPA-R	11/1/2021 - 12/31/23	166800-048	97.024	48,000	48,000
Passed through from Osceola County Emergency Food and Shelter Program					
Board - Heart of Florida United Way					
The Emergency Food and Shelter National Board Program - Phase 3C	11/1/2021 - 12/31/23	168400	97.024	8,811	-
The Emergency Food and Shelter National Board Program - Phase 4C	11/1/2021 - 12/31/23	168400	97.024	7,094	-
The Emergency Food and Shelter National Board Program - ARPA-R	11/1/2021 - 12/31/23	168400	97.024	46,389	-
Subtotal - U. S. Department of Homeland Security, Federal Emergency Management Agency					<u>\$ 49,699</u>
Total Federal Assistance					<u>\$ 25,400,262</u>

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all financial assistance and cost reimbursement contracts of Second Harvest Food Bank of Central Florida, Inc.. Second Harvest Food Bank of Central Florida, Inc. receives federal and state awards indirectly through pass-through entities. 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 Food Bank, it is not intended to and does not present the financial position changes in net assets or cash flows of the Food Bank.

(2) Summary of Significant Accounting Policies

Federal expenditures included in the accompanying schedule are presented on the accrual basis of accounting.

Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Food Bank has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(3) Major Programs

Major programs are identified in the Summary of Audit Results section of the Schedule of Findings and Questioned Costs.

(4) Food Distribution

Included in the Schedule of Expenditures of Federal Awards is in-kind food items received through The Emergency Food Assistance Program. For the year ended June 30, 2023, Second Harvest Food Bank of Central Florida, Inc. distributed approximately 12,336,816 pounds of food valued at \$1.57 per pound.

(5) Sub-recipients

Second Harvest Food Bank of Central Florida, Inc. passes through certain Federal assistance to other governments or not-for-profit agencies (sub-recipients). As described in note 1, Second Harvest Food Bank of Central Florida, Inc. records expenditures of Federal awards to sub-recipients on an accrual basis of accounting.

The sub-recipient agencies have certain compliance responsibilities related to administering these Federal programs. Under the Uniform Guidance, Second Harvest Food Bank of Central Florida,

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to the Schedule of Expenditures of Federal Awards (Continued)

Year ended June 30, 2023

(5) Sub-recipients

Inc. is responsible for monitoring sub-recipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

Second Harvest Food Bank of Central Florida, Inc., provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amounts Provided To Sub-recipients</u>
The Emergency Food Assistance Program (TEFAP) – Food Commodities	10.569	\$ 18,097,095
The Child and Adult Care Food Program	10.558	654,015
The Summer Food Service Program for Children	10.559	<u>394,829</u>
		<u>\$ 19,145,939</u>

(6) Matching Requirements

Certain Federal programs require that Second Harvest Food Bank of Central Florida, Inc. contribute non-Federal funds (matching funds) to support the Federally funded programs. Second Harvest Food Bank of Central Florida, Inc. has complied with matching requirements. The expenditure of non-Federal matching funds is not included in the Schedule of Expenditures of Federal Awards.

Michael R. Schafer, CPA
Thomas R. Tschopp, CPA
Tom V. Whitcomb, CPA

541 S. Orlando Avenue, Suite 312
Maitland, Florida 32751
(407) 875-2760

Joseph P. Mitchell, CPA
Stephen J. Sheridan, CPA
Daniel M. Hinson, CPA

**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***

To the Board of Directors
Second Harvest Food Bank of Central Florida, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Second Harvest Food Bank of Central Florida, Inc., which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2023.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Second Harvest Food Bank of Central Florida, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Scharf, Tschoff, Whitcomb, Mitchell & Shulman, LLP

Maitland, Florida
October 16, 2023

Michael R. Schafer, CPA
Thomas R. Tschopp, CPA
Tom V. Whitcomb, CPA

541 S. Orlando Avenue, Suite 312
Maitland, Florida 32751
(407) 875-2760

Joseph P. Mitchell, CPA
Stephen J. Sheridan, CPA
Daniel M. Hinson, CPA

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

To the Board of Directors
Second Harvest Food Bank of Central Florida, Inc.

Report on Compliance for Each Major Federal Program

We have audited Second Harvest Food Bank of Central Florida, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement*, that could have a direct and material effect on each of Second Harvest Food Bank of Central Florida, Inc.'s major federal programs for the year ended June 30, 2023. Second Harvest Food Bank of Central Florida, Inc.'s major federal programs are identified in the summary of the 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 applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Second Harvest Food Bank of Central Florida, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on test basis, evidence about Second Harvest Food Bank of Central Florida, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Second Harvest Food Bank of Central Florida, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Second Harvest Food Bank of Central Florida, Inc. complied, in all material respects, with the types of 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, 2023.

Report on Internal Control Over Compliance

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

A deficiency in an 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 the 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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. 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.

Schaefer, Tschoy, Whittemut, Mitchell & Shulman, LLP

Maitland, Florida
October 16, 2023

Second Harvest Food Bank of Central Florida, Inc.
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

A. Summary of the Audit Results

1. The Auditor's report expresses an unqualified opinion on the financial statements of Second Harvest Food Bank of Central Florida, Inc..
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements and as reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of Second Harvest Food Bank of Central Florida, Inc. were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Second Harvest Food Bank of Central Florida, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Second Harvest Food Bank of Central Florida, Inc. that are required to be reported in accordance with the Uniform Guidance.
7. The following were tested as major programs:

The program cluster U.S. Department of Agriculture's CFDA Number 10.569 - Emergency Food Assistance Program (Food Commodities) and federal CFDA Number 10.558 - Emergency Food Assistance Program (Administrative Costs). The U.S. Department of the Treasury CFDA number 97.024 - Emergency Food and Shelter Program.
8. The threshold for distinguishing Type A and B programs was approximately \$1,200,547.
9. Second Harvest Food Bank of Central Florida, Inc. was determined to be a low-risk auditee.

Second Harvest Food Bank of Central Florida, Inc.
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

B. Financial Statement Findings Section

None

C. Federal and State Award Findings and Questioned Costs Section

None

D. Summary Schedule of Prior Audit Findings

No summary schedule of prior audit findings is required because there are no prior audit findings related to federal programs or state projects.