

**HARRY CHAPIN FOOD BANK
OF SOUTHWEST FLORIDA, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION TOGETHER WITH
REPORTS OF INDEPENDENT AUDITOR
YEARS ENDED
JUNE 30, 2019 AND 2018**

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Private Companies Practice Section

Tax Division

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harry Chapin Food Bank of Southwest Florida, Inc.
3760 Fowler Street
Fort Myers, Florida 33901

Report on the Financial Statements

We have audited the accompanying financial statements of Harry Chapin Food Bank of Southwest Florida, Inc. (a Florida not-for-profit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. 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 Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control. Accordingly, we

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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 Harry Chapin Food Bank of Southwest Florida, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Matter of Emphasis - New Accounting Pronouncement

On August 18, 2016 FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Harry Chapin Food Bank of Southwest Florida, Inc. has adjusted the presentation of these financial statements accordingly. Please refer to Note A.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Harry Chapin Food Bank of Southwest Florida, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance for the year ended June 30, 2019 and the Notes thereto are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" and the Florida Single Audit Act (Florida Statute 215.97) and State of Florida, Chapter 10.650 "Rules of the Auditor General" and are 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

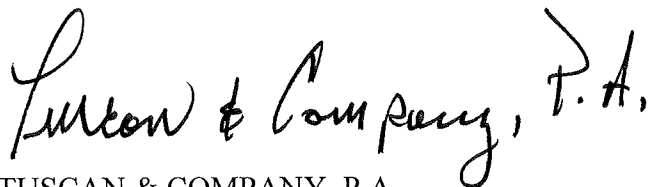
records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance for the year ended June 30, 2019 and the Notes thereto are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

The Exhibit - Management's Response to Independent Auditor's Report to Management, is not a required part of the financial statements but is required by Government Auditing Standards and State of Florida Chapter 10.650 "Rules of the Auditor General". Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2019, on our consideration of Harry Chapin Food Bank of Southwest Florida, Inc.'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 Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control over financial reporting and compliance.



TUSCAN & COMPANY, P.A.
Fort Myers, Florida
September 24, 2019

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and cash equivalents (including restricted cash of \$233,644 and \$188,751 at June 30, 2019 and 2018, respectively)	\$ 685,658	\$ 1,084,724
Certificates of deposit	1,519,039	1,460,281
Accounts receivable	571,814	62,199
Unconditional promises to give-pledges, current portion, restricted	-	5,424
Prepaid expenses	26,901	88,471
Inventory	2,045,223	1,194,468
TOTAL CURRENT ASSETS	4,848,635	3,895,567
PROPERTY AND EQUIPMENT, NET		
	4,604,775	4,584,040
OTHER ASSETS		
Investments - beneficial interest	31,424	30,548
Deposits	15,362	15,362
Land held for sale	952,422	952,422
TOTAL OTHER ASSETS	999,208	998,332
TOTAL ASSETS	\$ 10,452,618	\$ 9,477,939
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 123,875	\$ 231,599
Accrued expenses	327,410	111,612
Grants held for other agencies - restricted	42,841	99,310
Compensated absences	98,809	110,813
Long-term debt, current portion	1,413,107	102,229
TOTAL CURRENT LIABILITIES	2,006,042	655,563
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	-	1,412,442
TOTAL LONG-TERM LIABILITIES	-	1,412,442
COMMITMENTS AND CONTINGENCIES		
	-	-
TOTAL LIABILITIES	2,006,042	2,068,005
NET ASSETS		
Without donor restrictions		
Operating	5,032,681	4,220,576
Investment in property and equipment, net	3,191,668	3,069,369
TOTAL WITHOUT DONOR RESTRICTIONS	8,224,349	7,289,945
With donor restrictions		
Temporarily restricted	190,803	89,441
Permanently restricted	31,424	30,548
TOTAL WITH DONOR RESTRICTIONS	222,227	119,989
TOTAL NET ASSETS	8,446,576	7,409,934
TOTAL LIABILITIES AND NET ASSETS	\$ 10,452,618	\$ 9,477,939

The accompanying notes are an integral part of this statement.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
STATEMENTS OF ACTIVITIES
June 30, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	
		Temporarily Restricted	Permanently Restricted
CHANGES IN NET ASSETS			
REVENUES AND SUPPORT			
Gross proceeds from special events and fundraising	\$ 1,118,831	\$ -	\$ -
Less direct costs	(359,454)	-	-
Net proceeds from special events and fundraising	759,377	-	-
Food contributions - USDA	16,831,635	-	-
Food contributions - USDA CSFP	653,370	-	-
Food contributions - other	25,494,661	-	-
Federal Government programs	1,259,377	37,903	-
State Government programs	-	800,000	-
United Way	196,995	-	-
Grants and donations	3,688,679	747,978	-
Programs	225,846	-	-
Other	85,705	-	-
TOTAL	49,195,645	1,585,881	-
Net assets released from restrictions	1,483,643	(1,484,519)	876
TOTAL REVENUES AND SUPPORT	50,679,288	101,362	876
EXPENSES			
Program services	48,461,393	-	-
General and administrative	437,970	-	-
Fundraising	845,521	-	-
TOTAL EXPENSES	49,744,884	-	-
INCREASE (DECREASE) IN NET ASSETS	934,404	101,362	876
NET ASSETS, BEGINNING OF YEAR	7,289,945	89,441	30,548
NET ASSETS, END OF YEAR	\$ 8,224,349	\$ 190,803	\$ 31,424

The accompanying notes are an integral part of this statement.

2018				
Total	With Donor Restrictions			Total
	Without Donor Restrictions	Temporarily Restricted	Permanently Restricted	
\$ 1,118,831 <u>(359,454)</u>	\$ 1,286,004 <u>(397,921)</u>	\$ 16,822 <u>-</u>	\$ - <u>-</u>	\$ 1,302,826 <u>(397,921)</u>
759,377	888,083	16,822	-	904,905
16,831,635	6,250,616	-	-	6,250,616
653,370	647,440	-	-	647,440
25,494,661	31,198,151	-	-	31,198,151
1,297,280	571,221	90,007	-	661,228
800,000	-	400,000	-	400,000
196,995	201,606	-	-	201,606
4,436,657	4,861,640	1,355,896	-	6,217,536
225,846	212,803	-	-	212,803
85,705	51,787	-	-	51,787
<u>50,781,526</u>	<u>44,883,347</u>	<u>1,862,725</u>	<u>-</u>	<u>46,746,072</u>
<u>-</u>	<u>1,886,836</u>	<u>(1,889,329)</u>	<u>2,493</u>	<u>-</u>
<u>50,781,526</u>	<u>46,770,183</u>	<u>(26,604)</u>	<u>2,493</u>	<u>46,746,072</u>
48,461,393	44,526,420	-	-	44,526,420
437,970	518,675	-	-	518,675
845,521	887,606	-	-	887,606
<u>49,744,884</u>	<u>45,932,701</u>	<u>-</u>	<u>-</u>	<u>45,932,701</u>
1,036,642	837,482	(26,604)	2,493	813,371
<u>7,409,934</u>	<u>6,452,463</u>	<u>116,045</u>	<u>28,055</u>	<u>6,596,563</u>
<u>\$ 8,446,576</u>	<u>\$ 7,289,945</u>	<u>\$ 89,441</u>	<u>\$ 30,548</u>	<u>\$ 7,409,934</u>

The accompanying notes are an integral part of this statement.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

FUNCTIONAL EXPENSES	Program Services	SUPPORTING SERVICES			2019 Total Expenses
		Admin.	Fund Raising	Total Supporting Services	
Payroll and related expenses	\$ 2,216,064	\$ 322,662	\$ 664,982	\$ 987,644	\$ 3,203,708
Insurance	500,909	51,853	98,501	150,354	651,263
Utilities	111,589	5,091	2,600	7,691	119,280
Vehicle	319,549	2,042	6,784	8,826	328,375
Business travel	14,006	3,512	2,493	6,005	20,011
Cost of food	890,812	-	-	-	890,812
Agency program	61,484	-	-	-	61,484
Pick and pack out	180,970	-	-	-	180,970
Maintenance	76,598	793	15	808	77,406
Transportation	299,323	-	-	-	299,323
Finance	65,443	7,766	12,516	20,282	85,725
Technology	73,051	7,438	16,277	23,715	96,766
Other	345,192	36,813	41,353	78,166	423,358
Food distribution	<u>42,825,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,825,903</u>
Total expenses before depreciation	47,980,893	437,970	845,521	1,283,491	49,264,384
Depreciation	<u>480,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480,500</u>
TOTAL EXPENSES	<u>\$ 48,461,393</u>	<u>\$ 437,970</u>	<u>\$ 845,521</u>	<u>\$ 1,283,491</u>	<u>\$ 49,744,884</u>

The accompanying notes are an integral part of this statement.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

FUNCTIONAL EXPENSES	Program Services	SUPPORTING SERVICES			2018 Total Expenses
		Admin.	Fund Raising	Total Supporting Services	
Payroll and related expenses	\$ 2,130,646	\$ 395,446	\$ 692,594	\$ 1,088,040	\$ 3,218,686
Insurance	436,004	61,333	93,618	154,951	590,955
Utilities	115,199	5,661	3,697	9,358	124,557
Vehicle	296,257	1,388	12,553	13,941	310,198
Business travel	16,636	5,599	3,949	9,548	26,184
Cost of food	538,000	-	-	-	538,000
Agency program	145,593	-	-	-	145,593
Pick and pack out	297,381	-	-	-	297,381
Maintenance	133,819	1,614	40	1,654	135,473
Transportation	343,666	-	-	-	343,666
Finance	74,059	3,274	25,223	28,497	102,556
Technology	63,191	10,082	18,931	29,013	92,204
Other	398,035	34,278	37,001	71,279	469,314
Food distribution	<u>39,163,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,163,055</u>
Total expenses before depreciation	44,151,541	518,675	887,606	1,406,281	45,557,822
Depreciation	<u>374,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>374,879</u>
TOTAL EXPENSES	<u>\$ 44,526,420</u>	<u>\$ 518,675</u>	<u>\$ 887,606</u>	<u>\$ 1,406,281</u>	<u>\$ 45,932,701</u>

The accompanying notes are an integral part of this statement.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from donations, grants, contracts & programs	\$ 6,396,118	\$ 7,724,274
Cash received from fundraising and events	1,118,831	1,302,826
Interest and other income received	84,829	49,294
Cash payments to suppliers and personnel	(7,266,591)	(7,501,740)
Interest paid	<u>(85,725)</u>	<u>(102,556)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>247,462</u>	<u>1,472,098</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	(58,758)	(658,559)
Purchases of property & equipment	(501,235)	(726,855)
Proceeds from sales of property and equipment	<u>15,029</u>	<u>5,000</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(544,964)</u>	<u>(1,380,414)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from acquisition of loan payable	-	-
Principal payments on loan and mortgage	<u>(101,564)</u>	<u>(192,939)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(101,564)</u>	<u>(192,939)</u>
Net increase (decrease) in cash and cash equivalents	(399,066)	(101,255)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,084,724</u>	<u>1,185,979</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 685,658</u>	<u>\$ 1,084,724</u>

NON-CASH TRANSACTIONS

Non-cash operating activities have been eliminated and include the following for the year ended June 30:

	<u>2019</u>	<u>2018</u>
Non-cash revenues	<u>\$ 42,979,666</u>	<u>\$ 38,096,207</u>
Non-cash expenditures	<u>\$ 42,128,911</u>	<u>\$ 38,568,750</u>

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

	<u>2019</u>	<u>2018</u>
Increase (Decrease) in Net Assets	\$ 1,036,642	\$ 813,371
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used In) Operating Activities		
Depreciation	480,500	374,879
Amortization of pledge discount	-	(440)
Noncash donations - property and equipment	-	-
(Gain) Loss on disposal of property and equipment	(15,029)	(5,000)
Unrealized investment (gain) loss - beneficial interest	(876)	(2,493)
(Increase) decrease in accounts receivable	(509,615)	128,170
(Increase) decrease in unconditional promises to give - pledges	5,424	8,540
(Increase) decrease in prepaid expenses	61,570	(33,064)
(Increase) decrease in inventory, noncash	(850,755)	472,543
(Increase) decrease in deposits	-	18,115
Increase (decrease) in accounts payable	(107,724)	19,697
Increase (decrease) in accrued expenses	215,798	(219,223)
Increase (decrease) in grants held for agencies	(56,469)	(105,169)
Increase (decrease) in compensated absences	<u>(12,004)</u>	<u>2,172</u>
TOTAL ADJUSTMENTS	<u>(789,180)</u>	<u>658,727</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 247,462</u>	<u>\$ 1,472,098</u>

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Activities

Harry Chapin Food Bank of Southwest Florida, Inc. (the "Organization") was incorporated on January 21, 1983, under the laws of Florida as a nonprofit organization to provide food for the homeless and the low income of Lee County, Florida. Since its inception, the Organization expanded its services to include the distribution of food to other nonprofit agencies in Lee, Collier, Charlotte, Glades and Hendry counties. The Organization partners with 150+ agencies that provide direct services to those in need including food pantries, soup kitchens, emergency shelters, disaster relief and more. Specifically, the Organization's mission is to lead the community in the fight to end hunger in Lee, Collier, Charlotte, Glades and Hendry counties through education and by working in a cooperative effort with affiliated agencies in the procurement and distribution of food, equitably and without discrimination.

Effective October 1, 2015, the Organization, as it relates to government commodities, in addition to the mission noted above, has been assigned the administrative duties as the prime contractor in a newly created Region 5, which includes food distribution in Sarasota, DeSoto, Manatee, Hardee, and Highlands counties.

The Organization's revenue is generated substantially through special events, fundraising, contributions and grants.

Program Summary

Volunteer Services: Volunteers are a vital part of the success of the programs at Harry Chapin Food Bank of Southwest Florida, Inc. For the year ended June 30, 2019, more than 4,108 volunteers collectively provided 43,025 hours, which equate to more than \$1,000,000 in in-kind services. In-kind services have not been recorded in these financial statements.

Basis of Accounting

The accounting and reporting policies of the Organization conform to accounting principles generally accepted in the United States of America and are in accordance with the audit guide issued by the American Institute of Certified Public Accountants, "Not-for-Profit Organizations" and the Accounting

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting, continued

Standards issued by the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC).

The Organization prepares its financial statements on the accrual basis of accounting. Grant revenues are recorded as support when performance occurs under the terms of the grant agreement. Grant revenue includes all resources received from another entity in accordance with an entitlement or grant document.

Financial Statement Presentation

The financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205-55-21 (formerly Statement of Financial Accounting Standards (SFAS) No. 117), "Financial Statements of Not-for-Profit Organizations". Under FASB ASC 958-205-55-21, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions (unrestricted) and net assets with donor restrictions (temporarily restricted and permanently restricted).

The Organization reports its contributions in accordance with FASB ASC 958-605-50-2. In accordance with FASB ASC 958-605-50-2, contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Under FASB ASC 958-605-50-1, such contributions are required to be reported as contributions with donor restrictions and are then reclassified to net assets without donor restrictions upon expiration of the time restriction or compliance with the purpose restriction.

New Accounting Pronouncement

On August 18, 2016 FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include (a) requiring the

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncement, continued

presentation of only two classes of net assets now titled "net assets without donor restrictions" and "net assets with donor restrictions" and (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources. As a result of adopting the ASU, the Organization changed its presentation of its net assets and classes and expanded the footnote disclosures as required by the ASU.

Investments

Investments are reported at their fair value in the statements of financial position. Fair value of investments is determined by significant unobservable inputs. Unrealized gains and losses are included in the change in net assets in the statements of activities.

Accounts Receivable and Unconditional Promises to Give

Accounts receivable primarily consist of amounts due from agencies and grantors. It is the Organization's policy to establish an allowance for doubtful accounts based on known circumstances and historical collection history. Bad debt expense was \$1,666 and \$0 for the years ended June 30, 2019 and 2018, respectively, and is included in other expenses in the statements of functional expenses.

All unconditional promises to give are considered fully collectible; therefore, no allowance for uncollectible accounts has been recorded. In addition, the Organization discounts its promises to give to present value based on its estimated time of collectability. Such discount is subsequently amortized to revenue.

Inventory

Inventories of donated products (food) are recorded at the approximate average wholesale value as outlined in the Product Valuation Survey Methodology, December 2018 and 2017 prepared by Feeding America, a national, nonprofit distributor of donated product in the food bank network. During the year ended

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Inventory, continued

June 30, 2017, Feeding America established a separate Product Valuation Survey Methodology to be applied to USDA inventory. The Organization's subsidiary records are maintained for federal surplus commodities as to quantities received and quantity on hand for control purposes and for revenue recognition in the financial statements. Federal surplus commodities are recorded in inventory as of the date they are physically received in the Organization's warehouse.

Inventories of purchased commodities are stated at the lower of cost or market value.

Property and Equipment

The Organization's policy is to capitalize assets with a cost of \$1,000 or more and a useful life greater than one (1) year. Property and equipment are recorded at cost if purchased or estimated current values on the date of receipt if donated. Maintenance and repairs are charged to operations when incurred and major replacements in excess of \$1,000 are capitalized. Depreciation is recognized using the straight-line method over the estimated useful lives of the respective assets, as follows:

<u>Fixed Asset Category</u>	<u>Useful Lives</u>
Building and improvements	5-40 years
Furniture and equipment	3-7 years
Vehicles	3-10 years

No debt related interest costs were capitalized for the years ended June 30, 2019 or 2018.

Advertising costs

The Organization's policy is to expense advertising costs as such costs are incurred.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Impairment of fixed assets

The Organization adheres to FASB ASC 360-10-50-2 (formerly SFAS No. 144), "Accounting for the Impairment or Disposal of Long-Lived Assets." FASB ASC 360-10-50-2 requires, among other things, that entities identify events or changes in circumstances which indicate that the carrying amount of an asset may not be recoverable.

There was no effect on the Organization's financial statements resulting from FASB ASC 360-10-50-2 for the years ended June 30, 2019 or 2018.

Compensated Absences

The Organization accumulates and records a contingent liability for compensated absences accrued by employees. Upon termination of employment, employees can receive payment for vacation leave if they meet certain criteria. Vacation is based on a fiscal year. Unused vacation leave and related employer costs as of June 30, 2019 and 2018 have been accrued as a liability.

Income Taxes

Management has analyzed its various Federal filing positions and believes that the Organization's income tax filing positions and deductions are well documented, supported, and contain no uncertain tax positions. Management believes the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax. Additionally, management believes that no accruals for tax liabilities, interest or penalties are required. Therefore, no reserves for uncertain income tax positions have been recorded. Further, no interest or penalties have been included since no reserves were recorded. When applicable, such interest and penalties will be reported as income tax expense. The prior three years remain open to examination under Federal statute limitations. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Organization reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes, continued

The Organization has been granted a ruling that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Organization is a non-profit Florida corporation and, therefore, is not subject to state income taxes. Accordingly, no provision for Federal or State income taxes has been made. The Organization is not considered a private foundation within the meaning of Section 509(a) of the Code.

Accounting for uncertainty in income tax items

The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes and the Organization has adopted this guidance. The Organization has evaluated its tax positions and any estimates utilized in its tax returns, and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expense, if required.

Fair Value of Financial Instruments

In accordance with FASB ASC 820, the Organization uses fair value measurements to value certain types of assets. At June 30, 2019 and 2018, the carrying value of balances such as cash, receivables, inventory, prepaids, accounts payable, accrued liabilities and deposits approximate fair value due to the short term maturity of these financial instruments.

Revenues and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions (unrestricted) if the restriction expires in the reporting period in which the support is recognized. All other grant revenue and donor-restricted support is reported as an increase in net assets with donor

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES, CONTINUED**

Revenues and Support, continued

restrictions (temporarily or permanently restricted), depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions (temporarily restricted) are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Support from federal and state grants is recorded based upon the terms of the grantor allotment, which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred.

Shared maintenance revenue consists of charges to members for food purchased by the Organization and certain donated non-food products. During the fiscal year ended June 30, 2018, Shared Maintenance charges to Agency members were discontinued.

In-kind Contributions/Donated Services

In-kind contributions are recorded as contributions in the accompanying financial statements at their estimated current value on the date of the receipt.

Contributions of services are recognized only if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by the individuals possessing those skills, and would typically be purchased if not provided by donation. For the years ended June 30, 2019 and 2018, the value of contributed services has not been recorded in the financial statements.

However, a number of volunteers, including the Board of Directors, have donated significant amounts of their time and expertise to the Organization's programs and supporting services.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES, CONTINUED**

Functional Expenses, continued

can be identified with a specific cost center or program service are allocated according to their natural expense classification. Other expenses that are common to several functions are allocated by using various statistical bases.

Cash Flows

For the purpose of the Statements of Cash Flows, Harry Chapin Food Bank of Southwest Florida, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At June 30, 2019 and 2018, Harry Chapin Food Bank of Southwest Florida, Inc. held no such cash equivalents.

The Organization made no cash payments for income taxes during the years ended June 30, 2019 or 2018.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through September 24, 2019, which is the date the financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

The carrying value of cash and cash equivalents consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 3,000	\$ 3,000
Depository accounts	<u>682,658</u>	<u>1,081,724</u>
	<u>\$ 685,658</u>	<u>\$ 1,084,724</u>

The nature of cash and cash equivalents (carrying value) is as follows at June 30:

	<u>2019</u>	<u>2018</u>
Unrestricted cash	\$ 452,014	\$ 895,973
Restricted cash	<u>233,644</u>	<u>188,751</u>
	<u>\$ 685,658</u>	<u>\$ 1,084,724</u>

Restricted cash consists of funded grants held for other agencies and/or net assets with donor restrictions at year end.

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a total of \$250,000 per institution. Cash bank balances may exceed the FDIC limit at times during the fiscal year. The uninsured balances as of June 30, 2019 and 2018 were \$386,622 and \$351,486, respectively, based on the bank balances, less the FDIC insurance. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE C - CERTIFICATES OF DEPOSIT

At June 30, 2019 and 2018, certificates of deposit held were \$1,519,039 and \$1,460,281, respectively.

Concentration of credit risk

The Organization maintains its excess cash in certificates of deposit (CD's) of under \$250,000 at various financial institutions. Substantially, all these assets are federally insured up to \$250,000 per financial institution. The Organization's certificates of deposit are categorized as follows at June 30:

	<u>Bank Balance</u>	
	<u>2019*</u>	<u>2018</u>
Amount covered by FDIC	\$ 1,273,099	\$ 1,410,071
Amount uninsured	<u>245,940</u>	<u>50,210</u>
	<u>\$ 1,519,039</u>	<u>\$ 1,460,281</u>

* Consists of several CD's that mature through September 2019.

NOTE D - INVESTMENTS

Investments consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Beneficial Interest in Assets Held at:		
Southwest Florida Community Foundation	\$ 14,254	\$ 14,031
Community Foundation of Collier County	13,135	12,699
Charlotte Community Foundation	<u>4,035</u>	<u>3,818</u>
	<u>\$ 31,424</u>	<u>\$ 30,548</u>

NOTE E - FAIR VALUE MEASUREMENT

The Organization's investment policy allows management to invest in available investment vehicles to maximize income. Management has also attempted to minimize risk while working to achieve maximum investment return.

In accordance with FASB ASC 820 (the "Codification"), the Organization uses fair value measurements to record adjustments to certain assets. FASB ASC 820 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The Codification also sets out a fair value hierarchy ranking the levels of the inputs used as assumptions in the valuation techniques used to value an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of hierarchy are described as follows:

Level 1 - inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions of the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted market prices of similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active, and pricing models developed principally from inputs from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable and allowed in situations where there is little, if any, market activity for the asset or liability at measurement date. These inputs reflect the reporting entity's own assumptions about assumptions that would be used by market participants.

The Organization uses fair value measurements to record adjustments to its investments and to determine fair value disclosures.

NOTE E - FAIR VALUE MEASUREMENT, CONTINUED

The following table presents the fair value hierarchy for the Organization's assets measured at fair value as of June 30:

2019		Fair Value Measurements at Reporting Date Using:		
Description	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level (1)	Quoted Prices in Active Markets for Similar Assets Level (2)	Significant Unobservable Inputs Level (3)
Beneficial Interest in Assets Held at				
Community Foundations	\$ 31,424	\$ -	\$ -	\$ 31,424
	<u>\$ 31,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,424</u>
2018		Fair Value Measurements at Reporting Date Using:		
Description	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level (1)	Quoted Prices in Active Markets for Similar Assets Level (2)	Significant Unobservable Inputs Level (3)
Beneficial interest in Assets Held at				
Community Foundations	\$ 30,548	\$ -	\$ -	\$ 30,548
	<u>\$ 30,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,548</u>

The beneficial interest in assets held at various community foundations (the "foundations") has been valued, as a practical expedient, at the fair value of the Organization's share of the foundations' investment pool as of the measurement date and includes, in some instances, a match provided by the foundations. The foundations value securities and other financial instruments on a fair value basis of accounting. The estimated fair value of certain investments of the foundations, which includes private placement and placements and other securities for which prices are not readily available, are determined by the management of the foundations and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for

NOTE E - FAIR VALUE MEASUREMENT, CONTINUED

these investments. The beneficial interest in assets held at the foundations are not redeemable by the Organization as described in Note O.

Financial instruments classified as level 3 in the fair value hierarchy represent the Organization's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table represents a reconciliation of the activities for level 3 financial instruments:

	2019	2018
Beginning balance	\$ 30,548	\$ 28,055
Additional amounts invested	100	1,125
Foundations match of amounts invested	-	-
Distributions/grants	-	(582)
Net appreciation and earnings	1,203	2,412
Administrative fees	(427)	(462)
	<u>31,424</u>	<u>30,548</u>
Ending balance	<u>\$ 31,424</u>	<u>\$ 30,548</u>

The components of the net appreciation on investments, including Level 3 investments, may include dividend and interest income, realized gains and losses, gain or loss on sale of contributed shares and market fluctuations associated with the underlying investments. Investment manager's fees and foundations' fees are netted against these amounts.

NOTE F - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30:

	2019	2018
Accounts receivable - purchased food, net	\$ 8,756	\$ 13,812
Grants receivable - Federal	561,766	48,387
Other receivables	1,292	-
	<u>571,814</u>	<u>62,199</u>

Accounts receivable - purchased food is net of the allowance for doubtful accounts in the amount of \$0 and \$0 for the years ended June 30, 2019 and 2018, respectively.

Management believes these receivables are fully collectible.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE G - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Receivables expected to be collected in:		
Less than one year	\$ -	\$ 5,424
One to five years	-	-
Less: discounts to net present value	-	-
	<u>\$ -</u>	<u>\$ 5,424</u>

Unconditional promises to give to be collected in less than one year are recorded at their net realizable value. Unconditional promises to give to be collected after one year are recorded at their present value using a discount rate of 3.25% which approximates Prime Rate at June 30, 2018. Amortization of promises to give was \$440 for the year ended June 30, 2018.

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 518,304	\$ 518,304
Building and improvements	4,159,398	3,996,855
Furniture and equipment	650,200	578,098
Vehicles	<u>2,320,609</u>	<u>2,209,674</u>
	7,648,511	7,302,931
Less: accumulated depreciation	<u>(3,043,736)</u>	<u>(2,718,891)</u>
	<u>\$ 4,604,775</u>	<u>\$ 4,584,040</u>

For the years ended June 30, 2019 and 2018, depreciation expense was \$480,500 and \$374,879, respectively.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE I - LAND HELD FOR SALE

The Organization purchased land with the intent to build a new warehouse for operations in 2007. Subsequently, the Organization purchased a warehouse to meet its current needs. Therefore, the project to build a new warehouse was abandoned and the Organization made the determination to sell the land. The land is being carried at cost in the amount of \$952,422 as of June 30, 2019 and 2018, as it is lower than the estimated market value.

NOTE J - ACCRUED EXPENSES

Accrued expenses consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Accrued payroll and benefits	<u>\$ 327,410</u>	<u>\$ 111,612</u>
	<u>\$ 327,410</u>	<u>\$ 111,612</u>

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE K - LONG TERM DEBT

Total long term debt consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Loan payable to respective landlord in the amount of \$100,000 dated March 2017, payable in sixty (60) monthly payments of principal and interest of \$1,980, at a fixed rate of 7%, final payment due March 15, 2022. Loan proceeds to be used for the exclusive purpose for constructing tenant improvements on the specific premises. Balance was paid in full on February 12, 2018	\$ -	\$ -
Mortgage payable - Financial Institution, in the original amount of \$2,220,000 dated December 8, 2014, monthly payments of principal and interest of \$13,913, at a fixed rate of 4.39% with the balance of \$1,365,865 due at maturity on December 9, 2019, collateralized by specific real property.	<u>1,413,107</u>	<u>1,514,671</u>
	1,413,107	1,514,671
Less: current maturities	<u>(1,413,107)</u>	<u>(102,229)</u>
Long-term debt, net of current portion	<u>\$ -</u>	<u>\$ 1,412,442</u>

Future maturities of mortgage payable are as follows:

Year Ending	<u>Amount</u>
<u>June 30</u>	
2020	<u>\$ 1,413,107</u>
	<u>\$ 1,413,107</u>

Management intends to explore available options to refinance the balloon payment of \$1,365,865 prior to its maturity date of December 9, 2019. The balloon payment is classified as a current liability at June 30, 2019.

Interest expense was \$65,421 and \$74,036, for the years ended June 30, 2019 and 2018, respectively.

NOTE L - NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted net assets consisted of the following as of June 30:

	2019	2018
Capital campaign - building fund	\$ 3,378	\$ 8,978
EFSP	1,871	10,275
Harry's Helping program	50,000	-
Mobile & in-school pantries	94,359	60,188
Other	41,195	10,000
	\$ 190,803	\$ 89,441

NOTE M - EMPLOYEE BENEFIT PLAN

The Organization offers a defined contribution plan to its employees and contributes 4% of eligible compensation to a 401(k) retirement plan (the "Plan") on behalf of all eligible employees whether or not the employee contributes. The Organization also will match employee contributions up to another 4% of the employee's compensation. An employee is eligible to participate in the Plan immediately upon hire if employed at least 30 hours per week. The Employer does not contribute to the Plan until the month after the employee completes one year of service. The employee is immediately 100% vested in their own contributions. The employee vests 100% in the Organization's contributions in the first month after completion of thirty-six (36) months qualified employment. Total retirement expense for the years ended June 30, 2019 and 2018 was \$188,521 and \$173,360, respectively, and is included in payroll and related expenses, allocated between program and supporting services.

NOTE N - OPERATING LEASES

Office and Warehouse Space

During the year ended June 30, 2017, the Organization entered into an operating lease for warehouse space in Naples, Florida ending February 28, 2022. The minimum monthly payments under the lease agreement are \$11,307 base rent plus \$3,109 of common area maintenance (CAM) fees. Base rent will increase by 3% each year on the anniversary date of the lease.

NOTE N - OPERATING LEASES, CONTINUED

Office and Warehouse Space, continued

During the year ended June 30, 2015, the Organization entered into an operating lease for office space in Fort Myers, Florida ending December 31, 2016. The Organization exercised an option to extend the lease terms for one (1) year. Monthly payments under the lease agreement are \$1,456 through December 31, 2016 then increasing to \$1,529. The lease expired on December 31, 2017 and the Organization did not renew.

Lease expense for the years ended June 30, 2019 and 2018 under these leases was \$181,707 and \$187,049, respectively, and is included in other expenses, allocated between program and supporting services.

Future minimum payments required under these leases are as follows:

Years ending <u>June 30</u>	<u>Amount</u>
2020	\$ 182,694
2021	187,056
2022	<u>126,681</u>
	<u>\$ 496,431</u>

NOTE O - ENDOWMENT FUND

On October 3, 2002 the Organization entered into an agreement with Southwest Florida Community Foundation (an unrelated organization) to create an endowment fund for the benefit of the Organization (beneficial interest). The agreement called for a \$5,000 contribution by the Organization to the Foundation that was matched by the Foundation, creating a total endowment of \$10,000.

NOTE O - ENDOWMENT FUND, CONTINUED

During the year ending June 30, 2015, the Organization entered into similar agreements with two additional unrelated local community foundations. The Organization made two contributions totaling \$7,000. One agreement called for a \$5,000 contribution by the Organization with a respective match by the foundation creating a total endowment of \$10,000. The other agreement called for a \$2,000 contribution by the Organization with no match provided by the respective foundation.

The assets of all three (3) agreements are the property of the respective local foundations in accordance with the terms of the agreements and are not available for distribution to the Organization. The assets of each agreement fund are held for the benefit of the Organization and the income from the fund is available to be distributed to the Organization annually subject to the approval of each individual foundation. Annual income from each agreement has, historically, been reinvested by the respective foundations at the direction of the Organization. Once the annual income has been reinvested it historically, has then not been available for future distribution to the Organization. Each agreement also incurs investment management costs. The endowment fund agreements permit additional endowment gifts to be contributed. During the years ended June 30, 2019 and 2018, net investment gains (losses), net of investment management costs totaled \$776 and \$1,950, respectively. The total endowment held by the foundations for the benefit of the Organization at June 30, 2019 and 2018, was \$31,424 and \$30,548, respectively (see Note D).

NOTE P - COMMITMENTS AND CONTINGENCIES

The Organization is currently receiving and previously has received grants, contracts, and other third party funds which are subject to special compliance audits by the grantor and other third party agencies that provided these reimbursements. These audits may result in disallowed expense amounts.

Disallowed amounts, if any, constitute a contingent liability of the Organization. Such liabilities are not reflected within the financial statements of the Organization, as management does not believe any material contingent liabilities exist.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE Q - LITIGATION

The Organization is involved from time to time in routine litigation, the substance of which would not materially affect its financial position, due to third party insurance coverage and/or federal tort limits. The Organization is not in a position at June 30, 2019 to predict a final outcome of such lawsuits or claims, or the related costs involved. The Organization intends to vigorously contest all claims unless first settled. Management is not aware of any asserted claims at June 30, 2019.

NOTE R - UNITED WAY CONTRIBUTIONS

Harry Chapin Food Bank of Southwest Florida, Inc. received the following contributions from United Way for the years ended June 30:

<u>United Way</u>	<u>2019</u>	<u>2018</u>
Lee County	\$ 173,345	\$ 163,760
Charlotte County	17,650	22,600
Collier County	-	8,246
Hendry/Glades County	6,000	7,000
	<u>\$ 196,995</u>	<u>\$ 201,606</u>

NOTE S - RELATED PARTY TRANSACTION

As of June 30, 2019, the Organization held certificates of deposit of \$1,519,039 in an investment company in which a member of the Board held a management position.

NOTE T - SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2019 and after each year end, the Organization revalues its inventory and then implements the current Feeding America food price for the subsequent fiscal year. For fiscal year 2019 the Feeding America rate for USDA products changed from \$1.52 to \$1.57 and non-USDA products changed from \$1.73 to \$1.68.

On August 1, 2018, the Organization terminated the acceptance of cash donations on behalf of other agencies and therefore has discontinued grants held for other agencies.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE U - LIQUIDITY

Financial assets available within one year of June 30, 2019 consisted of the following:

	<u>Amount</u>
Cash and cash equivalents, unrestricted	\$ 452,014
Investments without donor restrictions	1,519,039
Accounts receivable	571,814
Prepaid expenses	26,901
Inventory	<u>2,045,223</u>
	4,614,991
Less amounts due within one year:	
Current liabilities	<u>2,006,042</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 2,608,949</u></u>

The Board had not self imposed any limits on without donor restrictions net assets at June 30, 2019.

SUPPLEMENTARY INFORMATION

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2019

Federal or State Agency & Office/Pass Through Grantor/Program Title	Federal CFDA/ State CSFA Number	Pass-Through or Grant Contract Number
FEDERAL AWARDS		
MAJOR (Type A)		
U.S. Department of Agriculture		
Passed through Florida Department of Agriculture and Consumer Services		
Administrative Costs 18/19 (CSFP)	10.565	* 24879
Food Commodities - Non Cash (CSFP)	10.565	* 21959/24879
Administrative Costs 18/19 (USDA/TEFAP)	10.568	* 22748
Food Commodities - Non Cash (USDA/TEFAP)	10.569	* 22748
Administrative Costs 18/19 (DISASTER USDA/TEFAP)	10.568	* 25544
Food Commodities - Non Cash (DISASTER USDA/TEFAP)	10.569	* 25544
NON MAJOR (Type B)		
U.S. Department of Homeland Security (FEMA):		
Passed through United Way of America		
Emergency Food and Shelter Program (EFSP)		
Lee County	97.024	165400-012
Hendry County	97.024	163200-017
Glades County	97.024	162400-004
Collier County	97.024	159000-013

TOTAL FEDERAL AWARDS

STATE FINANCIAL ASSISTANCE

MAJOR (Type A)

Department of Agriculture:

 Passed through Florida Department
of Agriculture and Consumer Services (Care & Share program)

 Support for Food Banks

 Senior Feeding Program:

 Funding Assistance for Food Kits

42.019

25240

TOTAL STATE FINANCIAL ASSISTANCE

(1) includes receivables of \$25,288

(2) includes receivables of \$357,071

(3) includes receivables of \$179,407

* considered Food Distribution Cluster

(a) Federal receipts recognized on above schedule are approximately \$839,114 less than Federal grants reported on Statement of Activities, difference due to ending inventory balance.

<u>Program or Award Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>	<u>Pass through to subrecipients</u>
\$ 178,825	\$ 86,083 (1)	\$ 86,083	\$ -
652,040	652,040	652,040	652,040
2,270,226	926,874 (2)	926,874	597,007
14,122,457	14,122,457	14,122,457	14,122,457
246,421	246,421 (3)	246,421	67,015
<u>1,871,393</u>	<u>1,871,393</u>	<u>1,871,393</u>	<u>1,871,393</u>
<u>19,341,362</u>	<u>17,905,268</u>	<u>17,905,268</u>	<u>17,309,912</u>
65,650	32,825	32,825	32,825
7,200	3,600	3,600	3,600
2,955	1,478	1,478	1,478
<u>13,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>89,305</u>	<u>37,903</u>	<u>37,903</u>	<u>37,903</u>
<u>\$ 19,430,667</u>	<u>\$ 17,943,171 (a)</u>	<u>\$ 17,943,171</u>	<u>\$ 17,347,815</u>
<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>
<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
Year ended June 30, 2019

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NOTE A - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards and State Financial Assistance has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and is in accordance with the provisions of the OMB Uniform Guidance, "Audits of States, Local Governments and Non-Profit Organizations", the Florida Single Audit Act (FS 215.97) and the State of Florida, Rules of the Auditor General 10.650.

Expenditures reported on the Schedule of Expenditures of Federal Awards and State Financial Assistance include cash disbursements, whether capitalized or expensed, during the fiscal year as well as grant related amounts recorded as payable at year end. Revenues reported on the Schedule of Expenditures of Federal Awards and State Financial Assistance include cash receipts, whether recognized or deferred, as well as grant receivables recorded at year end.

NOTE B - INDIRECT COSTS

The Organization did not routinely allocate costs to Federal Awards and State Financial Assistance programs. Costs charged to such programs were direct costs unless specifically incurred for the program and allowed and indicated as such.

Harry Chapin Food Bank of Southwest Florida, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - FOOD DISTRIBUTION

Included in the Schedule of Expenditures of Federal Awards are in-kind food items received through The Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program (CSFP). For the fiscal years ended June 30, 2019 and 2018, the value of these contributions and related inventory are based on price lists provided by Feeding America and the Florida Department of Agriculture and Consumer Services, respectively.

**ADDITIONAL REPORTS OF
INDEPENDENT AUDITOR**



TUSCAN
 & Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

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**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**

Board of Directors
 Harry Chapin Food Bank of Southwest Florida, Inc.
 3760 Fowler Street
 Fort Myers, FL 33901

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 of America, the financial statements of Harry Chapin Food Bank of Southwest Florida, Inc., which comprise the statement of financial position as of June 30, 2019, 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 September 24, 2019.

Internal Control Over Financial Reporting

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

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

INTEGRITY SERVICE EXPERIENCE

is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

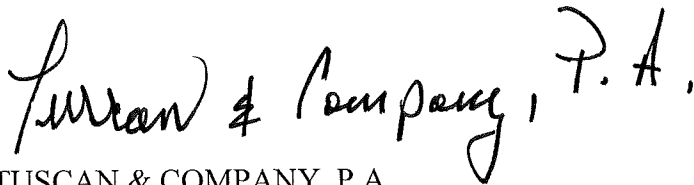
We noted certain other items that we have reported in our Independent Auditor's Report to Management dated September 24, 2019.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harry Chapin Food Bank of Southwest Florida, Inc.'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 matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

September 24, 2019



TUSCAN
 & Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and Each Major State Project and on Internal Control Over Compliance in Accordance with the Uniform Guidance and the Florida Single Audit Act (Florida Statute 215.97)

Board of Directors
 Harry Chapin Food Bank of Southwest Florida, Inc.
 3760 Fowler Street
 Fort Myers, FL 33901

Report on Compliance For Each Major Federal Program and Each Major State Project

We have audited Harry Chapin Food Bank of Southwest Florida, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Florida Department of Financial Services "State Projects Compliance Supplement" that could have a direct and material effect on each of Harry Chapin Food Bank of Southwest Florida, Inc.'s major federal programs and major state projects for the year ended June 30, 2019. Harry Chapin Food Bank of Southwest Florida, Inc.'s major federal programs and major state projects 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 the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs/projects.

Auditor's Responsibility

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 Requirement for Federal Awards" (Uniform Guidance); the Florida Single Audit Act (Florida Statute 215.97) and the State of Florida, Rules of the Auditor General 10.650. Those Standards, the Florida Single Audit Act (Florida Statute 215.97) and the State of Florida, Rules of the Auditor General 10.650 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred

INTEGRITY SERVICE EXPERIENCE

to above that could have a direct and material effect on a major federal program and/or major state project occurred. An audit includes examining, on a test basis, evidence about Harry Chapin Food Bank of Southwest Florida, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination on Harry Chapin Food Bank of Southwest Florida, Inc.'s compliance with those requirements.

Opinion on Each Major Federal Program and Each Major State Project

In our opinion, Harry Chapin Food Bank of Southwest Florida, Inc. 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 and its major state projects for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The management of Harry Chapin Food Bank of Southwest Florida, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and each major state project to determine the auditing procedures that are appropriate on the circumstances for the purpose of expressing an opinion on compliance for each major federal program and each major state project and to test and report on internal control over compliance in accordance with Uniform Guidance, the Florida Single Audit Act (Florida Statute 215.97), and the State of Florida, Rules of the Auditor General 10.650 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 Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control over compliance.

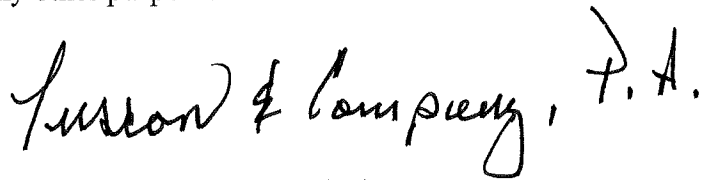
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program and/or state project 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 and/or state project 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 and/or state project 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 the 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 Uniform Guidance, the Florida Single Audit Act (Florida Statute 215.97) and the State of Florida, Rules of the Auditor General 10.650. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Tuscán & Company, P.A." The signature is written in black ink and is positioned above the printed name of the firm.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
September 24, 2019

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL
 AWARDS AND STATE FINANCIAL ASSISTANCE
 Year ended June 30, 2019**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified		
Internal control over financial reporting:			
Control deficiency(ies) identified?	_____ Yes	_____ X	No
Significant deficiency(ies) identified?	_____ Yes	_____ X	No
Material weakness(es) identified?	_____ Yes	_____ X	None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X	No

Federal Awards

Internal control over major programs:			
Control deficiency(ies) identified?	_____ Yes	_____ X	No
Significant deficiency(ies) identified?	_____ Yes	_____ X	No
Material weakness(es) identified?	_____ Yes	_____ X	None reported
Type of auditors report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____ Yes	_____ X	No

Identification of major programs (Type A):

<u>CFDA</u>	<u>Name of Federal Program or Cluster</u>
<u>Number(s)</u>	
	U.S. Department of Agriculture (Food Distribution Cluster)
10.565	Commodity Supplemental Food Program (CSFP) - Administrative Costs
10.568	Administrative Costs - (TEFAP)
10.569	Food Commodities Cluster (TEFAP) - Non Cash

Dollar threshold used to distinguish between Type A and Type B programs

Threshold used was \$750,000.

Auditee qualified as low-risk auditee?	_____ X	Yes	_____	No
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**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL
 AWARDS AND STATE FINANCIAL ASSISTANCE, CONTINUED
 Year ended June 30, 2019**

The Organization provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Grant Number	Amount
U.S. Department of Agriculture Emergency Food Assistance Program Commodity Supplemental Food Program	10.565	21959	\$ <u>652,040</u>
U.S. Department of Agriculture Emergency Food Assistance Program Administrative Costs	10.568	22748	\$ <u>597,007</u>
U.S. Department of Agriculture Emergency Food Assistance Program Administrative Costs - (Disaster)	10.568	25544	\$ <u>67,015</u>
U.S. Department of Agriculture Emergency Food Assistance Program Food Commodities	10.569	22748	\$ <u>14,122,457</u>
U.S. Department of Agriculture Emergency Food Assistance Program Food Commodities (Disaster)	10.569	25544	\$ <u>1,871,393</u>
U.S. Department of Homeland Security Emergency Food and Shelter Program National Board Program	97.024	various	\$ <u>37,903</u> \$ <u>17,347,815</u>

Section II - Financial Statement Findings

There were no deficiencies, material weaknesses, or instances of noncompliance related to the financial statements.

Section III - Federal Award Findings and Questioned Costs

There were no audit findings related to Federal Awards required to be reported by 2 CFR Section 200.516(a)

Section IV - Status of Federal Prior Year Findings

There were no prior year findings.

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL
 AWARDS AND STATE FINANCIAL ASSISTANCE, CONTINUED
 Year ended June 30, 2019**

State Financial Assistance

Internal control over major projects:

Control deficiency(ies) identified?	_____	Yes	_____	X	_____	No
Significant deficiency(ies) identified?	_____	Yes	_____	X	_____	No
Material weakness(es) identified?	_____	Yes	_____	X	_____	None Reported

Type of auditors report issued on compliance for major projects

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General 10.654(1)(h)(4)?

_____	Yes	_____	X	_____	No
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Identification of major projects:

CSFA

Number(s) Name of State Project

U.S. Department of Agriculture Passed through Florida Department of Agriculture and Consumer Services Senior Feeding Program: Funding Assistance for Food Kits	42.019	25240	\$	<u>800,000</u>
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Dollar threshold used to distinguish between

Type A and Type B projects: Threshold used was \$300,000

Listing of Subrecipients and amounts passed-through:

U.S. Department of Agriculture Passed through Florida Department of Agriculture and Consumer Services Senior Feeding Program:	42.019	25240	\$	<u>800,000</u>
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Section II- Financial Statement Findings

There were no deficiencies, material weaknesses, or instances of noncompliance related to the financial statements.

Section III- State Financial Assistance Findings and Questioned Costs

There were no current year findings related to State Financial Assistance noted.

Section IV - Status of State Financial Assistance Prior Year Findings

There were no prior year findings.

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

Board of Directors
Harry Chapin Food Bank of Southwest Florida, Inc.
3760 Fowler Street
Fort Myers, Florida 33901

In planning and performing our audit of the financial statements of Harry Chapin Food Bank of Southwest Florida, Inc. (the "Organization") (a not-for-profit Florida corporation) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

In connection with our audit, we are submitting the following comments and recommendations in accordance with Government Auditing Standards, Title 2 U.S. Code of Federal Regulations Part 200, "Uniform Administrative Requirements, Cost Principles, and

INTEGRITY SERVICE EXPERIENCE

Audit Requirements for Federal Awards (Uniform Guidance) and Chapter 10.650 "Rules of the Auditor General - State Single Audit, Nonprofit and For-Profit Organizations" Rule 10.656(3)(e) and Section 215.97(9)(f), of the Florida Statutes. We are, therefore, submitting for your review and consideration, items noted during the audit and recommendations designed to help the Organization make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to Harry Chapin Food Bank of Southwest Florida, Inc.

PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:

No financially significant comments noted.

CURRENT YEAR COMMENTS:

2019-1 Bank Signature Cards Should be Updated for All Accounts

During the audit, we noted bank signature cards were not updated. We recommend the Organization update bank signature cards for all of their bank accounts to reflect current signers. We also understand the Board intends to consolidate and close certain bank accounts.

2019-2 Documentation of Approved Wage Rates Should be Implemented

During the audit, we noted there was no formal documentation of approved wage rates by employee. We recommend the Organization implement a formal process of documenting approved employee wages and ensuring that all wages are approved by appropriate staff.

2019-3 All Records of Monitoring Reports Should be Maintained

During the audit, we noted the monitoring report for one of the service delivery agencies could not be located. Although the Organization was in compliance with the corresponding grant contract, we recommend the Organization strengthen its controls by maintaining records of all monitoring reports.

We would like to express our appreciation for the opportunity to serve and assist Harry Chapin Food Bank of Southwest Florida, Inc. Your staff and management was very helpful and assisted us well. We would be pleased to further discuss and assist in the implementation of these recommendations.

This letter is intended solely for the information and use of the Board, the Audit Committee, management, Federal and State awarding agencies, pass-through entities and the Auditor General of the State of Florida. This report is not intended to be, and should not be, used by anyone other than these specified parties.

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

September 24, 2019

EXHIBIT



Harry Chapin Food Bank
OF SOUTHWEST FLORIDA

October 18, 2019

Tuscan & Company, P.A.
Attn: Mr. Jeffery Tuscan
12621 World Plaza Lane
Fort Myers, FL 33907

Dear Jeff,

Please find the responses below to the items noted during the recent audit relating to operational efficiencies. We have taken corrective action to remedy all potential deficiencies described in the audit report.

2019-1 Bank Signature Cards Should be Updated for All Accounts

Audit Comment:

During the audit, we noted bank signature cards were not updated. We recommend the Organization update bank signature cards for all of their bank accounts to reflect current signers. We also understand the Board intends to consolidate and close certain bank accounts.

HCFB Response:

The Harry Chapin Food Bank has consolidated certain bank accounts and as part of that process, for the remaining Bank Accounts, Signature Cards are being updated. Recently the Bank Signature Cards were updated for the four Bank of America accounts.

2019-2 Documentation of Approved Wage Rates Should be Implemented

Audit Comment:

During the audit, we noted there was no formal documentation of approved wage rates by employee. We recommend the Organization implement a formal process of documenting approved employee wages and ensuring that all wages are approved by appropriate staff.



The Harry Chapin Food Bank has received the highest rating of 4 stars from Charity Navigator for successfully managing the finances of the organization in an efficient and effective manner.

This letter acknowledges your charitable contribution made to the Harry Chapin Food Bank and that no goods or services were provided to you, in whole or in part, in consideration for the contribution.

3760 Fowler Street Fort Myers, Florida 33901 T 239.334.7007 F 239.337.1399



Harry Chapin Food Bank
OF SOUTHWEST FLORIDA

HCFB Response:

A new process will be created to approve wage changes that will include a listing of employees along with the recommended wage action. The appropriate staff will approve the changes and Human Resources will coordinate the process.

2019-3 All Records of Monitoring Reports Should be Maintained

During the audit, we noted the monitoring report for one of the service delivery agencies could not be located. Although the Organization was in compliance with the corresponding grant contract, we recommend the Organization strengthen its controls by maintaining records of all monitoring reports.

HCFB Response:

In order to strengthen the controls of maintaining records of monitoring reports, the reports will be stored electronically in addition to retaining a paper copy. The files will also be "spot checked" for completeness.

We appreciate the thoroughness of your team in conducting the audit.

Very truly yours,

Steven Soucy
CFO

Harry Chapin Food Banks of Southwest Florida

Cc: Richard LeBer, President & CEO
Bill Dillion, Board Chair



The Harry Chapin Food Bank has received the highest rating of 4 stars from Charity Navigator for successfully managing the finances of the organization in an efficient and effective manner.

This letter acknowledges your charitable contribution made to the Harry Chapin Food Bank and that no goods or services were provided to you, in whole or in part, in consideration for the contribution.

3760 Fowler Street Fort Myers, Florida 33901 T 239.334.7007 F 239.337.1399