

**HARRY CHAPIN FOOD BANK  
OF SOUTHWEST FLORIDA, INC.  
FINANCIAL STATEMENTS AND SUPPLEMENTARY  
INFORMATION TOGETHER WITH  
REPORTS OF INDEPENDENT AUDITOR  
YEARS ENDED  
JUNE 30, 2014 AND 2013**

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Private Companies Practice Section

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**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, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Audit 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 of 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

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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, 2014, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### 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 for the year ended June 30, 2014 and the Notes thereto are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" 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 for the year ended June 30, 2014 and the Notes thereto are fairly stated in all material respects in relation to the financial statements taken as a whole.

Board of Directors  
Harry Chapin Food Bank of Southwest Florida, Inc.  
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Prior Period Financial Statements

The financial statements of Harry Chapin Food Bank of Southwest Florida, Inc. as of and for the year ended June 30, 2013, were audited by other auditors whose report dated February 4, 2014, expressed an unmodified opinion on those statements.

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 October 22, 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 the 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

October 22, 2014

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2014 and 2013**

<b>ASSETS</b>	2014	2013
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (including restricted cash of \$855,273 and \$375,473 for 2014 and 2013, respectively)	\$ 1,999,645	\$ 1,626,495
Investments	28,230	13,796
Accounts receivable	188,246	144,852
Unconditional promises to give, current portion, restricted	76,793	14,667
Prepaid expenses	69,215	25,010
Inventory	1,256,242	1,202,887
TOTAL CURRENT ASSETS	3,618,371	3,027,707
<b>PROPERTY AND EQUIPMENT, NET</b>		
	3,719,269	3,985,044
<b>OTHER ASSETS</b>		
Unconditional promises to give, net current portion, restricted	75,799	149,894
Deposits	4,269	1,250
Land available for sale	952,422	952,422
TOTAL OTHER ASSETS	1,032,490	1,103,566
TOTAL ASSETS	\$ 8,370,130	\$ 8,116,317
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 404	\$ 10,363
Accrued expenses	-	5,629
Grants for agencies	204,232	64,084
Accrued payroll and benefits	96,330	79,838
Compensated absences	73,981	86,325
Capital lease payable, current portion	3,144	2,546
Long-term debt, current portion	2,373,243	203,318
TOTAL CURRENT LIABILITIES	2,751,334	452,103
<b>LONG-TERM LIABILITIES</b>		
Capital lease payable, net of current portion	263	3,634
Long-term debt, net of current portion	-	2,370,877
TOTAL LONG-TERM LIABILITIES	263	2,374,511
<b>COMMITMENTS AND CONTINGENCIES</b>		
	-	-
TOTAL LIABILITIES	2,751,597	2,826,614
<b>NET ASSETS</b>		
Operating	3,435,948	3,391,410
Investment in property and equipment, net	1,342,619	1,404,669
TOTAL UNRESTRICTED	4,778,567	4,796,079
Temporarily restricted	812,468	478,126
Permanently restricted	27,498	15,498
TOTAL NET ASSETS	5,618,533	5,289,703
TOTAL LIABILITIES AND NET ASSETS	\$ 8,370,130	\$ 8,116,317

The accompanying notes are an integral part of this statement.

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2014 and 2013**

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>CHANGES IN NET ASSETS</b>				
<b>REVENUES AND SUPPORT</b>				
Gross proceeds from special events and fundraising	\$ 1,705,189	\$ 262,098	\$ -	\$ 1,967,287
Less direct costs	<u>359,708</u>	<u>-</u>	<u>-</u>	<u>359,708</u>
Net proceeds from special events and fundraising	1,345,481	262,098	-	1,607,579
Food contributions - USDA	1,929,246	-	-	1,929,246
Food contributions - other	24,881,775	-	-	24,881,775
Government programs	248,804	154,520	-	403,324
United Way	227,585	5,000	-	232,585
Grants and donations	2,139,094	418,170	10,000	2,567,264
Programs	679,636	-	-	679,636
Unrealized gain on investments	2,434	-	-	2,434
Other	<u>13,836</u>	<u>-</u>	<u>-</u>	<u>13,836</u>
TOTAL	31,467,891	839,788	10,000	32,317,679
Net assets released from restrictions	<u>503,446</u>	<u>(505,446)</u>	<u>2,000</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>31,971,337</u>	<u>334,342</u>	<u>12,000</u>	<u>32,317,679</u>
<b>EXPENSES</b>				
Program services	31,148,681	-	-	31,148,681
Supporting services	<u>840,168</u>	<u>-</u>	<u>-</u>	<u>840,168</u>
TOTAL EXPENSES	<u>31,988,849</u>	<u>-</u>	<u>-</u>	<u>31,988,849</u>
INCREASE (DECREASE) IN NET ASSETS	(17,512)	334,342	12,000	328,830
NET ASSETS, BEGINNING OF YEAR	4,796,079	478,126	15,498	5,289,703
Reclassifications	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 4,778,567</u>	<u>\$ 812,468</u>	<u>\$ 27,498</u>	<u>\$ 5,618,533</u>

The accompanying notes are an integral part of this statement.

2013			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 1,668,197	\$ 258,747	\$ -	\$1,926,944
<u>357,835</u>	<u>-</u>	<u>-</u>	<u>357,835</u>
1,310,362	258,747	-	1,569,109
1,929,911	-	-	1,929,911
21,449,653	-	-	21,449,653
209,177	142,973	-	352,150
221,581	-	-	221,581
2,027,607	164,847	-	2,192,454
921,616	-	-	921,616
1,225	-	-	1,225
<u>26,394</u>	<u>-</u>	<u>-</u>	<u>26,394</u>
28,097,526	566,567	-	28,664,093
<u>319,917</u>	<u>(319,917)</u>	<u>-</u>	<u>-</u>
<u>28,417,443</u>	<u>246,650</u>	<u>-</u>	<u>28,664,093</u>
27,720,411	-	-	27,720,411
<u>703,563</u>	<u>-</u>	<u>-</u>	<u>703,563</u>
<u>28,423,974</u>	<u>-</u>	<u>-</u>	<u>28,423,974</u>
(6,531)	246,650	-	240,119
4,863,847	180,737	5,000	5,049,584
<u>(61,237)</u>	<u>50,739</u>	<u>10,498</u>	<u>-</u>
<u>\$ 4,796,079</u>	<u>\$ 478,126</u>	<u>\$ 15,498</u>	<u>\$5,289,703</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, 2014**

FUNCTIONAL EXPENSES	Program Services	SUPPORTING SERVICES			2014 Total Expenses
		Admin.	Fund Raising	Total Supporting Services	
Payroll and related expenses	\$ 1,694,732	\$ 165,303	\$ 466,690	\$ 631,993	\$ 2,326,725
Insurance	282,852	24,641	67,295	91,936	374,788
Utilities	82,962	5,069	2,808	7,877	90,839
Vehicle	328,324	7,387	4,345	11,732	340,056
Business travel	10,191	1,606	4,322	5,928	16,119
Cost of food	482,906	-	-	-	482,906
Agency program	268,606	-	-	-	268,606
Pick and pack out	112,392	4,775	-	4,775	117,167
Maintenance	76,265	2,685	-	2,685	78,950
Transportation	203,696	-	-	-	203,696
Finance	147,693	1,024	6,071	7,095	154,788
Technology	51,893	4,921	10,743	15,664	67,557
Other	187,849	36,786	23,697	60,483	248,332
Loss on disposal of property and equipment	5,952	-	-	-	5,952
Food distribution	<u>26,885,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,885,065</u>
Total expenses before depreciation	30,821,378	254,197	585,971	840,168	31,661,546
Depreciation	<u>327,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>327,303</u>
<b>TOTAL EXPENSES</b>	<u>\$ 31,148,681</u>	<u>\$ 254,197</u>	<u>\$ 585,971</u>	<u>\$ 840,168</u>	<u>\$ 31,988,849</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, 2013**

FUNCTIONAL EXPENSES	Program Services	SUPPORTING SERVICES			2013 Total Expenses
		Admin.	Fund Raising	Total Supporting Services	
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
Loss on disposal of property and equipment	74,968	-	-	-	74,968
Food distributions	<u>23,520,795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,520,795</u>
Total expenses before depreciation	27,375,005	219,082	479,294	698,376	28,073,381
Depreciation	<u>345,406</u>	<u>2,045</u>	<u>3,142</u>	<u>5,187</u>	<u>350,593</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 27,720,411</u></u>	<u><u>\$ 221,127</u></u>	<u><u>\$ 482,436</u></u>	<u><u>\$ 703,563</u></u>	<u><u>\$ 28,423,974</u></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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from donations, grants, contracts & programs	\$ 3,846,384	\$ 3,544,104
Cash received from fundraising and events	1,967,287	1,926,944
Interest and other income received	13,836	26,394
Cash payments to suppliers and personnel	(5,041,242)	(4,905,388)
Interest paid	<u>(134,910)</u>	<u>(146,739)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>651,355</u>	<u>445,315</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(7,000)	(100)
Purchases of property & equipment	(67,480)	(160,503)
Proceeds from sales of property and equipment	<u>-</u>	<u>110,740</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(74,480)</u>	<u>(49,863)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes and mortgages	(200,952)	(251,920)
Principal payments of capital leases	<u>(2,773)</u>	<u>(1,086)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(203,725)</u>	<u>(253,006)</u>
Net increase (decrease) in cash and cash equivalents	373,150	142,446
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,626,495</u>	<u>1,484,049</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,999,645</u>	<u>\$ 1,626,495</u>

**NON-CASH TRANSACTIONS**

Non-cash operating activities have been eliminated and include the following for the year ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Non-cash revenues	<u>\$ 28,670,055</u>	<u>\$ 23,379,564</u>
Non-cash expenditures	<u>\$ 28,744,099</u>	<u>\$ 23,520,795</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>2014</u>	<u>2013</u>
Increase (Decrease) in Net Assets	\$ 328,830	\$ 240,119
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used In) Operating Activities		
Depreciation	327,303	350,593
Noncash donations - beneficial interest	(5,000)	(3,844)
Loss on disposal of property and equipment	5,952	74,968
Unrealized investment income	(2,434)	(1,225)
(Increase) decrease in accounts receivable	(43,394)	52,708
(Increase) decrease in promises to give	11,969	(164,561)
(Increase) decrease in prepaid expenses	(44,205)	27,663
(Increase) decrease in inventory, noncash	(53,355)	(6,430)
(Increase) decrease in deposits	(3,019)	(250)
(Increase) decrease in accounts payable	(9,959)	(41,330)
(Increase) decrease in accrued expenses	(5,629)	5,629
(Increase) decrease in grants for agencies	140,148	(81,481)
(Increase) decrease in accrued payroll and benefits	16,492	(495)
(Increase) decrease in compensated absences	(12,344)	21,251
(Increase) decrease in deferred revenue	<u>-</u>	<u>(28,000)</u>
TOTAL ADJUSTMENTS	<u>322,525</u>	<u>205,196</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 651,355</u>	<u>\$ 445,315</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 church food pantries, soup kitchens, emergency shelters, disaster relief and more.

Specifically, the Organization's mission is to overcome 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.

**Program Summary**

**Volunteer Services:** Volunteers are a vital part of the success of the programs at Harry Chapin Food Bank of Southwest Florida, Inc. In fiscal year 2014, more than 4,200 volunteers collectively provided 50,200 hours, which equate to more than \$1,132,000 in in-kind service.

**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 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.

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

**Financial Statement Presentation**

The financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-225-45-1 (formerly Statement of Financial Accounting Standards (SFAS) No. 117), "Financial Statements of Not-for-Profit Organizations". Under FASB ASC 958-225-45-1, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

The Organization reports its contributions in accordance with FASB ASC 958-605-50-1 (formerly SFAS No. 116) "Accounting for Contributions Received and Contributions Made". In accordance with FASB ASC 958-605-50-1, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support 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 temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction or compliance with the purpose restriction.

**Investments**

Investments are reported at their fair value in the statement 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 \$12,655 and \$1,841 for the years ended June 30, 2014 and 2013, respectively, and is included in other in the statements of functional expenses.

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

**Accounts Receivable and Unconditional Promises to Give, continued**

All unconditional promises to give are considered 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 are recorded at the approximate average wholesale value as outlined in the Product Valuation Survey Methodology, December 2013 and 2012 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.

**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 renewals 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

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

**Property and Equipment, continued**

No interest related costs were capitalized for the years ended June 30, 2014 and 2013.

**Advertising costs**

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

**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 year ended June 30, 2014 and 2013.

**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, 2014 and 2013 have been accrued as a liability in the amount of \$73,981 and \$86,325, 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. 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



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

**Income Taxes, continued**

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 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.

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.

**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, 2014 and 2013, the carrying value of balances such as receivables, inventory, prepaids, accounts payable, and accrued liabilities 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 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

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

**Revenues and Support, continued**

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.

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/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, 2014 and 2013, 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 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.

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

**Cash Flows**

For the purpose of the Statements of Cash Flows, Harry Chapin Food Bank of Southwest Florida, Inc. considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. At June 30, 2014 and 2013, 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, 2014 or 2013.

**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.

**Reclassifications**

Certain reclassifications have been made in the 2013 financial statements to conform with the classifications used in 2014. These reclassifications had no impact on the financial position or changes in net assets as previously reported.

**Subsequent Events**

Subsequent events have been evaluated through October 22, 2014, which is the date the financial statements were available to be issued.

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE B - CASH AND CASH EQUIVALENTS**

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

	<u>2014</u>	<u>2013</u>
Cash on hand	\$ 69	\$ 69
Depository accounts	<u>1,999,576</u>	<u>1,626,426</u>
	<u>\$ 1,999,645</u>	<u>\$ 1,626,495</u>

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

	<u>2014</u>	<u>2013</u>
Unrestricted cash	\$ 1,144,372	\$ 1,251,022
Restricted cash	<u>855,273</u>	<u>375,473</u>
	<u>\$ 1,999,645</u>	<u>\$ 1,626,495</u>

Restricted cash consists of grants for agencies and/or temporarily restricted net assets 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"). The uninsured balances as of June 30, 2014 and 2013 were \$812,974 and \$430,426, respectively, based on the bank balances, less the FDIC insurance.

**NOTE C - INVESTMENTS**

Investments consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Beneficial Interest in Assets Held at:		
Southwest Florida Community Foundation	\$ 15,498	\$ 13,796
Community Foundation of Collier County	10,683	-
Charlotte Community Foundation	<u>2,049</u>	<u>-</u>
	<u>\$ 28,230</u>	<u>\$ 13,796</u>

**NOTE C - INVESTMENTS, CONTINUED**

The Organization's investment policy allows management to invest in available investment vehicles to maximize income (see Note M). Management has also attempted to minimize risk while working to achieve maximum investment returns.

In accordance with FASB ASC 820, 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 C - INVESTMENTS, CONTINUED**

The following table presents the fair value hierarchy for the Organization's assets measured at fair value as of June 30, 2014:

Description	Carrying Value	Fair Value Measurements at Reporting Date Using:		
		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	\$ 28,230	\$ -	\$ -	\$ 28,230

The following table presents the fair value hierarchy for the Organization's assets measured at fair value as of June 30, 2013:

Description	Carrying Value	Fair Value Measurements at Reporting Date Using:		
		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	\$ 13,796	\$ -	\$ -	\$ 13,796

The beneficial interest in assets held at 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

**NOTE C - INVESTMENTS, CONTINUED**

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

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:

	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 13,796	\$ 12,471
Additional amounts invested	7,000	-
Foundations match of amounts invested	5,000	-
Share of appreciation, net	2,434	1,325
Ending balance	<u>\$ 28,230</u>	<u>\$ 13,796</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 D - ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Accounts receivable - various	\$ -	\$ 6,777
Agencies' receivable	-	104
Accounts receivable- purchased food, net	84,668	77,500
Grants receivable	101,578	55,401
Other receivables	2,000	5,070
	<u>\$ 188,246</u>	<u>\$ 144,852</u>

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE D - ACCOUNTS RECEIVABLE, CONTINUED**

Accounts receivable - purchased food is net of allowance for doubtful accounts in the amount of \$8,596 and \$0 for the years ended June 30, 2014 and 2013 respectively.

**NOTE E - UNCONDITIONAL PROMISES TO GIVE**

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

	<u>2014</u>	<u>2013</u>
Receivables expected to be collected in:		
Less than one year	\$ 76,793	\$ 14,667
One to five years	84,634	159,288
Less: discounts to net present value	<u>(8,835)</u>	<u>(9,394)</u>
	<u>\$ 152,592</u>	<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 3.25% which was PRIME RATE at June 30, 2014 and 2013.

**NOTE F - PROPERTY AND EQUIPMENT**

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

	<u>2014</u>	<u>2013</u>
Land	\$ 518,304	\$ 518,304
Building and improvements	3,137,764	3,130,089
Furniture and equipment	363,316	312,901
Vehicles	<u>1,248,750</u>	<u>1,252,595</u>
	5,268,134	5,213,889
Less: accumulated depreciation	<u>(1,548,865)</u>	<u>(1,228,845)</u>
	<u>\$ 3,719,269</u>	<u>\$ 3,985,044</u>

For the years ended June 30, 2014 and 2013, depreciation expense was \$327,303 and \$350,593, respectively, and is allocated between program and supporting services.



**NOTE F - PROPERTY AND EQUIPMENT, CONTINUED**

The Organization leases warehouse equipment under a capital lease with an original cost of \$11,935 at June 30, 2014 and 2013. Depreciation expense of \$1,704 and \$1,706 was recorded for the equipment for the years ended June 30, 2014 and 2013 respectively and is included in total depreciation expense.

Accumulated depreciation on assets held under capital lease totaled \$6,252 and \$4,548 at June 30, 2014 and 2013, respectively, and is included in total accumulated depreciation.

**NOTE G - 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 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, 2014 and 2013, as it is lower than the estimated market value.

**NOTE H - CAPITAL LEASE**

The Organization leases warehouse equipment of \$11,935 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 (5) years with equal monthly payments of \$262, maturing in September 2015. The imputed rate of interest for the lease is 11.8%. The outstanding balance for the capital lease at June 30, 2014 and 2013 was \$3,407 and \$6,180, respectively.

Future minimum payments required under the lease are as follows:

Years ending June 30	Amount
2015	\$ 3,144
2016	786
	<u>3,930</u>
Less: amounts representing interest	(523)
Present value of minimum lease payments	<u>\$ 3,407</u>

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE H - CAPITAL LEASE, CONTINUED**

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

Interest expense related to the capital lease was \$550 and \$877 for the year ended June 30, 2014 and 2013, respectively.

**NOTE I - LONG TERM DEBT**

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

	<u>2014</u>	<u>2013</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, collateralized by equipment.	\$ -	\$ 68,514
Mortgage payable - Financial Institution, in the original amount of \$2,215,500 dated December 16, 2009, 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, collateralized by real property.	1,918,840	1,991,280
Mortgage payable - Financial institution, in the original amount of \$657,000 dated January 2, 2012, monthly payments of principal and interest of \$6,642, at a fixed rate of 3.97% with the balance due at maturity on January 2, 2015, collateralized by real property.	<u>454,403</u>	<u>514,401</u>
	2,373,243	2,574,195
Less: current maturities	<u>(2,373,243)</u>	<u>(203,318)</u>
Long-term debt, net of current portion	<u>\$ -</u>	<u>\$ 2,370,877</u>

**NOTE I - LONG TERM DEBT, CONTINUED**

Future maturities of loans payable are as follows:

Year Ending June 30	Amount
2015	<u>\$ 2,373,243</u>

Interest expense related to notes and mortgage was \$64,404 and \$81,950, for the years ended June 30, 2014 and 2013, respectively.

The Organization intends to refinance/renew the two (2) outstanding mortgages prior to the maturity dates of the respective mortgages.

**NOTE J - TEMPORARILY RESTRICTED NET ASSETS**

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

	2014	2013
Refrigerated truck	\$ 140,000	\$ -
Gunterberg grant	23,624	-
Capital campaign- building fund	525,092	333,334
EFSP	28	3,792
Mobile pantries	46,819	2,500
School pantries	60,000	45,000
Senior mobile pantries	1,000	4,500
Food expansion- Charlotte County	15,905	70,000
Pet food	-	5,000
Freezers	-	14,000
	<u>\$ 812,468</u>	<u>\$ 478,126</u>

**NOTE K - EMPLOYEE BENEFIT PLAN**

The Organization contributes 4% to a 401(k) pension plan on behalf of all eligible employees whether or not the employee contributes. The Organization then will match up to another 4% of the employee's contributions. 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

**NOTE K - EMPLOYEE BENEFIT PLAN, CONTINUED**

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 pension expense for the years ended June 30, 2014 and 2013 was \$116,517 and \$89,603, respectively, and is included in payroll and related expenses, allocated between program and supporting services.

**NOTE L - OPERATING LEASES**

The Organization currently has various operating 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, 2014 and 2013 was \$5,833 and \$5,833, respectively, and is included in other expenses, allocated between program and supporting services.

Future minimum payments required under these operating leases are as follows:

Years ending June 30	Amount
2015	\$ 5,832
2016	5,832
2017	2,874
	<u>\$ 14,538</u>

During the year ended June 30, 2013, the Organization entered into an operating lease for warehouse space in Naples, Florida ending June 30, 2015. Monthly payments under the lease are \$2,500. Lease expense for the years ended June 30, 2014 and 2013 was \$30,000, respectively and is included in other expenses, allocated between program and supporting services.

Future minimum payments required under this lease are as follows:

Year ending June 30	Amount
2015	\$ 30,000
	<u>\$ 30,000</u>

**NOTE M · 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.

During the fiscal year ending June 30, 2014, 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, 2014 and 2013, net investment gains, net of investment management costs totaled \$2,434 and \$1,225 respectively. The total endowment held by the foundations for the benefit of the Organization at June 30, 2014 and 2013 was \$28,230 and \$13,796, respectively (see Note C).

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE N - 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.

**NOTE O - 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, 2014 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, 2014.

**NOTE P - UNITED WAY CONTRIBUTIONS**

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

<u>United Way</u>	<u>2014</u>	<u>2013</u>
Lee County	\$ 145,925	\$ 139,642
Charlotte County	28,342	26,739
Collier County	52,318	49,200
Hendry/Glades County	6,000	6,000
	<u>\$ 232,585</u>	<u>\$ 221,581</u>

**SUPPLEMENTARY INFORMATION**

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2014**

Federal or State Agency & Office/Pass Through Grantor/Program Title	CFDA	Pass-Through or Grant Contract Number
<b>MAJOR (Type A)</b>		
U.S. Department of Agriculture		
Passed through Florida Department of Agriculture and Consumer Services		
Administrative Costs	10.568	* 16957
Food Commodities - Non Cash	10.569	* 99008
<b>MAJOR (Type B)</b>		
U.S. Department of Homeland Security (FEMA):		
Passed through United Way of America		
Emergency Food and Shelter Program		
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**

- (1) includes receivable of \$101,578
- (2) Includes additional settlement of \$6,025
- \* considered Food Distribution Cluster



Program or Award Amount	Revenue	Expenditures
\$ 248,804	(2) \$ 248,804	(1) (2) \$ 248,804
<u>1,929,246</u>	<u>1,929,246</u>	<u>1,929,246</u>
<u>2,178,050</u>	<u>2,178,050</u>	<u>2,178,050</u>
116,001	116,001	116,001
10,653	10,653	10,653
2,000	2,000	2,000
<u>25,866</u>	<u>25,866</u>	<u>25,866</u>
<u>154,520</u>	<u>154,520</u>	<u>154,520</u>
<u>\$ 2,332,570</u>	<u>\$ 2,332,570</u>	<u>\$ 2,332,570</u>

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES**  
**OF FEDERAL AWARDS**  
**Year ended June 30, 2014**

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**NOTE A - BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards 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 Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations".

Expenditures reported on the Schedule of Expenditures of Federal Awards 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 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 programs. Costs charged to such programs were direct costs unless specifically incurred for the program and allowed and indicated as such.

**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, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

We, however, noted certain other matters that we have reported to the management of Harry Chapin Food Bank of Southwest Florida, Inc. in our Report to Management dated October 22, 2014.

#### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
TUSCAN & COMPANY, P.A.

Fort Myers, Florida

October 22, 2014



**TUSCAN**  
& Company, PA

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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 Compliance For**  
**Each Major Program and on Internal Control Over Compliance Required**  
**By OMB Circular A-133**

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**

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, 2014. 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 of America; 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.

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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, 2014.

### **Report on Internal Control Over Compliance**

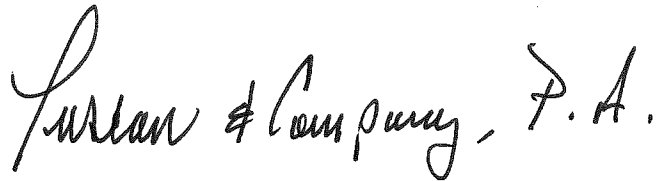
Management of Harry Chapin Food Bank of Southwest Florida, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Harry Chapin Food Bank 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.

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

A handwritten signature in cursive script that reads "Tuscan & Company, P.A.".

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

October 22, 2014



**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL  
 AWARDS**

**Year ended June 30, 2014**

*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	<u>      X      </u>	No
Significant deficiency(ies) identified?	_____ Yes	<u>      X      </u>	No
Material weakness(es) identified?	_____ Yes	<u>      X      </u>	None reported
Noncompliance material to financial statements noted?	_____ Yes	<u>      X      </u>	No

Federal Awards

Internal control over major programs:			
Control deficiency(ies) identified?	_____ Yes	<u>      X      </u>	No
Significant deficiency(ies) identified?	_____ Yes	<u>      X      </u>	No
Material weakness(es) identified?	_____ Yes	<u>      X      </u>	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 Circular A-133, Section 510(a)?	_____ Yes	<u>      X      </u>	No

Identification of major programs (Type A):

CFDA	
<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.568	U.S. Department of Agriculture Administrative Costs
10.569	Food Commodities Cluster

Dollar threshold used to distinguish between Type A and Type B programs      Threshold used was \$300,000.

Auditee qualified as low-risk auditee?	<u>      X      </u> Yes	_____ No
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**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL**  
**AWARDS, CONTINUED**  
**Year ended June 30, 2014**

The Organization provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Amount</u>
U.S. Department of Agriculture			
Emergency Food Assistance Program			
Food Commodities	10.569	99008	<u>\$ 1,869,443</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 Circular A-133, Section 510(a).

***Section IV- Status of Federal Prior Year Findings***

There were no prior year findings.



**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 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, 2014, 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.

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12621 World Plaza Lane, Building 55 • Fort Myers, FL 33907 • Phone: (239) 333-2090 • Fax: (239) 333-2097

In connection with our audit, we are submitting the following comments and recommendations in accordance with Government Auditing Standards, the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and Chapter 10.650 "Rules of the Auditor General - State Single Audit, Nonprofit and For-Profit Organizations" (Revised September 30, 2013) 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:**

Note: The prior year comments not repeated below appear to have been resolved. Prior year comments listed below continue to apply in the current year. Each prior year comment listed has a current year addendum to indicate the current year status of the comment.

2013-1 Overstatement of Food Contributions & Distributions (as revised)

It was noted that the inventory management module of the accounting system does not fully capture all transactions for proper financial reporting. As a result donated food contributions and distributions were overstated.

We recommend that reconciliations should be preformed in order to support donated food contributions and distributions recorded in the financial statements.

2014 Current Year Addendum:

It was noted that monthly reconciliations are being performed in order to support donated food contributions and distributions. However, there was one significant discrepancy noted during the fiscal year therefore we continue to recommend that reconciliations be performed.

**CURRENT YEAR COMMENTS:**

No financially significant comments noted.

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.

A handwritten signature in black ink that reads "Tuscan & Company, P.A." The signature is written in a cursive, flowing style.

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
October 22, 2014

**EXHIBIT**



# Harry Chapin Food Bank OF SOUTHWEST FLORIDA

*Fighting Hunger, Feeding Hope*

Tuscan & Company PA  
12621 World Place Lane, Bldg. 55  
Fort Myers, FL 33907

November 17, 2014

## PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:

2013-1 The inventory module, which previously did not capture fully all transactions, has been corrected. It is validated on a monthly basis.

2014 Current Year Addendum; as part of the monthly close process, the inventory process is as follows, which commenced with the January 2014 month and continues to the present. IT provides a daily listing of units by each sku to the warehouse for each location. The warehouse then compares the physical count to the book count. At this stage, there have been no differences. Second, at the end of the month, the same units are then built to a value basis on the valuation per sku and compared and reconciled to the general ledger balances by major account. In the event there is a difference with the periodic reconciliation, the detail is analyzed and corrected at such time.

Sincerely,

Al Brislain  
President and CEO

