Feeding South Florida, Inc.

Financial Statements and
Additional Information
For the Year Ended June 30, 2018

Feeding South Florida, Inc.

Table of Contents

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Feeding South Florida, Inc.
Pembroke Park, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Feeding South Florida, Inc., (a nonprofit organization) (the "Organization") which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 22, 2018

FINANCIAL STATEMENTS

Feeding South Florida, Inc.
Statement of Financial Position
June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets:				
Current Assets:				
Cash and cash equivalents	$ 2,745,558	$ 896,098	$ -	$ 3,641,656
Grant receivables	406,060	-	-	406,060
Shared maintenance receivable	54,968	-	-	54,968
Prepaids	361,278	-	-	361,278
Food inventory	1,898,841	-	-	1,898,841
Total current assets	5,466,705	896,098	-	6,362,803
Noncurrent Assets:				
Long-term investments	161,978	-	880,986	1,042,964
Property and equipment, less accumulated depreciation of $ 548,768	4,182,639	-	-	4,182,639
Deposits	85,349	-	-	85,349
Total assets	$ 9,896,671	$ 896,098	$ 880,986	$ 11,673,755
Liabilities:				
Current Liabilities:				
Accounts payable	$ 287,770	$ -	$ -	$ 287,770
Accrued expenses	211,801	-	-	211,801
Current portion of debt	82,816	-	-	82,816
Agency deposits	54,885	-	-	54,885
Total current liabilities	637,272	-	-	637,272
Long-Term Liabilities:				
Long-term debt	2,180,801	-	-	2,180,801
Total liabilities	2,818,073	-	-	2,818,073
Net Assets:				
Unrestricted	7,078,598	-	-	7,078,598
Temporarily restricted	-	896,098	-	896,098
Permanently restricted	-	-	880,986	880,986
Total net assets	7,078,598	896,098	880,986	8,855,682
Total liabilities and net assets	$ 9,896,671	$ 896,098	$ 880,986	$ 11,673,755

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

Feeding South Florida, Inc.
Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Change in Net Assets:				
Public Support:				
Contributed food	$ 83,112,877	$ -	$ -	$ 83,112,877
Contributions	6,712,475	877,377	-	7,589,852
Grants:				
Federal government grants	7,371,998	-	-	7,371,998
Other local agencies	852,141	-	-	852,141
Total public support	98,049,491	877,377	-	98,926,868
Revenues:				
Shared maintenance and other program revenue	489,234	-	-	489,234
Gain (loss) on disposal of property and equipment	(37,130)	-	-	(37,130)
Investment income, net	80,647	-	-	80,647
Other income	188,627	-	-	188,627
Total revenue	721,378	-	-	721,378
Net assets released from restrictions	82,116	(82,116)	-	-
Total public support, revenue and net assets released from restrictions	98,852,985	795,261	-	99,648,246
Operating Expenses:				
Program services:				
Food distribution	97,389,067	-	-	97,389,067
Supporting services:				
Administrative	830,837	-	-	830,837
Development	555,231	-	-	555,231
Total supporting services	1,386,068	-	-	1,386,068
Total expenses	98,775,135	-	-	98,775,135
Change in net assets	77,850	795,261	-	873,111
Net Assets, July 1, 2017	7,000,748	100,837	880,986	7,982,571
Net Assets, June 30, 2018	$ 7,078,598	$ 896,098	$ 880,986	$ 8,855,682

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

Feeding South Florida, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	Supporting Services			
	Food Distribution	Administrative	Development	Total Supporting	Total Expenses
Personnel Costs:					
Salaries	$ 1,941,689	$ 452,177	$ 179,909	$ 632,086	$ 2,573,775
Payroll taxes and employee benefits	301,267	112,450	48,990	161,440	462,707
Total personnel costs	2,242,956	564,627	228,899	793,526	3,036,482
Other Expenses:					
Contributed food activity	91,492,210	-	-	-	91,492,210
Auto and truck expense	601,760	-	-	-	601,760
Rent	525,420	67,331	8,416	75,747	601,167
Professional fees, including $ 39,775 of in-kind contributions	347,767	58,853	66,689	125,542	473,309
Warehouse expense	367,130	-	-	-	367,130
Temporary labor	334,829	-	-	-	334,829
Gas and oil	220,877	-	-	-	220,877
Repairs and maintenance	161,952	27,150	13,327	40,477	202,429
Transportation and storage	181,837	-	-	-	181,837
Insurance	141,490	23,945	13,061	37,006	178,496
Fundraising	-	-	151,215	151,215	151,215
Utilities	99,911	16,908	9,223	26,131	126,042
Interest expense and bank fees	96,801	16,382	8,935	25,317	122,118
Purchased food activity	82,519	-	-	-	82,519
Dues, including Feeding America	80,152	-	-	-	80,152
Telephone	50,446	8,537	4,657	13,194	63,640
Provision for bad debt	48,708	-	-	-	48,708
Postage	18,996	344	25,303	25,647	44,643
Travel	33,152	5,610	3,060	8,670	41,822
Miscellaneous	31,249	5,288	2,885	8,173	39,422
Taxes	18,994	3,214	1,753	4,967	23,961
Employee recruiting	15,939	2,697	1,471	4,168	20,107
Supplies	15,178	2,569	1,401	3,970	19,148
Equipment rental	16,989	-	-	-	16,989
Total expenses before provision for depreciation	97,227,262	803,455	540,295	1,343,750	98,571,012
Provision for depreciation	161,805	27,382	14,936	42,318	204,123
Total expenses	$ 97,389,067	$ 830,837	$ 555,231	$ 1,386,068	$ 98,775,135

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

Feeding South Florida, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows from Operating Activities:		
Change in net assets	$	873,111
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for depreciation		204,123
Net realized/unrealized gain on investments		(74,913)
Loss on sale of property and equipment		37,130
Provision for bad debt		48,708
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Shared maintenance receivable		84,705
Grant receivables		215,029
Prepaids		(169,854)
Food inventory		2,509,900
Deposits		10,000
Increase (decrease) in liabilities:		
Accounts payable		71,144
Accrued expenses		72,442
Agency deposits		(29,193)
Net cash provided by operating activities		3,852,332
Cash Flows From Investing Activities:		
Sale of investments		364,496
Proceeds from sale of property and equipment		22,000
Purchases of property and equipment		(616,136)
Purchase of investments		(370,230)
Net cash used in investing activities		(599,870)
Cash Flows from Financing Activities:		
Payments on debt		(78,945)
Net cash used in financing activities		(78,945)
Net increase in cash and cash equivalents		3,173,517
Cash and Cash Equivalents, July 1, 2017		468,139
Cash and Cash Equivalents, June 30, 2018	$	3,641,656

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

Note 1 - Organization and Operations

Feeding South Florida, Inc. (the "Organization") is a not-for-profit organization which procures and distributes salvageable and surplus food in South Florida. Food is obtained from both private and public sources, and all food procured is distributed only to social, charitable and other organizations that qualify for tax exempt status under the regulations of the Internal Revenue Code. In addition, the Organization receives support from the general public and from other profit and not-for-profit centers.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation: Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*. Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Financial statement presentation: Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted - includes amounts which have no external restrictions and are available for support of current operations.

Temporarily restricted - includes amounts which have donor-restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or restrictions that expire by the passage of time.

Permanently restricted - includes amounts that are subject to restrictions of the gift instruments requiring that resources be maintained permanently.

Cash and cash equivalents: The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The balance in cash and cash equivalents at June 30, 2018 includes:

Bank accounts and cash	$	1,141,676
Money market account		2,499,980
	$	3,641,656

Investments: Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

Shared maintenance, grant and other receivables: In the normal course of business, the Organization charges fees (Note 10) to its shared maintenance customers. Grant receivables consist principally of amounts due from federal, state and local governmental agencies and other not-for-profit organizations under contractual agreements. Based on management's assessment, the Organization provides for estimated uncollectible amounts through a charge to expense and a credit to a valuation allowance. For the year ended June 30, 2018, balances in the allowance for doubtful accounts was approximately $ 23,000 for its shared maintenance customers.

Note 2 - Summary of Significant Accounting Policies (continued)

Promises to give: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization had no unconditional or conditional promises to give as of June 30, 2018.

Contributed food on hand: Contributed food is recorded as public support based on the estimated wholesale value of the distributable food received by the Organization. Management has based this estimate on the results of a product valuation survey calculating the average wholesale value per pound of food contributed nationally to Feeding America, the nation's largest charitable hunger relief association. The survey computed an average value of $ 1.68 per pound of product donated through regular operations. Contributed food on hand as of June 30, 2018 is recorded as an asset and valued at $ 1.68 per pound. Contributed food is for distribution to qualified organizations only, and is not available for resale. The Organization also received food commodities under a federal government grant. These food commodities are recorded at the value provided by the granting agency.

Property and equipment: Purchased property and equipment, including leasehold improvement, are recorded at cost. It is the Organization's policy to capitalize all such fixed assets purchased or received by donation that cost $ 2,500 or more individually. Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

Furniture and equipment	5-7 years
Warehouses and improvements	5-39 years
Automotive equipment	5 years

Donated property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. 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. Without donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time. The Organization did not receive any donated property and equipment for the year ending June 30, 2018.

Maintenance and repairs to property and equipment are charged to expense when incurred.

Restricted and unrestricted revenue and public support: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Non-cash contributions are recorded at their estimated fair value on the date received.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue recognition: Shared maintenance, produce handling and purchased food program revenue is recognized when the related food is distributed.

The Organization receives various grants from governmental and local agencies for program and supporting service expenses. These grants are generally on a cost reimbursement basis, including recoverable overhead. Revenues from grants are deemed earned and recognized in the statement of activities when expenditures are incurred for the purposes specified.

Functional expenses: Program and supporting services are charged with their direct expenses. Other expenses are allocated based on their proportionate share of total expenses, as well as various estimates developed by management.

Fundraising activities: The Organization's financial statements follow the guidelines prescribed by Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958-720-20, *Costs of Joint Activities*. This ASC establishes criteria for accounting and reporting of joint costs for certain entities that solicit contributions.

Operating leases: Rental expense is recognized on a straight-line basis.

Use of estimates: The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of credit risk: Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of cash and cash equivalents maintained in financial institutions in excess of the FDIC insured limit of $ 250,000. Although cash balances may at times exceed federally insured limits during the year, the Organization has not experienced any losses and does not believe it is exposed to significant risk associated with its cash and cash equivalents. At June 30, 2018, the Organization had approximately $ 2,950,000 held in excess of the FDIC limits. Cash is maintained, with what management believes to be high quality financial institutions, to limit its risk.

Date of management review: Subsequent events have been evaluated through October 22, 2018, which is the date the financial statements were available to be issued.

Note 3 - Investments

The Organization's investments at June 30, 2018 are comprised of the following:

Equities	$ 636,435
Corporate bonds	183,568
United States treasury bills, bonds and notes	172,512
United States agency obligations	14,689
Money market funds	35,760
	$ 1,042,964

Note 3 - Investments (continued)

Investment income in the statement of activities for the year ended June 30, 2018 consists of the following:

Net realized and unrealized gains	$	74,913
Interest and dividend income		21,534
Investment fees		(15,800)
	$	80,647

Note 4 - Fair Value Measurement

In accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, the Organization defined and established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included with Level 1 that are observable for the investments, either directly or indirectly. (e.g. quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices.)

- Level 3 inputs are unobservable inputs for the investments. (e.g. information about assumptions, including risk, market participants would use in pricing a security.)

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The equity securities are classified within Level 1 because they have readily determinable fair values based on daily redemption values. The United States Treasury bills, bonds and notes, United States agency obligations and corporate bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

Note 4 - Fair Value Measurement (continued)

The following table represents the investments as held by the Organization at June 30, 2018:

		Fair Value Measurements Using:		
Investment Type	Fair Value at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	$ 636,435	$ 636,435	$ -	$ -
Corporate bonds	183,568	-	183,568	-
United States Treasury bills,				-
bonds and notes	172,512	-	172,512	-
United States agency obligations	14,689	-	14,689	-
	1,007,204	$ 636,435	$ 370,769	$ -
Investments measured at amortized cost:				
Money market funds	35,760			
Total	$ 1,042,964			

Note 5 - Endowments

The Organization has endowed funds established for the support of the Organizational mission. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Board of Directors interprets the State of Florida's Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Investment policies: The goal of the investment program for the endowment is to provide an annual level of support for the current programs of the Organization consistent with the preservation of purchasing power over time. Assets held shall be diversified to control the risk of loss resulting from the over-concentration of funds in a specific maturity, issue or type-class of securities.

Spending policies: The Organization's policy is to only spend the income generated from the endowed funds.

Endowments as of June 30, 2018 consist of $ 1,042,964 for the Bachelor Endowment Fund. The principal amount of the Endowment Fund is permanently restricted for investments, with the income earned on those investments available for unrestricted use.

Note 5 - Endowments (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2018 are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, at beginning of year	$ 81,331	$ 880,986	$ 962,317
Investment income, net of fees	5,734	-	5,734
Net appreciation (realized and unrealized)	74,913	-	74,913
Endowment net assets, at end of year	$ 161,978	$ 880,986	$ 1,042,964

Note 6 - Debt

Debt at June 30, 2018 is as follows:

Mortgage note payable to a bank, due in monthly installments of $ 15,915 including interest at a fixed rate of 4.79% through January 2026, with a balloon payment of approximately $ 1,525,000 due February 2026. This obligation has been guaranteed by the Organization and is collateralized by all property and equipment currently owned and subsequently acquired. In addition, this mortgage note is subject to prepayment penalties through March 2019.	$ 2,263,617
Less current portion	82,816
	$ 2,180,801

Estimated future debt principal payments in the aggregate are approximately as follows:

Year Ending June 30,	
2019	$ 82,800
2020	86,600
2021	91,200
2022	95,800
2023	100,500
Thereafter	1,806,700
	$ 2,263,600

The mortgage note payable contains certain restrictive covenants, including, but not limited to, a minimum deb coverage ratio of no less than 1.15 to 1.00 and the maintenance of a deposit account with the lender in an amount no less than $ 250,000. At June 30, 2018, the Organization was in compliance with the minimum debt coverage ratio and the maintenance of a deposit account.

Note 7 - Property and Equipment

The following is a schedule of property and equipment at June 30, 2018:

Warehouse and improvements	$	3,497,443
Furniture and equipment		263,650
Automotive equipment		510,314
		4,271,407
Less accumulated depreciation		548,768
		3,722,639
Land		460,000
Total	$	4,182,639

Note 8 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

Capital improvements	$	366,356
School pantry program		238,163
Other programs		255,783
School backpack program		35,796
Total temporarily restricted net assets	$	896,098

Permanently restricted net assets consist of $ 880,986 for the Bachelor Endowment Fund as discussed in Note 5.

Note 9 - Donated Goods, Services and Facilities

The Organization receives donated goods and services, paying for most services requiring specific expertise. A number of volunteers have donated substantial amounts of their time in certain of the Organization's program service areas. Because of the difficulty in determining the number of hours for such services, those items are not disclosed in the accompanying financial statements. However, when the value of donated services requires specific expertise, they are reflected in the financial statements as revenue and expenses at estimated fair value. Donated goods are also recorded at their estimated fair value. For the year ended June 30, 2018, the Organization recorded approximately $ 83,113,000 in donated goods, consisting principally of food which is included in inventory or contributed food activity expense. For the year ended June 30, 2018, the Organization recorded approximately $ 40,000 in donated services, which consisted of legal services, which is included in professional fees expense.

Note 10 - Shared Maintenance

The Organization charges shared maintenance of $ 0.19 per pound on certain items that helps offset the costs of solicitation, transportation, warehousing and distribution of food. This fee is not a charge for food and it is not paid by the end user. Meaning, no person in need of assistance ever pays for food. There is never a fee on USDA, produce, or bakery items. Total shared maintenance for the year ended June 30, 2018 was approximately $ 489,000.

Note 11 - Grants and Contracts

Funding agreements for services to be provided are entered into on an annual basis. The release of funds is subject to monies being made available by various federal, state, local and other grantor agencies. Certain of the agreements may be terminated by either party with thirty days written notice. Changes in governmental appropriations could have a material adverse effect on the Organization's ability to continue to provide its services at the same level.

Program expenditures made by the Organization are subject to additional audit by grantor agencies. As a result of such audits, the grantor may require that amounts be returned. In certain instances, the grantor may increase its grant of funds to the Organization to offset amounts which would otherwise be repayable based on audits. As of June 30, 2018, no amounts were owed back to grantor agencies.

Note 12 - Leases

The Organization previously entered into a facility lease for warehouse and office space in Pembroke Park, Florida. The term of this lease agreement commenced in May 2013 and was renewed in April 2018 to extend it through May 2023. Under the terms of the renewal agreement, monthly rent payments ranging from approximately $ 40,000 to $ 46,400 are due. The Organization is also responsible for its pro-rata share of certain operating expenses. In addition, agreement also provides for one additional optional five-year renewal term.

Rent expense is recognized on a straight line basis. The difference between the base rent payments made and the amount of rent expense recognized is included in accrued expenses and totaled, in the aggregate, approximately $ 63,000 at June 30, 2018. Rent expense, including its pro-rata share of operating expenses, in connection with this agreement totaled approximately $ 601,000 for the year ended June 30, 2018.

The Organization leases several delivery vehicles that expire at various times through November 2025. The agreements contain monthly base payments of approximately $ 21,200 through August 2021 and at lesser amount through November 2025. The Organization is also responsible for mileage fees at rates ranging from $ .025 to $ .085 per mile. During the year ended June 30, 2018, the total expense associated with these leases was approximately $ 208,000.

The Organization also leases various pieces of warehouse and office equipment with a total monthly payment aggregating approximately $ 1,250 through April 2020 and at $ 460 thereafter until April 2021. During the year ended June 30, 2018, the total equipment rental expense associated with these leases and other equipment leases was approximately $ 17,000.

The following is a schedule of approximate future minimum lease payments, excluding common area maintenance and mileage charges:

Year Ending June 30,		
2019	$	751,400
2020		764,400
2021		770,700
2022		734,600
2023		688,600
Thereafter		222,100

Note 13 - Income Taxes

The Organization is a non-profit corporation, qualified under Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from corporate income taxation on income related to its exempt function. No provision for income taxes has been made in the accompanying financial statements.

Note 14 - Employee Benefit Plan

The Organization offers its employees a 401(k) profit-sharing plan (the "Plan") that covers all eligible employees. Employees may contribute to the Plan, pursuant to a salary reduction agreement, a percentage of their annual compensation subject to certain limitations. The Plan provides for employer matching contributions of 50% of each participant's contribution up to 2% of their gross salary, and an additional match of 25% of each participant's contribution that exceed 2% but not more than 10% of their gross salary. The Organization contributed approximately $ 16,500 for the year ended June 30, 2018.

Note 15 - Supplemental Cash Flow Information

Supplemental Disclosure of Cash Flow Information:

Cash received during the year for -		
Interest and dividend income	$	21,534
Cash paid during the year for -		
Interest expense	$	112,037

Noncash investing and financing activities:

Noncash investing and financing activities:		
Cancellation of debt	$	187,208

SUPPLEMENTAL INFORMATION

Feeding South Florida, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency, Pass-through Entity Federal Program		CFDA Number	Contract/Grant Number		Expenditures		Transfers to Subrecipients
Federal Agency Name:							
Indirect Programs:							
United States Department of Agriculture -							
Passed through State of Florida							
Department of Agriculture							
Food Distribution Cluster							
Emergency Food Assistance Program							
(Food Commodities)	*	10.569	022717	$	5,174,813	$	-
(Administrative Costs)	*	10.568	022717		970,639		-
Commodity Supplemental Food Program	*	10.565	024306		980,782		
Total Food Distribution Cluster					7,126,234		-
Local Food Promotion Program		10.172	15LFPPFL0106		4,132		-
Summer Food Service Program		10.559	04-1035		134,581		-
Passed through State of Florida							
Department of Health							
Child and Adult Care Food and Shelter Program		10.558	A-1947		16,264		-
Total United States Department of Agriculture					7,281,211		-
United States Department of Homeland Security -							
Passed through United Way							
Emergency Food and Shelter National Board Program		97.024	159400-015		90,787		-
Total expenditures of of Federal awards				$	7,371,998	$	-

* Denotes a major program.

See notes to schedule of expenditures of federal awards.

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal grant activity of Feeding South Florida, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, *and Audit Requirements of Federal Awards,* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported 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.

Note 3 - Indirect Cost Rate

The Organization did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - Contingency

The grant and contract revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor/contract agencies would become a liability of the Organization. In the opinion of management, all grant and contract expenditures are in compliance with the terms of the agreements and applicable federal and state laws and other applicable regulations.

INTERNAL CONTROLS AND COMPLIANCE

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
Feeding South Florida, Inc.
Pembroke Park, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Feeding South Florida, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2018, 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 22, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted a certain matter that we have reported to the management of Feeding South Florida, Inc. in our Schedule of Findings and Questioned Costs under Section E as item 2017-01.

Organization's Response to Findings

The Organization's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs under Section E. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 22, 2018

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

To the Board of Directors
Feeding South Florida, Inc.
Pembroke Park, Florida

Report on Compliance for Each Major Federal Program

We have audited Feeding South Florida, Inc.'s (a nonprofit organization) (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the Organization's internal control over compliance.

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

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

Purpose of this Report

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.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 22, 2018

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Feeding South Florida, Inc.

2. No material weaknesses relating to the audit of the financial statements are reported in the 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*.

3. No instances of noncompliance material to the financial statements of Feeding South Florida, Inc. were disclosed during the audit.

4. No material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.

5. The auditor's report on compliance for each of the major federal award programs for Feeding South Florida, Inc., expresses an unmodified opinion.

6. There are no audit findings relative to the major federal award programs for Feeding South Florida, Inc., reported in Part C of this schedule.

7. The programs tested as major programs were as follows:

Federal Program	CFDA No.
United States Department of Agriculture -	
Emergency Food Assistance Program (Administrative Costs)	10.568
Emergency Food Assistance Program (Food Commodities)	10.569
Commodity Supplemental Food Program	10.565

8. The threshold for distinguishing Type A and B programs was $ 750,000.

9. Feeding South Florida, Inc. was determined to be a low-risk auditee pursuant to the Uniform Guidance.

B. Findings- Financial Statement Audit

See Section E.

C. Findings and Questioned Costs - Major Federal Programs Audit and Others

No matters are reported.

D. Other Issues

1. No schedule of prior audit findings is required because there were no prior audit findings related to federal programs.

2. No corrective action plan is required because there were no findings required to be reported under the Uniform Guidance.

E. Internal Control Comments and Recommendations

Prior Year Internal Control Comments and Responses

2017-01: Improve Inventory Reconciliation Process

We recommend that the Organization perform a monthly reconciliation of its book inventory to the inventory summary, receipt summary and distribution summary reports provided by Primarius. We noted in the Organization's TEFAP corrective action plan that the Organization will conduct quarterly, full inventory counts. We recommend that the quarterly inventory counts be reconciled to the book inventory and the quarterly reconciliations be signed off by the Finance Director and CEO.

2018 update/status: Due to several staffing changes during the year implementation of management's operating plan has been delayed. We recommend that the Organization continues to develop a comprehensive operating plan that includes the reconciliation of quarterly inventory counts to the book inventory. In addition, we recommend that inventory be tracked by federal program in order for management to accurately reconcile federal expenditures by program.

Management response:

Feeding South Florida conducts a monthly book-to-physical inventory reconciliation of all product. Monthly physical counts are conducted by warehouse personnel overseen by the Director of Operations and verified by the Director of Finance during the physical count. All count sheets are signed by the Director of Finance and President & CEO.

Current Year Internal Control Comments and Responses

No matters are reported.