



**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2020 and 2019





INDEPENDENT AUDITORS' REPORT

To the Board of Directors

HARVESTERS - THE COMMUNITY FOOD NETWORK & SUBSIDIARY

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Harvesters - The Community Food Network & Subsidiary (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Harvesters - The Community Food Network & Subsidiary as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As discussed in Note 1 to the financial statements, on July 1, 2019, Harvesters - The Community Food Network & Subsidiary adopted the amendments to the Accounting Standards Update ("ASU") No. 2018-08, Topic 958, *Not-for-Profit Entities*, ASU 2016-18, Topic 230, *Statement of Cash Flows*, and Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to these matters.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and the consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Harvesters – The Community Food Network’s 2019 consolidated financial statements, and our report dated September 9, 2019, expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
November 9, 2020

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and restricted cash	\$ 14,235,544	\$ 3,080,247
Unconditional promises to give, current portion, less allowance for uncollectibles	1,731,465	2,575,969
Investments	5,438,595	5,255,857
Accounts receivable	247,366	751,852
Inventory	10,696,409	8,354,981
Prepaid expenses and other assets	436,240	230,322
TOTAL CURRENT ASSETS	32,785,619	20,249,228
LONG-TERM UNCONDITIONAL PROMISES TO GIVE, less current portion above, net of unamortized discount	103,182	271,059
LEVERAGE LOAN RECEIVABLE	7,688,500	7,688,500
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	17,016,607	17,755,288
INVESTMENTS - OTHER	17,630	22,898
INVESTMENTS - ENDOWMENT	804,195	793,343
TOTAL ASSETS	\$ 58,415,733	\$ 46,780,316
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,734,096	\$ 1,277,777
Deferred revenue	4,035,580	-
Current portion of long-term debt	134,445	173,634
TOTAL CURRENT LIABILITIES	5,904,121	1,451,411
LONG-TERM DEBT, less current portion above, net of unamortized debt issuance costs	11,516,186	11,658,767
TOTAL LIABILITIES	17,420,307	13,110,178
<u>NET ASSETS</u>		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Foodbank		
Undesignated	27,912,920	18,989,939
Board designated - reserve	5,396,000	5,232,851
Total foodbank	33,308,920	24,222,790
Contributed food	5,664,059	7,219,618
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	38,972,979	31,442,408
NET ASSETS WITH DONOR RESTRICTIONS	2,022,447	2,227,730
TOTAL NET ASSETS	40,995,426	33,670,138
TOTAL LIABILITIES AND NET ASSETS	\$ 58,415,733	\$ 46,780,316

See Notes to Consolidated Financial Statements

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2020, with Summarized Financial Information for the Year Ended June 30, 2019

	2020				2019	
	Without Donor Restrictions		With Donor Restrictions		Total	Total
	Operating	Contributed Food	Operating	Endowment Restricted		
OPERATING SUPPORT AND REVENUE						
Contributions received	\$ 28,675,731	\$ -	\$ 1,102,006	\$ -	\$ 29,777,737	\$ 16,091,209
Contributed food received	-	102,061,201	-	-	102,061,201	83,679,262
Handling fees and other revenues	1,273,487	-	-	-	1,273,487	1,322,352
Investment return	253,038	-	34,128	-	287,166	400,996
Special events	206,925	-	-	-	206,925	424,623
Capital campaign revenue	-	-	-	-	-	14,018
Net assets released from restriction	1,341,417	-	(1,341,417)	-	-	-
TOTAL OPERATING SUPPORT AND REVENUE	31,750,598	102,061,201	(205,283)	-	133,606,516	101,932,460
EXPENSES						
Foodbank program	17,601,837	-	-	-	17,601,837	14,116,315
Contributed food distributed	-	103,616,760	-	-	103,616,760	82,783,261
Management and general	1,757,488	-	-	-	1,757,488	1,537,369
Fund development	2,133,588	-	-	-	2,133,588	2,104,214
TOTAL EXPENSES	21,492,913	103,616,760	-	-	125,109,673	100,541,159
CHANGES IN NET ASSETS BEFORE DEPRECIATION, INTEREST ATTRIBUTABLE TO DEBT ISSUANCE COSTS, AND GAIN (LOSS) ON DISPOSAL OF ASSETS	10,257,685	(1,555,559)	(205,283)	-	8,496,843	1,391,301
OTHER REVENUE (EXPENSE)						
Depreciation expense	(1,134,053)	-	-	-	(1,134,053)	(1,148,230)
Interest attributable to debt issuance costs	(13,177)	-	-	-	(13,177)	(13,177)
Gain (loss) on disposal of assets	(24,325)	-	-	-	(24,325)	9,684
TOTAL OTHER REVENUE (EXPENSE)	(1,171,555)	-	-	-	(1,171,555)	(1,151,723)
CHANGES IN NET ASSETS	9,086,130	(1,555,559)	(205,283)	-	7,325,288	239,578
NET ASSETS, BEGINNING OF YEAR	24,222,790	7,219,618	1,571,853	655,877	33,670,138	33,430,560
NET ASSETS, END OF YEAR	\$ 33,308,920	\$ 5,664,059	\$ 1,366,570	\$ 655,877	\$ 40,995,426	\$ 33,670,138

See Notes to Consolidated Financial Statements

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020, with Summarized Financial Information for the Year Ended June 30, 2019

	2020			2019	
	Foodbank Program	Management and General	Fund Development	Total	Total
Compensation and benefits	\$ 7,420,890	\$ 1,128,820	\$ 962,216	\$ 9,511,926	\$ 8,684,051
Insurance, contracts and leases	772,143	105,996	40,526	918,665	862,841
Fees and dues	147,883	182,917	14,533	345,333	302,944
Supplies, printing and postage	454,019	99,669	727,973	1,281,661	1,236,712
Repairs, maintenance, and storage	507,301	5,991	5,421	518,713	446,931
Services and staff support	234,590	198,329	145,256	578,175	699,775
Utilities and telephone	425,371	10,452	11,275	447,098	469,422
Vehicle cost and freight	1,183,221	-	-	1,183,221	1,193,862
Interest expense	168,766	18,469	25,049	212,284	261,775
Special events	-	-	201,339	201,339	333,308
Food purchases	5,288,953	-	-	5,288,953	3,259,340
Grants expense	998,700	-	-	998,700	-
Miscellaneous expense	-	6,845	-	6,845	6,937
Expenses before depreciation and interest attributable to debt issuance costs and contributed food distributed	17,601,837	1,757,488	2,133,588	21,492,913	17,757,898
Depreciation expense	1,101,566	17,055	15,432	1,134,053	1,148,230
Interest attributable to debt amortization issuance costs	12,799	198	180	13,177	13,177
Contributed food distributed	103,616,760	-	-	103,616,760	82,783,261
TOTAL EXPENSES	\$ 122,332,962	\$ 1,774,741	\$ 2,149,200	\$ 126,256,903	\$ 101,702,566
Percentage of total expenses	96.89%	1.41%	1.70%	100.00%	
Percentage of expenses before depreciation and interest attributable to debt issuance costs and contributed food distributed	81.90%	8.18%	9.92%	100.00%	

See Notes to Consolidated Financial Statements

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 7,325,288	\$ 239,578
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Net contributed food activity	1,555,559	(896,001)
Donated property and equipment	(9,500)	(9,000)
Loss (gain) on disposal of assets	24,325	(9,684)
Realized and unrealized gain on investments	(85,350)	(182,110)
Depreciation	1,134,053	1,148,230
Interest attributable to debt issuance costs	13,177	13,177
Contributions to finance long-term capital improvements	-	(14,018)
Contributions restricted for endowment	-	(52,000)
Change in operating assets:		
Unconditional promises to give	897,381	(661,935)
Accounts receivable	504,486	(229,540)
Inventory	(106,667)	(184,210)
Prepaid expenses and other assets	(205,918)	(542)
Change in operating liabilities:		
Accounts payable and accrued expenses	519,512	75,078
Deferred revenue	245,260	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	11,811,606	(762,977)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,010,555	639,081
Purchases of investments	(1,118,795)	(1,065,116)
Proceeds from sale of investments - other	5,268	5,370
Acquisition of property and equipment	(414,670)	(1,295,243)
Proceeds from sale of property and equipment	9,883	31,820
NET CASH FLOWS FROM INVESTING ACTIVITIES	(507,759)	(1,684,088)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts for capital campaign	115,000	153,500
Cash contributions restricted for endowment	-	52,000
Repayment of long-term debt	(194,947)	(3,517,153)
Repayment of accounts payable and accrued expenses used to finance property and equipment	(68,603)	(341,798)
Payment of loan fees	-	(7,550)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(148,550)	(3,661,001)
NET CHANGES IN CASH AND RESTRICTED CASH	11,155,297	(6,108,066)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	3,080,247	9,188,313
CASH AND RESTRICTED CASH, END OF YEAR	\$ 14,235,544	\$ 3,080,247
Cash per Consolidated Statements of Financial Position		
Cash	\$ 13,883,237	\$ 3,080,247
Restricted cash	352,307	-
Total cash and restricted cash	\$ 14,235,544	\$ 3,080,247

See Notes to Consolidated Financial Statements

HARVESTERS - THE COMMUNITY FOOD NETWORK & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Organization - Harvesters - The Community Food Network (“Harvesters”) is a not-for-profit, tax-exempt (Section 501(c)(3)) food bank committed to providing food to hungry people in 26 counties in northeast Kansas and northwest Missouri. Harvesters is a charter member of Feeding America and received approximately 32% and 32% of its food through this network for the years ended June 30, 2020 and 2019, respectively. Harvesters collects and purchases food and distributes it to a network of member agencies such as food pantries, soup kitchens, shelters and other non-profit charitable organizations. These agencies provide the food to hungry people in need. Harvesters also educates the community about hunger, hunger relief, and nutrition.

Principles of consolidation - Harvesters - The Community Food Network & Subsidiary’s (the “Organization”) consolidated financial statements include the accounts of Harvesters and HCFN Title Holding Corporation (“HCFN”). All inter-organizational accounts and transactions have been eliminated. HCFN is a public benefit corporation organized exclusively for the benefit of, to perform the functions of, or to carry out the purposes of Harvesters. In conjunction with this charitable purpose, HCFN owns warehouses in Kansas City, Missouri and Topeka, Kansas critical to Harvesters’ mission. HCFN participates in transactions that qualify under the Federal New Markets Tax Credit (“NMTC”) program, pursuant to Section 45D of the Internal Revenue Code of 1986, as amended. Through HCFN’s participation in the NMTC program, HCFN has secured financing related to eligible capital projects. See additional details related to the NMTC transaction at Note 6.

During the year ended June 30, 2018, South Park Properties LLC (“South Park”) was formed. The entity is a single-member LLC, with Harvesters as its sole member. As of and during the years ended June 30, 2020 and 2019, South Park’s accounts were immaterial. As such, South Park’s activity has been included with those of Harvesters. On January 22, 2020, the Organization filed for the dissolution of the entity with the State of Kansas.

Basis of presentation - The Organization’s consolidated financial statements are prepared on the accrual basis of accounting. Balances and transactions are presented in accordance with the existence or absence of donor-imposed restrictions. The Organization maintains its financial accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives of the Organization.

- Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions. Items that affect (i.e., increase or decrease) this category of net assets primarily consist of program service fees (handling fees) paid on a per-pound basis by member agencies, and related expenses associated with the core activities of the Organization. In addition to these exchange transactions, changes to this category of net assets include certain types of philanthropic support - namely, contributions and grants without donor restrictions, including those designated by the Board to function as reserves, as well as contributions and grants with donor restrictions whose donor-imposed restrictions were met during the fiscal year, and income from investments with no restrictions.
- Net assets with donor restrictions are net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time. Items that affect this category of net assets are restricted contributions and grants. Contributions and grants received with donor-imposed restrictions are reported as support in the net assets with donor restrictions class unless the restrictions are both imposed and met in the same year (in which case they are reported as support in the net assets without donor restrictions). These amounts are reclassified to net assets without donor restrictions when such restrictions are met or have expired. Net assets with donor restrictions associated with the capital campaign are to be released from restriction when the assets are placed in service or expenses associated with the campaign are incurred.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

- Net assets with donor restrictions also include endowment funds subject to donor-imposed stipulations, which, as interpreted by the Board of Directors, according to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requirements, require the Organization to permanently maintain the fair value of the original gift as of the gift date. The donors of these assets permit the Organization to spend a part of the income earned on these assets, which are subject to appropriation or expenditure, on certain programs. These net assets are permanent endowment funds being held by the Organization such that the Organization has a perpetual interest in the earnings.
- Releases from net assets with donor restrictions during the years ended June 30, 2020 and 2019 were \$1,218,141 and \$1,473,725, respectively, for time restrictions and \$123,276 and \$100,000, respectively, for purpose restrictions. Net assets with donor restrictions consisted of time restrictions totaling \$1,218,252 and \$1,434,387, purpose restrictions for food distribution programs and endowment funds subject to appropriation or expenditure of \$148,318 and \$137,466, and endowment funds not subject to appropriation or expenditure of \$655,877 at June 30, 2020 and 2019.

Revenues and other support - Contributions and grants, including unconditional promises to give, recognized in accordance with Accounting Standards Codification (“ASC”), following the guidance described in Accounting Standards Update (“ASU”) 2018-08 Topic 958, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which was adopted on July 1, 2019. Under this guidance revenue is considered available for the Organization’s general programs unless specifically restricted by the donor. Amounts received that are restricted for future periods or restricted by the donor are reported as restricted contributions and increase net assets with donor restrictions. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Contributions other than cash, including unconditional promises to give and donated materials with clearly measurable bases, are recorded at their estimated fair value at the date of receipt. Revenue from fees and grants from government agencies are recognized as they are earned through expenditure in accordance with the agreement.

Revenue from contributed food received, as well as the related food distributed expense and the contributed food inventory accounts, are computed by valuing the Organization’s respective pounds of food at a weighted average wholesale price per pound as determined by the Feeding America national food bank network. The Organization treats contributed food as contributions without donor restrictions.

Revenue from contracts is recognized in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which was adopted on July 1, 2019 using the modified retrospective transition method. Revenue recognition is based on the five-step model: (i) identify the contract with the customer; (ii) identify the performance obligation in the contract; (iii) determine the contract price; (iv) allocate the transaction price; and (v) recognize revenue (or as) each performance obligation is satisfied. If it is determined that a contract with an enforceable right and obligation does not exist, revenues are deferred until all criteria for an enforceable contract are met.

Revenues from program service fees (handling fees) are recognized as earned from member agencies who receive food. The Organization applies the right to invoice practical expedient to contract revenue, and recognizes revenue as invoiced, since the Organization’s right to payment is for an amount that corresponds directly with the value provided to customers based on the Organization’s performance to-date.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Donated assets are reflected as contributions at their estimated fair value at the date of receipt. A substantial number of volunteers have donated thousands of hours during the year ended June 30, 2020, which do not meet the requirements of the Not-For-Profit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) related to revenue recognition of contributions received and, accordingly, are not recorded in these consolidated financial statements. The Organization received \$118,587 and \$141,030 for the years ended June 30, 2020 and 2019, respectively, for donated services and goods other than contributed food.

Cash - Cash consists of available cash balances on deposit at financial institutions. At times, the Organization maintains deposits in financial institutions in excess of federally insured limits. At June 30, 2020 and 2019 the Organization's uninsured balances totaled \$14,627,890 and \$2,996,379, respectively. The Organization has not experienced any losses in such accounts and management believes the risk of loss is negligible.

Investments and Investments – Endowment - Investments and Investments - Endowment consist of money market funds, equities, and fixed income securities which are recorded at their fair value.

Investment return - Investment return is reported on the consolidated statements of activities and changes in net assets and consists of interest, dividends, realized and unrealized gains and losses, and fees.

Investments – Other - Investments - Other consists of an annuity investment which is recorded at fair value.

Accounts receivable - Accounts receivable balances result from government reimbursements and handling fees earned. On a periodic basis, the Organization evaluates receivables and establishes an allowance based on history, past write-offs, collections, and current economic conditions. Receivables are written off when it is determined that all collection efforts have been exhausted.

Inventory - Contributed food is valued on a first-in, first-out basis using a weighted average wholesale price per pound as determined by the Feeding America national food bank network. For the years ended June 30, 2020 and 2019, contributed food was valued at \$1.74 and \$1.62 per pound, respectively. Purchased food is valued on a first-in, first-out basis.

Property and equipment - Property and equipment are stated at cost or the fair value at date of gift for donated assets, less accumulated depreciation. Acquisitions of \$5,000 or more are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Building and building improvements	7 - 30 years
Land improvements	15 years
Equipment	3 - 10 years

Amortization - In April 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability, consistent with debt discounts. During the years ended June 30, 2020 and 2019, amortization amounted to \$13,177 and \$13,177, respectively.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Functional expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Certain costs have been allocated among the programs and supporting services benefited as depicted in the accompanying statements of functional expenses. Expenses that can be identified with a specific program and support are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the programs or support source. Specifically, those costs are allocated by department, a full time equivalent measure, and by square footage. Direct benefit to donor costs have been included in fund development costs on the statements of functional expenses as the associated costs are not material in relation to the consolidated financial statements taken as a whole.

Income taxes - Harvesters and HCFN are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. South Park is a single member limited liability company and is considered a disregarded entity for federal income tax purposes. Accordingly, no provision has been made for federal and state income taxes.

The Organization's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the consolidated financial statements during the period which, based on all available evidence, it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Organization. No accrual has been recorded at June 30, 2020 or 2019, as management does not believe any material uncertainties exist.

Grants payable – Grants payable are recorded in accordance with ASC Topic 958, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which was adopted on July 1, 2019. Under this guidance, grants are recognized in the accompanying consolidated financial statements when the Organization has an obligation to transfer assets to a grantee.

Use of estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized comparative information - The consolidated financial statements include certain prior year summarized comparative information in total but neither by net asset class nor by natural classification of expenses by function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Harvesters' consolidated financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Recent accounting pronouncements - On July 1, 2019 the Organization adopted the amendment to ASC Topic 958 in ASU 2018-08, *Not-for-Profit Entities*, ASC Topic 230 in ASU 2016-18, *Statement of Cash Flows*, and ASC Topic 606 *Revenue from Contracts with Customers*, and related amendments. The adoption of the amendments and the ASC did not have a material impact on the Organization's financial position, statement of activities or cash flows. As such, the Organization did not make any adjustments to its financial position upon adoption as there are no differences in 2020 as reported under ASC Topics 606 and 958 and prior guidance.

(2) Promises to give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. The discount rate used in valuing unconditional promises to give was 5% for the years ended June 30, 2020 and 2019. Amortization of the discounts is included in contribution revenue.

	June 30,	
	2020	2019
Unconditional promises to give - capital campaign	\$ 120,000	\$ 235,000
Unconditional promises to give - operations	1,091,877	2,667,304
Unconditional promises to give - government	659,588	-
Subtotal	1,871,465	2,902,304
Less: Unamortized discount	(11,818)	(30,276)
Subtotal	1,859,647	2,872,028
Less: Allowance for uncollectibles	(25,000)	(25,000)
Net unconditional promises to give	\$ 1,834,647	\$ 2,847,028

Amounts due in:

Years ending June 30,

2021	\$ 1,756,465
2022	75,000
2023	-
2024	40,000
2025	-
Total unconditional promises to give	\$ 1,871,465

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Investments

Investments are comprised of the following:

	June 30,	
	2020	2019
Fixed income pool	\$ 2,835,367	\$ 1,555,045
Money market pool	842,615	1,240,344
Equity pool:		
Domestic allocation	1,885,220	2,330,643
International allocation	679,588	923,168
Total equity pool	2,564,808	3,253,811
Total investments	\$ 6,242,790	\$ 6,049,200

Investment income is comprised of the following:

	Years ended June 30,	
	2020	2019
Interest and dividend income	\$ 218,939	\$ 235,615
Investment fees	(17,123)	(16,729)
Unrealized (loss) gain	(42,480)	92,676
Realized gain	127,830	89,434
Total investment return	\$ 287,166	\$ 400,996

The Organization maintains the above investment portfolios at the Greater Kansas City Community Foundation (the "Community Foundation"), and specified itself as beneficiary at the time of the transfer. Amounts will be distributed to the Organization upon the Community Foundation's receipt of the written recommendation of two authorized signers of the Organization. The Community Foundation will monitor distributions requested by the Organization to ensure amounts are being distributed in accordance with the Organization's intentions. The investment portfolios above are included in Investments and Investments - Endowment on the consolidated statements of financial position as of the years ended June 30, 2020 and 2019, respectively.

FASB ASC 820, *Fair Value Measurements and Disclosures* provide the framework for measuring fair value. ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Investments (continued)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization endeavors to utilize the best available information in measuring fair value. The fair values of the Organization's investments can be determined using the following valuation methods as of June 30, 2020 and 2019:

	June 30, 2020			
	Fair Value	Level 1	Level 2	Level 3
Money market pool	\$ 842,615	\$ -	\$ 842,615	\$ -
Equity pool	2,564,808	-	2,564,808	-
Fixed income pool	2,835,367	-	2,835,367	-
	\$ 6,242,790	\$ -	\$ 6,242,790	\$ -
	June 30, 2019			
	Fair Value	Level 1	Level 2	Level 3
Money market pool	\$ 1,240,344	\$ -	\$ 1,240,344	\$ -
Equity pool	3,253,811	-	3,253,811	-
Fixed income pool	1,555,045	-	1,555,045	-
	\$ 6,049,200	\$ -	\$ 6,049,200	\$ -

(4) Leverage loan receivable

During the year ended June 30, 2017, as a part of the NMTC transactions listed in note 6 below, Harvesters issued a \$7,688,500 loan to USBCDC Investment Fund 200, LLC (the "Fund"). The loan has an interest rate of 1% and requires quarterly interest payments beginning July 1, 2017 and requires quarterly interest and principal payments beginning July 1, 2024, with all unpaid principal and accrued interest due June 30, 2047.

(5) Property and equipment

	June 30,	
	2020	2019
Cost		
Land and land improvements	\$ 667,828	\$ 667,827
Building and building improvements	15,968,474	15,900,552
Equipment	9,401,520	9,286,138
Total cost	26,037,822	25,854,517
Less: Accumulated depreciation	9,021,215	8,099,229
Net property and equipment	\$ 17,016,607	\$ 17,755,288

Depreciation expense charged to operations for the years ended June 30, 2020 and 2019 was \$1,134,053 and \$1,148,230, respectively.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(6) New market tax credit financing transaction

During the year ended June 30, 2017 Harvesters sponsored a financing of its Kansas City, Missouri and Topeka, Kansas site expansions under the NMTC program. NMTC financing allows organizations such as HCFN to receive low-interest loans or investment capital from certified community development entities (“CDEs”) which allows third-party investors to receive Federal income tax credits based upon the amount of total investment in projects in certain “low income communities”.

As an inducement to such third-party tax credit investors and a CDE to invest in the project, Harvesters committed \$7,688,500 via a leverage loan to USB CDC Investment Fund 200, LLC (the “Fund”), a Missouri limited liability company. The leverage loan of \$7,688,500 is reflected as a note receivable on the consolidated statement of financial position at June 30, 2020 and 2019. U.S. Bancorp Community Development Corporation (USB CDC) invested \$5,000,000 in the Fund and another \$5,000,000 in USB CDC Investment Fund 201, LLC, which subsequently merged with the Fund. The Fund is a wholly owned subsidiary of USB CDC.

The Fund then contributed \$5,000,000 to CBKC CDC SUB-CDE 41, LLC (CDE 41) and \$5,000,000 to CBKC CDC SUB-CDE 42, LLC (CDE 42), the entities having the authority to provide the Federal income tax credits to investors, as a capital contribution. CDE 41 and 42 are 99.99% owned by the Fund and are .01% owned by CBKC CDC, LLC, the organization that manages the CDEs. The Fund also made an additional \$1,000,000 capital contribution to CDE 41.

CDE 41 made qualified low income community investments (the “QLICs”) in HCFN, in the form of loans: (i) \$4,193,728 (Loan A) and (ii) \$1,686,272 (Loan B). CDE 42 made QLICs in HCFN in the form of loans: (i) \$3,494,773 (Loan A) and (ii) \$1,405,227 (Loan B). Such loans are secured by the assets and property of HCFN, which consists of cash, land, buildings, and equipment financed by the loans under the program. As part of the financing, Harvesters contributed the Kansas City, Missouri facility and Topeka, Kansas assets to HCFN. Harvesters and HCFN then entered into four leases – two real estate leases for both the Kansas and Missouri properties and two equipment leases for assets related to these properties. The real estate leases are for 25 years and the equipment leases are for 62 months.

Harvesters entered into a put and call agreement with USB CDC during the year ended June 30, 2017. The agreement grants USB CDC the right to exercise the requirement that Harvesters purchase USB CDC’S interest in the Fund and in CDE 41 and 42 for a put exercise price of \$1,000.

This right may be exercised upon the occurrence of the first day following the end of the tax credit investment period, which is defined by Section 45D of the Internal Revenue Code of 1986 as the date on which the investment is initially made and each of the six anniversary dates of such date thereafter. This right may also be exercised upon the occurrence of a NMTC recapture event, which is a disallowance of any NMTCs attributable to any Qualified Equity Investment (QEI) in the Community Development Entity (CDE), the proceeds of which were or will be used to fund the QLICs or related fees, but only to the extent such recapture or disallowance is the direct or indirect result of certain events as disclosed in the HCFN Guaranty Agreement.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) Long-term debt

	June 30,	
	2020	2019
Harvesters		
<p>Term loan A with US Bank, with an original balance of \$3,508,511, and interest accruing at 4.75%. Quarterly payments of interest only through June 2018, converting to quarterly payments of principal and interest of \$68,561 beginning September 30, 2018 with all unpaid principal and accrued interest due at maturity on June 30, 2024. The loan was collateralized by Harvesters' leverage loan receivable. The loan was paid in full during the year ended June 30, 2020.</p>	\$ -	\$ 80,399
<p>Term loan B with US Bank, with an original balance of \$2,000,000, and interest accruing at 4.75%. Quarterly payments of interest only through June 2018, converting to quarterly payments of principal and interest of \$39,083 beginning September 30, 2018 with all unpaid principal and accrued interest due at maturity on June 30, 2024. The loan is collateralized by Harvesters' leverage loan receivable.</p>	1,226,411	1,340,959
HCFN		
<p>Term loan A with CBKC CDC SUB-CDE 41, LLC, with an original balance of \$4,193,728, and interest accruing at 1.38%. Quarterly payments of interest only through June 2024, converting to quarterly payments of principal and interest of \$53,285 beginning September 1, 2024 with all unpaid principal and accrued interest due at maturity on June 30, 2047. The loan is collateralized by the assets and personal property of HCFN.</p>	4,193,728	4,193,728
<p>Term loan B with CBKC CDC SUB-CDE 41, LLC, with an original balance of \$1,686,272, and interest accruing at 1.38%. Quarterly payments of interest only through May 2024, with a balloon principal payment due in June 2024, and converting to quarterly payments of principal and interest of \$20,354 beginning July 1, 2024 with all unpaid principal and accrued interest due at maturity on June 30, 2047. The loan is collateralized by the assets and personal property of HCFN.</p>	1,686,272	1,686,272

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) Long-term debt (continued)

	June 30,	
	2020	2019
Term loan A with CBKC CDC SUB-CDE 42, LLC, with an original balance of \$3,494,773, and interest accruing at 1.38%. Quarterly payments interest only through June 2024, converting to quarterly payments of principal and interest of \$44,404 beginning September 1, 2024 with all unpaid principal and accrued interest due at maturity on June 30, 2047. The loan is collateralized by the assets and personal property of HCFN.	3,494,773	3,494,773
Term loan B with CBKC CDC SUB-CDE 42, LLC, with an original balance of \$1,405,227, and interest accruing at 1.38%. Quarterly payments of interest only through May 2024, with a balloon principal payment due in June 2024, and converting to quarterly payments of principal and interest of \$16,962 beginning July 1, 2024 with all unpaid principal and accrued interest due at maturity on June 30, 2047. The loan is collateralized by the assets and personal property of HCFN.	1,405,227	1,405,227
Total debt	12,006,411	12,201,358
Less: current portion	(134,445)	(173,634)
Less: unamortized debt issuance costs	(355,780)	(368,957)
Non-current portion	\$ 11,516,186	\$ 11,658,767

Maturities on longer-term debt are as follows:

Years ending June 30.

2021	134,445
2022	105,617
2023	110,797
2024	1,030,127
2025	395,303
Thereafter	10,230,122
Total	\$ 12,006,411

(8) Line of credit

The Organization maintained a \$3,000,000 line of credit during the years ended June 30, 2020 and 2019. The line available during the year ended June 30, 2020 was renewed with a new maturity date of November 27, 2020 and accrues interest at 1.8% over LIBOR (at June 30, 2020). The line available during the year ended June 30, 2019 matured on November 29, 2019 and accrued interest at 1.8% over LIBOR (at June 30, 2019). At June 30, 2020 and 2019, there was no outstanding balance on the line. The line is collateralized by all business assets of Harvesters and subject to certain financial and non-financial covenants.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) Endowment

The Organization's endowment consists of three funds established for a variety of purposes. The funds only include donor-restricted funds. In accordance with FASB ASC 958, net assets associated with endowment funds and funds designated by the Board of Directors are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment funds include the original value at the date of the gift. The earnings on these funds are restricted until appropriated for expenditure on certain programs. The Organization had the following endowment-related activities:

	For the year ended June 30, 2020		
	Net Assets With Donor Restrictions		
	Subject to appropriation or expenditure	Not subject to appropriation or expenditure	Total
Beginning balance, July 1, 2019	\$ 137,466	\$ 655,877	\$ 793,343
Releases from restriction	(23,276)	-	(23,276)
Investment return	34,128	-	34,128
Total change in endowment funds	10,852	-	10,852
Ending balance, June 30, 2020	<u>\$ 148,318</u>	<u>\$ 655,877</u>	<u>\$ 804,195</u>

	For the year ended June 30, 2019		
	Net Assets With Donor Restrictions		
	Subject to appropriation or expenditure	Not subject to appropriation or expenditure	Total
Beginning balance, July 1, 2018	\$ 92,955	\$ 603,877	\$ 696,832
Contributions	-	52,000	52,000
Investment return	44,511	-	44,511
Total change in endowment funds	44,511	52,000	96,511
Ending balance, June 30, 2019	<u>\$ 137,466</u>	<u>\$ 655,877</u>	<u>\$ 793,343</u>

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds. In order to obtain maximum benefits from the assets of the Organization, the investment goals include achieving long-term growth of capital within specified risk constraints, production of a reasonable rate of return on the investment assets, consistent with the assumption of a prudent level of risk, and protection of the Organization's assets from inflation, so that they will be available for long-term use.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) Endowment (continued)

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization's risk tolerance is moderate. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based and fixed-income investments, selection of quality securities, and seeking lower volatility to achieve its long-term return objectives within prudent risk constraints.

Spending policy

One of the purposes of the Organization's investment assets is to provide funds to cover the portion of the Organization's program costs and organizational expenses that are not covered by fees for services or by donations and grants. Distributions will be made annually at 5% of a trailing 3-year average of the endowments' total market value as of December 31. No distribution will be made if such distribution would bring the value of the fund below the historic dollar value of the fund.

(10) Lease commitments

Harvesters and HCFN have entered into three leases where Harvesters is the lessee and HCFN is the lessor - one real estate lease for the Kansas City, Missouri facility and two equipment leases for assets in both Kansas and Missouri. Additionally, the two entities have a memorandum of occupancy for use of the Topeka, Kansas facility. The memorandum expired December 2018 but automatically renews for one-year periods through December 2027. The Missouri real estate lease expires June 2042 and the equipment leases expire August 2022. All three leases require quarterly payments.

Harvesters also leases equipment used in operations through multiple leases which expire between August 2024 and November 2025.

The future minimum rental payments required under these operating leases are as follows:

<u>Years ending June 30,</u>	
2021	\$ 174,765
2022	174,765
2023	174,765
2024	174,765
2025	135,321
Thereafter	56,810
	<u>\$ 891,191</u>

Total rental expense for the years ended June 30, 2020 and 2019 was \$304,530 and \$296,864, respectively.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(11) Liquidity

	June 30,	
	2020	2019
Cash	\$ 13,881,042	\$ 2,893,920
Unconditional promises to give	1,161,465	2,485,969
Current investments	5,438,595	5,255,857
Accounts receivable	184,291	751,852
Other investments	5,697	5,530
Appropriations from endowment	31,386	23,726
	\$ 20,702,476	\$ 11,416,854

Cash - The amount shown above reflects cash on hand available to meet general expenditures. As of the financial statement date, Harvesters had cash on hand for the purpose of repaying debt and for capital expenditures; this cash is not reflected here.

Unconditional promises to give - The amount reflected above includes those contributions receivable within one year and which may be used for general expenditures. Contributions with donor-imposed restrictions are included when such gifts are restricted for use in Harvesters regular, ongoing activities.

Current investments - Included in the amount above is \$5,396,000 designated as an operating reserve by the Board. Harvesters does not intend to spend from the reserve in the upcoming year, but this amount is available for general expenditures as needed. These funds are invested at the Greater Kansas City Community Foundation. The Foundation reserves the right to make the final decision regarding distributions from the fund.

Accounts receivable - Receivables due within the year from Harvesters' agency partners and others.

Other investments - The amount above reflects the guaranteed cash payments due within one year from an annuity owned by Harvesters.

Appropriations from permanent endowment - The Board has appropriated the above amount, in accordance with the spending policy of the endowment, for general expenditures within the next year.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, management and Board consider all expenditures of the organization, including operating expenses, capital acquisition needs and debt service requirements. Based on these expenditures, the organization prepares a balanced budget; deficit budgets are not prepared except in unusual circumstances. Liquidity is monitored regularly by management and Board. In addition to the financial assets shown above, Harvesters has a \$3,000,000 line of credit which it can draw upon as needed. Harvesters may also make short-term borrowings from its operating reserves for temporary liquidity needs.

(12) Retirement plan

The Organization sponsors a non-participatory defined contribution retirement plan for employees following completion of two consecutive years of employment. The Organization contributes 5% of gross compensation of eligible employees. During the years ended June 30, 2020 and 2019, contributions to the plan charged to operations were \$277,417 and \$295,200, respectively.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(13) Board designated reserve

The Board of Directors authorized the establishment of an operating reserve fund. This fund, which is maintained in the Organization's investment account, consisted of \$5,396,000 and \$5,232,851 at June 30, 2020 and 2019, respectively. Reserve funds can be used without board approval for temporary cash flow needs only up to 50% of the total value of the reserve. All other uses require board approval.

(14) Concentrations

During the years ended June 30, 2020 and 2019, 11% and 13%, respectively, of Harvesters' purchases were with Feeding America for the acquisition of food items. In addition, 36% and 36% of Harvesters' donated food came from Feeding America during the years ended June 30, 2020, and 2019, respectively. During the years ended June 30, 2020 and 2019, 0% and 58% of HCFN's purchases were paid to Kelley Construction, respectively, which were for the expansion efforts of the Topeka, Kansas property.

(15) Cash flow disclosures

The following is a summary of supplemental cash flow information:

	June 30,	
	2020	2019
Cash paid for interest	\$ 212,284	\$ 261,775
In-kind donations of property and equipment	\$ 9,500	\$ 9,000
Purchase of property and equipment with accounts payable and accrued expenses	\$ 5,410	\$ 68,603
Deferred in-kind donations of inventory	\$ 3,790,320	\$ -

(16) Recent accounting pronouncements

Recent accounting pronouncements - Leases - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, office equipment, and vehicles. Under the current accounting model, an organization applies a classification test to determine the accounting for the lease arrangement as an operating or capital lease. The new guidance will require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by those leases. A lessee will be required to recognize assets and liabilities for leases with terms of more than twelve months. Consistent with U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a capital or operating lease. However, unlike current U.S. GAAP, the new ASU will require both types of leases to be recognized on the statements of financial position. The ASU will also require disclosure to help donors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include both qualitative and quantitative analysis. This ASU is effective for the Organization's June 30, 2023 consolidated financial statements and early adoption is permitted. The Organization is currently evaluating the effect that the updated standard will have on the consolidated financial statements and related disclosures.

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(17) Paycheck Protection Program

During the year ended June 30, 2020, the Organization received a Paycheck Protection Program (PPP) loan of \$1,556,900, granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of-return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (rent, utilities, and interest on mortgages) incurred following the receipt of the funds. The Organization recognized the amount received as contribution income as qualified expenses occurred and barriers to entitlement were met. Application for forgiveness of the loan will be made, with the inclusion of compliance substantiation and certification therein. However, at the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. All documentation supporting program compliance has been made available for the financial statement audit. All indications are that the loan will be forgiven, however, if a portion of the loan must be repaid, the terms are such that the Organization has sufficient liquidity to repay the unforgiven portion.

(18) Risks and uncertainties

On March 11, 2020 the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak began disrupting operations and affecting a wide range of industries and their employees. The extent of the impact of COVID-19 on the Organization's operational and financial performance as of June 30, 2020 was not deemed significant with exception of the Paycheck Protection Program funding discussed in Note 17, but the extent of the impact moving forward will depend on certain developments, including the duration and spread of the outbreak and the related impact on its programs, employees, and vendors, all of which are uncertain and cannot be predicted. The extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain and cannot be reasonably estimated.

(19) Subsequent events

The Organization has evaluated subsequent events through November 9, 2020, which is the date the consolidated financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.

SUPPLEMENTARY INFORMATION

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

SUPPLEMENTARY INFORMATION – CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

	<u>Harvesters</u>	<u>HCFN</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash	\$ 13,912,815	\$ 322,729	\$ -	\$ 14,235,544
Unconditional promises to give, current portion, less allowance for uncollectibles	1,731,465	-	-	1,731,465
Investments	5,438,595	-	-	5,438,595
Accounts receivable	247,366	916,670	(916,670)	247,366
Inventory	10,696,409	-	-	10,696,409
Prepaid expenses and other assets	436,240	-	-	436,240
TOTAL CURRENT ASSETS	32,462,890	1,239,399	(916,670)	32,785,619
LONG-TERM UNCONDITIONAL PROMISES TO GIVE, less current portion above, net of unamortized discount	103,182	-	-	103,182
LEVERAGE LOAN RECEIVABLE	7,688,500	-	-	7,688,500
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	1,754,606	15,262,001	-	17,016,607
INVESTMENTS - OTHER	17,630	-	-	17,630
INVESTMENTS - ENDOWMENT	804,195	-	-	804,195
TOTAL ASSETS	\$ 42,831,003	\$ 16,501,400	\$ (916,670)	\$ 58,415,733

LIABILITIES

CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 2,650,766	\$ -	\$ (916,670)	\$ 1,734,096
Deferred revenue	4,035,580	-	-	4,035,580
Current portion of long-term debt	134,445	-	-	134,445
TOTAL CURRENT LIABILITIES	6,820,791	-	(916,670)	5,904,121
LONG-TERM DEBT, less current portion above	1,091,966	10,424,220	-	11,516,186
TOTAL LIABILITIES	7,912,757	10,424,220	(916,670)	17,420,307

NET ASSETS

NET ASSETS WITHOUT DONOR RESTRICTIONS				
Foodbank				
Undesignated	21,835,740	6,077,180	-	27,912,920
Board designated - reserve	5,396,000	-	-	5,396,000
Total foodbank	27,231,740	6,077,180	-	33,308,920
Contributed food	5,664,059	-	-	5,664,059
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	32,895,799	6,077,180	-	38,972,979
NET ASSETS WITH DONOR RESTRICTIONS	2,022,447	-	-	2,022,447
TOTAL NET ASSETS	34,918,246	6,077,180	-	40,995,426
TOTAL LIABILITIES AND NET ASSETS	\$ 42,831,003	\$ 16,501,400	\$ (916,670)	\$ 58,415,733

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

SUPPLEMENTARY INFORMATION – CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	<u>Harvesters</u>	<u>HCFN</u>	<u>Eliminations</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS				
OPERATING SUPPORT AND REVENUE				
Contributions received	\$ 29,326,509	\$ -	\$ (650,778)	\$ 28,675,731
Contributed food received	102,061,201	-	-	102,061,201
Handling fees and other revenues	1,273,487	-	-	1,273,487
Rental income	-	1,074,071	(1,074,071)	-
Investment return	252,205	833	-	253,038
Special events	206,925	-	-	206,925
Net assets released from restriction	1,387,360	-	(45,943)	1,341,417
TOTAL OPERATING SUPPORT AND REVENUE	134,507,687	1,074,904	(1,770,792)	133,811,799
EXPENSES				
Foodbank program	18,507,843	763,840	(1,669,846)	17,601,837
Contributed food distributed	103,616,760	-	-	103,616,760
Management and general	1,727,625	58,739	(28,876)	1,757,488
Fund development	2,139,625	20,090	(26,127)	2,133,588
TOTAL EXPENSES	125,991,853	842,669	(1,724,849)	125,109,673
CHANGES IN NET ASSETS BEFORE DEPRECIATION, INTEREST ATTRIBUTABLE TO DEBT ISSUANCE COSTS, AND GAIN ON SALE OF ASSETS				
	8,515,834	232,235	(45,943)	8,702,126
OTHER EXPENSE				
Depreciation expense	(442,095)	(691,958)	-	(1,134,053)
Interest attributable to debt issuance costs	-	(13,177)	-	(13,177)
Gain on sale of assets	(24,325)	-	-	(24,325)
TOTAL OTHER EXPENSE	(466,420)	(705,135)	-	(1,171,555)
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
	8,049,414	(472,900)	(45,943)	7,530,571
NET ASSETS WITH DONOR RESTRICTIONS				
Contributions with donor restrictions	1,102,006	-	-	1,102,006
Contributions with donor restrictions - endowment	-	-	-	-
Endowment earnings	34,128	-	-	34,128
Releases from net assets with donor restrictions	(1,387,360)	-	45,943	(1,341,417)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	(251,226)	-	45,943	(205,283)
NET ASSETS, BEGINNING OF YEAR	27,120,058	6,550,080	-	33,670,138
NET ASSETS, END OF YEAR	\$ 34,918,246	\$ 6,077,180	\$ -	\$ 40,995,426

See Notes to Supplementary Information – Consolidating Statements

**HARVESTERS - THE COMMUNITY FOOD NETWORK
& SUBSIDIARY**

SUPPLEMENTARY INFORMATION – CONSOLIDATING STATEMENTS

(1) Principles of consolidation

The consolidated financial statements include the accounts of Harvesters and HCFN (the “Organization”). All inter-organizational accounts and transactions have been eliminated.

The supplemental consolidating financial statements therefore show certain accounts and transactions that were otherwise eliminated in the consolidated financial statements, which are described below.

At June 30, 2020 and 2019, Harvesters owed HCFN \$916,671 and \$635,172, respectively, for the net effect of straight-line rent expense and certain operating expenses and capital expenditures.

During the years ended June 30, 2020 and 2019 HCFN leased certain property and equipment at the Kansas and Missouri locations to Harvesters. As a part of these transactions, HCFN recognized rental revenue, and Harvesters recognized rental expense, of \$981,266 and \$981,284 during the years ended June 30, 2020 and 2019, respectively. Under the Kansas property memorandum of occupancy, HCFN donated the use of the space to Harvesters. This resulted in in-kind donation revenue and in-kind rental expense for Harvesters of \$91,886 and \$90,985 during the years ended June 30, 2020 and 2019, respectively. For HCFN, this resulted in in-kind rental revenue and donation expense of \$92,805 and \$90,985 during the years ended June 30, 2020 and 2019, respectively. Additionally, HCFN made monetary donations to Harvesters, which resulted in contribution expense of \$557,973 and \$1,199,447, and Harvesters recognized contribution revenue of \$557,973 and \$1,199,447, during the years ended June 30, 2020 and 2019, respectively

At June 30, 2020 and 2019, as a result of the Missouri property lease, Harvesters recognized a deferred rent payable and HCFN recognized a deferred rent receivable of \$963,584 and \$681,115, respectively, for the difference between the straight line rent expense and the actual rent paid.