

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
FORT MYERS, FLORIDA
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012



Myers, Brettholtz & Company, PA

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

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THE EXCEPTION TO THE RULE

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	2-3
FINANCIAL STATEMENTS	
Statements of Financial Position	4-5
Statement of Activities	6-7
Statements of Cash Flows	8-9
Statement of Functional Expenses.....	10-11
Notes to Financial Statements	12-20
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	22-23
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 <i>Government Auditing Standards</i>	24-25
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance required by OMB Circular A-133.....	26-27
Schedule of Findings and Questioned Costs	28-29
Summary Schedule of Prior Audit Findings	30



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Harry Chapin Food Bank of Southwest Florida, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Harry Chapin Food Bank of Southwest Florida, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, cash flows, and functional expenses 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harry Chapin Food Bank of Southwest Florida, Inc. as of June 30, 2013 and 2012, 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.

To the Board of Directors of
Harry Chapin Food Bank of Southwest Florida, Inc.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014, 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 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 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.



MYERS, BRETT HOLTZ & COMPANY, PA
Fort Myers, Florida
February 5, 2014

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,626,495	\$ 1,484,049
Investments	13,796	12,471
Accounts receivable	144,852	197,560
Current portion of unconditional promises to give	14,667	-
Prepaid expenses	25,010	52,673
Inventory	<u>1,202,887</u>	<u>1,196,457</u>
Total current assets	<u>3,027,707</u>	<u>2,943,210</u>
PROPERTY AND EQUIPMENT, net	<u>3,985,044</u>	<u>4,356,998</u>
OTHER ASSETS		
Long-term portion of unconditional promises to give, net	149,894	-
Deposits	1,250	1,000
Land available for sale	<u>952,422</u>	<u>952,422</u>
Total other assets	<u>1,103,566</u>	<u>953,422</u>
Total assets	<u><u>\$ 8,116,317</u></u>	<u><u>\$ 8,253,630</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 10,363	\$ 51,693
Accrued expenses	5,629	-
Grants for agencies	64,084	145,565
Accrued payroll and benefits	79,838	80,333
Compensated absences	86,325	65,074
Deferred revenue	-	28,000
Current portion of capital lease payable	2,546	2,264
Current portion of long-term debt	<u>203,318</u>	<u>188,443</u>
Total current liabilities	<u>452,103</u>	<u>561,372</u>
LONG-TERM LIABILITIES		
Capital lease payable, net of current portion	3,634	5,002
Long-term debt, net of current portion	<u>2,370,877</u>	<u>2,637,672</u>
Total long-term liabilities	<u>2,374,511</u>	<u>2,642,674</u>
Total liabilities	<u>2,826,614</u>	<u>3,204,046</u>

	<u>2013</u>	<u>2012</u>
NET ASSETS		
Operating	876,064	506,849
Equity in property and equipment	<u>3,985,044</u>	<u>4,356,998</u>
Total unrestricted	4,861,108	4,863,847
Temporarily restricted	423,595	180,737
Permanently restricted	<u>5,000</u>	<u>5,000</u>
Total net assets	<u>5,289,703</u>	<u>5,049,584</u>
Total liabilities and net assets	<u><u>\$ 8,116,317</u></u>	<u><u>\$ 8,253,630</u></u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Gross proceeds from special events and fund raising	\$ 1,668,197	\$ 258,747	\$ -	\$ 1,926,944
Less direct costs	357,835	-	-	357,835
Net proceeds from special events and fund raising	1,310,362	258,747	-	1,569,109
Food contributions	23,379,564	-	-	23,379,564
Government programs	352,150	-	-	352,150
United Way	221,581	-	-	221,581
Grants and donations	2,027,607	164,847	-	2,192,454
Programs	921,616	-	-	921,616
Unrealized gain on investments	1,225	-	-	1,225
Other	26,394	-	-	26,394
Net assets released from restrictions	180,736	(180,736)	-	-
 Total revenues and support	 28,421,235	 242,858	 -	 28,664,093
EXPENSES				
Program services	27,645,443	-	-	27,645,443
Supporting services	703,563	-	-	703,563
 Total expenses	 28,349,006	 -	 -	 28,349,006
OTHER				
Loss from sale of property	74,968	-	-	74,968
 (Decrease) increase in net assets	 (2,739)	 242,858	 -	 240,119
 NET ASSETS - July 1, 2012	 4,863,847	 180,737	 5,000	 5,049,584
 NET ASSETS - June 30, 2013	 \$ 4,861,108	 \$ 423,595	 \$ 5,000	 \$ 5,289,703

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HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
STATEMENT OF ACTIVITIES *(Reclassified)*
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Gross proceeds from special events and fund raising	\$ 1,895,787	\$ -	\$ -	\$ 1,895,787
Less direct costs	379,189	-	-	379,189
Net proceeds from special events and fund raising	1,516,598	-	-	1,516,598
Food contributions	19,971,907	-	-	19,971,907
Government programs	424,111	-	-	424,111
United Way	217,625	-	-	217,625
Grants and donations Programs	1,746,198 1,086,572	220,000 -	- -	1,966,198 1,086,572
Unrealized loss on investments	(248)	-	-	(248)
Other	27,073	-	-	27,073
Net assets released from restrictions	258,702	(258,702)	-	-
 Total revenues and support	 25,248,538	 (38,702)	 -	 25,209,836
EXPENSES				
Program services	24,659,125	-	-	24,659,125
Supporting services	565,716	-	-	565,716
 Total expenses	 25,224,841	 -	 -	 25,224,841
 Increase (decrease) in net assets	 23,697	 (38,702)	 -	 (15,005)
 NET ASSETS - July 1, 2011	 4,840,150	 219,439	 5,000	 5,064,589
 NET ASSETS - June 30, 2012	 \$ 4,863,847	 \$ 180,737	 \$ 5,000	 \$ 5,049,584

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HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 240,119	\$ (15,005)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	350,593	300,347
Loss on disposal of assets	74,968	3,280
Non-cash donation of equipment	(3,844)	(18,750)
Unrealized (gain) loss on investments	(1,225)	248
Changes in:		
Accounts receivable	52,708	(58,201)
Unconditional promises to give	(164,561)	-
Prepaid expenses	27,663	(16,394)
Inventory	(6,430)	393,057
Deposits	(250)	5,350
Accounts payable	(41,330)	34,557
Accrued expenses	5,629	(18,857)
Grants for agencies	(81,481)	67,310
Accrued payroll and benefits	(495)	35,554
Compensated absences	21,251	7,235
Deferred revenue	(28,000)	(4,000)
Total adjustments	<u>205,196</u>	<u>730,736</u>
Net cash provided by operating activities	<u>445,315</u>	<u>715,731</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(160,503)	(350,631)
Proceeds from sales of property and equipment	110,740	31,609
Purchase of investments	(100)	-
Net cash used by investing activities	<u>(49,863)</u>	<u>(319,022)</u>

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(251,920)	(229,491)
Principal payments on capital lease	(1,086)	(2,690)
Net cash used by financing activities	<u>(253,006)</u>	<u>(232,181)</u>
Net increase in cash	142,446	164,528
CASH - July 1, 2012 and 2011	<u>1,484,049</u>	<u>1,319,521</u>
CASH - June 30, 2013 and 2012	<u><u>\$ 1,626,495</u></u>	<u><u>\$ 1,484,049</u></u>

SUPPLEMENTAL DISCLOSURE:		
Non-cash revenues	<u>\$ 23,379,564</u>	<u>\$ 19,971,907</u>
Non-cash expenditures	<u>\$ 23,520,795</u>	<u>\$ 20,242,078</u>
Non-cash proceeds received on sales of property and equipment	<u>\$ -</u>	<u>\$ 24,500</u>
Non-cash principal payments on long-term debt	<u>\$ -</u>	<u>\$ 657,000</u>
Cash paid for interest	<u>\$ 146,739</u>	<u>\$ 155,322</u>

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The accompanying notes are an integral
part of the financial statements.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services	Supporting Services		Total Supporting Services	Total
		Administrative and General	Fund Raising		
Payroll and related expenses	\$ 1,532,200	\$ 148,513	\$ 364,315	\$ 512,828	\$ 2,045,028
Insurance	250,056	23,437	51,527	74,964	325,020
Utilities	89,053	5,574	2,746	8,320	97,373
Vehicle	278,141	6,654	3,904	10,558	288,699
Business travel	17,730	1,151	4,104	5,255	22,985
Cost of food	673,240	-	-	-	673,240
Agency programs	131,813	-	5,092	5,092	136,905
Pick and pack out	162,229	-	-	-	162,229
Maintenance	61,305	2,204	-	2,204	63,509
Transportation	159,997	-	-	-	159,997
Finance	159,954	1,078	5,475	6,553	166,507
Technology	110,733	3,018	5,952	8,970	119,703
Other	152,791	27,453	36,179	63,632	216,423
Food distributions	23,520,795	-	-	-	23,520,795
Total expenses before depreciation	27,300,037	219,082	479,294	698,376	27,998,413
Depreciation	345,406	2,045	3,142	5,187	350,593
Total expenses	<u>\$ 27,645,443</u>	<u>\$ 221,127</u>	<u>\$ 482,436</u>	<u>\$ 703,563</u>	<u>\$ 28,349,006</u>

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HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES *(Reclassified)*
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services	Supporting Services		Total Supporting Services	Total
		Administrative and General	Fund Raising		
Payroll and related expenses	\$ 1,334,949	\$ 130,986	\$ 283,818	\$ 414,804	\$ 1,749,753
Insurance	220,369	20,312	40,665	60,977	281,346
Utilities	92,100	7,799	497	8,296	100,396
Vehicle	236,199	1,955	3,611	5,566	241,765
Business travel	17,986	2,935	1,992	4,927	22,913
Cost of food	1,285,218	-	-	-	1,285,218
Agency programs	169,251	-	-	-	169,251
Pick and pack out	212,255	-	-	-	212,255
Maintenance	39,264	1,384	-	1,384	40,648
Transportation	171,458	-	-	-	171,458
Finance	169,107	161	4,677	4,838	173,945
Technology	44,593	3,043	5,262	8,305	52,898
Other	128,665	36,035	15,870	51,905	180,570
Food distributions	20,242,078	-	-	-	20,242,078
Total expenses before depreciation	24,363,492	204,610	356,392	561,002	24,924,494
Depreciation	295,633	1,858	2,856	4,714	300,347
Total expenses	<u>\$ 24,659,125</u>	<u>\$ 206,468</u>	<u>\$ 359,248</u>	<u>\$ 565,716</u>	<u>\$ 25,224,841</u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 - THE ORGANIZATION

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 low income of Lee County. 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.

NOTE 2 - DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 5, 2014, the date that the financial statements were available to be issued.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization’s financial statements have been prepared on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets temporarily restricted net assets and permanently restricted net assets.

Investments

Investments are reported at their fair value in the statement of financial position. Fair value of mutual funds is determined by significant unobservable inputs determined by a broker using a third party source. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Accounts Receivable and Unconditional Promises to Give

All accounts receivable and unconditional promises to give are considered collectible; therefore no allowance for uncollectible accounts has been recorded. Expense is recognized during the period in which a specific account is determined to be uncollectible. Bad debt expense was \$1,841 and \$0 for the years ended June 30, 2013 and 2012, respectively, and is included in other in the statement of functional expenses.

Inventory

Inventories of donated products are recorded at the approximate average wholesale value as outlined in the *Product Valuation Survey Methodology, December 2012 and 2011* prepared by Feeding America, a national, nonprofit distributor of donated product in the food bank network. Subsidiary records are maintained for federal surplus commodities as to quantities received and quantity on hand for control purposes and for revenue recognition on the financial statements. Federal surplus commodities are recorded in inventory as of the date they are physically received in the Organization’s warehouse. Values assigned are based on price lists provided by the Florida Department of Agriculture and Consumer Services.

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

Read Independent Auditor’s Report.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost if purchased or estimated current values on the date of receipt if donated. Depreciation is recognized using the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to operations when incurred. Additions and major renewals in excess of \$1,000 are capitalized. See Note 8 for additional information.

Compensated Absences

The Organization accumulates and records a contingent liability for compensated absences accrued by employees. Both vacation and sick time are based on a calendar year. Unused vacation leave as of June 30, 2013 and 2012 has been accrued as a liability in the amount of \$86,325 and \$65,074, respectively.

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. 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 years 2010 through 2013 remain open to examination under federal statute limitations.

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 income taxes has been made. The Organization is not considered a private foundation within the meaning of Section 509(a) of the Code.

Fair Value of Financial Instruments

Substantially all of the Organization's assets and liabilities, excluding prepaid expenses, land available for sale, property and equipment and deferred revenue, are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value, because of the short maturity of the instrument.

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

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Support (Continued)

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.

In-kind Contributions

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, 2013 and 2012, the value of contributed services has not been recorded in the financial statements. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization at various locations.

Functional Expenses

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

The Organization made cash payments of \$146,739 and \$155,322 for interest during the years ended June 30, 2013 and 2012, respectively. The Organization made no cash payments for income taxes during the years ended June 30, 2013 or 2012.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Reclassification

Certain accounts have been reclassified in the 2012 statement of activities and statement of functional expenses for comparative purposes to conform with the presentation in the current year financials. The result of the reclassification had no effect on net assets.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”). The uninsured balances as of June 30, 2013 and 2012 were \$430,426 and \$1,032, respectively, based on the bank statement balances, less the FDIC insurance.

NOTE 5 - INVESTMENTS

Investments consisted of mutual funds as of June 30, 2013 and 2012. The costs of investments as of June 30, 2013 and 2012 were \$10,100 and \$10,000, respectively. During the years ended June 30, 2013 and 2012 the Organization had unrealized gains of \$1,225 and unrealized losses of \$248, respectively.

The following are the major categories of assets measured at fair value on a recurring basis during the year ended June 30, 2013, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total as of June 30, 2013
Mutual funds	\$ -	\$ -	\$ 13,796	\$ 13,796

The following are the major categories of assets measured at fair value on a recurring basis during the year ended June 30, 2012, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total as of June 30, 2012
Mutual funds	\$ 12,471	\$ -	\$ -	\$ 12,471

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013 AND 2012

NOTE 5 - INVESTMENTS (Continued)

Fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2013:

Beginning balance		
Transfers into Level 3 (a)	\$	12,471
Total gain (Unrealized)		
Included in earnings		1,225
Purchases, issuances, sales and settlements		
Purchases		100
Ending balance	\$	<u>13,796</u>

(a) Transferred from Level 1 to Level 3 because of lack of observable market data.

NOTE 6 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30,:

	2013	2012
Accounts receivable	\$ 6,777	\$ -
Agencies' receivable	104	41,557
Accounts receivable - purchased food	77,500	119,630
Grants receivable	55,401	29,148
Other receivables	5,070	7,225
	<u>\$ 144,852</u>	<u>\$ 197,560</u>

NOTE 7 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following as of June 30, 2013:

Receivables to be collected in less than one year	\$ 14,667
Receivables to be collected in one to five years	159,288
Less: discounts to net present value	(9,394)
	<u>\$ 164,561</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 3.5%.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013 AND 2012

NOTE 8 - PROPERTY AND EQUIPMENT

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

	Estimated Useful Lives	2013	2012
Land	N/A	\$ 528,160	\$ 528,160
Building and improvements	5-40 years	3,120,233	3,499,234
Furniture and equipment	3-10 years	312,901	298,393
Vehicles	5-10 years	1,252,595	1,121,810
Less: accumulated depreciation		(1,228,845)	(1,090,599)
		<u>\$ 3,985,044</u>	<u>\$ 4,356,998</u>

For the years ended June 30, 2013 and 2012, depreciation expense was \$350,593 and \$300,347, respectively, and is allocated between program and supporting services.

NOTE 9 - LAND AVAILABLE 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. The Organization made the determination to sell the land, which is being carried at cost, as it is lower than the estimated market value as of June 30, 2013 and 2012.

NOTE 10 - CAPITAL LEASE

The Organization leases warehouse equipment under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the equipment through the lease, and accordingly, it is recorded in the Organization's assets and liabilities. The lease is for a period of five years with equal monthly payments of \$262, maturing in September 2015. The imputed rate of interest for the lease is 11.8%.

The following table details the leased asset as of June 30,:

	2013	2012
Equipment	\$ 11,935	\$ 11,935
Less: accumulated depreciation	(4,548)	(2,842)
	<u>\$ 7,387</u>	<u>\$ 9,093</u>

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013 AND 2012

NOTE 10 - CAPITAL LEASE (Continued)

Future minimum payments required under the lease are as follows:

<u>Years ending June 30,</u>	
2014	\$ 3,141
2015	3,141
2016	<u>785</u>
	7,067
Less: amounts representing interest	(887)
Present value of minimum lease payments	<u>\$ 6,180</u>

The lease agreement contains a bargain purchase option at the end of the lease term of \$1 for the leased equipment.

NOTE 11 - LONG TERM DEBT

The Organization's long-term debt includes loans payable for the purchases of equipment and real property. Total notes payable consisted of the following as of June 30,:

	<u>2013</u>	<u>2012</u>
Note payable - Feeding America, in the original amount of \$268,608, annual payments of principal and interest of \$67,152, at an interest rate varying from 0% - 4% per annum, maturing December 31, 2013, secured by equipment.	\$ 68,514	\$ 136,341
Mortgage payable - Northern Trust NA, in the original amount of \$2,215,500, monthly payments of principal and interest of \$15,471, at a fixed rate of 5.7% with the balance due at maturity on January 2, 2015, secured by real property.	1,991,280	2,059,962
Mortgage payable - Northern Trust NA, in the original amount of \$657,000, monthly payments of principal and interest of \$6,642, at a fixed rate of 3.9% with the balance due at maturity on January 2, 2015, secured by real property.	<u>514,401</u>	<u>629,812</u>
	2,574,195	2,826,115
Less: current maturities	(203,318)	(188,443)
Long-term debt, net of current portion	<u>\$ 2,370,877</u>	<u>\$ 2,637,672</u>

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 11 - LONG TERM DEBT (Continued)

Future maturities of loans payable are as follows:

<u>Years ending June 30,</u>	
2014	\$ 203,318
2015	2,370,877
	<u>\$ 2,574,195</u>

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Food for life	\$ -	\$ 10,737
Retail store	-	5,000
Refrigerated truck	-	125,000
Warehouse equipment	-	40,000
Capital campaign - building fund	282,595	-
Mobile pantries	2,500	-
School pantries	45,000	-
Senior mobile pantries	4,500	-
Food expansion - Charlotte County	70,000	-
Pet food	5,000	-
Freezers	14,000	-
	<u>\$ 423,595</u>	<u>\$ 180,737</u>

NOTE 13 - EMPLOYEE BENEFIT PLAN

The Organization contributes between 4% and 8% to a pension plan on behalf of all eligible employees. Total pension expense for the years ended June 30, 2013 and 2012 was \$89,603 and \$77,881, respectively, and is included in payroll and related expenses, allocated between program and supporting services.

NOTE 14 - OPERATING LEASES

The Organization currently has various leases for office equipment ending between November 2016 and December 2016. Minimum monthly payments required under the leases are \$486. Lease expense for the years ended June 30, 2013 and 2012 was \$5,832 and \$4,362, respectively, and is included in other expenses, allocated between program and supporting services.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 14 - OPERATING LEASES (Continued)

Future minimum payments required under the leases are as follows:

<u>Years ending June 30,</u>	
2014	\$ 5,832
2015	5,832
2016	5,832
2017	2,874
	<u>\$ 20,370</u>

During the year ended June 30, 2013, the Organization entered into a lease for warehouse space ending June 30, 2015. Monthly payments under the lease are \$2,500. Lease expense for the year ended June 30, 2013 was \$30,000 and is included in other expenses, allocated between program and supporting services.

Future minimum payments required under the lease are as follows:

<u>Years ending June 30,</u>	
2014	\$ 30,000
2015	30,000
	<u>\$ 60,000</u>

SUPPLEMENTARY INFORMATION

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/ Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
Department of Agriculture:			
Passed through Florida Department of Agriculture and Consumer Services Emergency Food Assistance Program			
Administrative Costs (1)	10.568	16957	\$ 209,177
Food Commodities (1)	10.569	99008	1,929,911
			<u>2,139,088</u>
Department of Homeland Security:			
Passed through United Way of America: Emergency Food and Shelter National Board Program			
Lee County	97.024	165400-012	128,150
Hendry County	97.024	163200-017	12,770
Glades County	97.024	162400-004	2,053
			<u>142,973</u>
Total expenditures of federal awards			<u>\$ 2,282,061</u>

(1) Denotes a major program

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Harry Chapin Food Bank of Southwest Florida, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Of the federal expenditures presented in the schedule, Harry Chapin Food Bank of Southwest Florida, Inc. provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Grant Number	Amount Provided
Emergency Food Assistance Program Administrative Costs	10.569	99008	<u>\$ 1,929,911</u>

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Program Title	Federal CFDA Number	Grant Number(s)	Federal Expenditures
Department of Agriculture:			
Passed through Florida Department of Agriculture and Consumer Services Emergency Food Assistance Program			
Administrative Costs (1)	10.568	16957	\$ 218,339
Administrative Costs (1)	10.568	12838	58,970
Food Commodities (1)	10.569	99008	1,227,811
			<u>1,505,120</u>
Department of Homeland Security:			
Passed through United Way of America: Emergency Food and Shelter National Board Program			
Lee County	97.024	165400-012	113,230
Hendry County	97.024	163200-017	4,000
Glades County	97.024	162400-004	1,250
Collier County	97.024	159000-013	19,322
Charlotte County	97.024	158400-012	9,000
			<u>146,802</u>
Total expenditures of federal awards			<u>\$ 1,651,922</u>

(1) Denotes a major program

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Harry Chapin Food Bank of Southwest Florida, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Of the federal expenditures presented in the schedule, Harry Chapin Food Bank of Southwest Florida, Inc. provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Grant Number	Amount Provided
Emergency Food Assistance Program Administrative Costs	10.569	99008	<u>\$ 1,227,811</u>



Myers, Brettholtz & Company, PA
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Harry Chapin Food Bank of Southwest Florida, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harry Chapin Food Bank of Southwest Florida, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2014.

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 the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (2013-1)

To the Board of Directors of
Harry Chapin Food Bank of Southwest Florida, Inc.

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.



MYERS, BRETT HOLTZ & COMPANY, PA
Fort Myers, Florida
February 5, 2014



Myers, Brettholtz & Company, PA
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
Harry Chapin Food Bank of Southwest Florida, Inc.

Report on Compliance for Each Major Federal Program

We have audited Harry Chapin Food Bank of Southwest Florida, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 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 for the year ended June 30, 2013. Harry Chapin Food Bank of Southwest Florida, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Harry Chapin Food Bank of Southwest Florida, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Harry Chapin Food Bank of Southwest Florida, Inc.'s compliance.

Opinion on Each Major Federal Program

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 for the year ended June 30, 2013.

To the Board of Directors of
Harry Chapin Food Bank of Southwest Florida, Inc.

Report on Internal Control Over Compliance

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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



MYERS, BRETT HOLTZ & COMPANY, PA
Fort Myers, Florida
February 5, 2014

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? __ yes no

Significant deficiencies identified that are not considered to be material weaknesses? yes __ none reported

Noncompliance material to financial statements noted? __ yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? __ yes no

Significant deficiencies identified that are not considered to be material weaknesses? __ yes none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? __ yes no

Major programs:

CFDA Number 10.568 Emergency Food Assistance Program - Administrative Costs

CFDA Number 10.569 Emergency Food Assistance Program - Food Commodities

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes __ no

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

FINDINGS - FINANCIAL STATEMENTS AUDIT

FINDING 2013-1

Condition: Inventory management module of the accounting system does not fully capture all transactions for proper financial reporting.

Criteria: All inventory transactions should be properly recorded in the financial statements.

Effect: Donated food contributions and distributions were overstated.

Cause: No reconciling activities between inventory management module of the accounting system and valuation of donated foods received.

Recommendation: Reconciliations should be performed in order to support donated food contributions and distributions recorded in the financial statements.

Auditee's response: The Organization plans to perform monthly reconciliations.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

There were no prior year audit findings for the year ended June 30, 2013.