

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
FORT MYERS, FLORIDA
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harry Chapin Food Bank of Southwest Florida, Inc.
Fort Myers, Florida

We have audited the accompanying statements of financial position of Harry Chapin Food Bank of Southwest Florida, Inc. as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Harry Chapin Food Bank of Southwest Florida, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2012, 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* and should be considered in assessing the results of our audits.

Board of Directors
Harry Chapin Food Bank of Southwest Florida, Inc.
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Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards are presented for the purpose of additional analysis as required by 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 audits 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 schedules of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.



MYERS, BRETTHOLTZ & COMPANY, PA
Fort Myers, Florida
September 21, 2012

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

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,484,049	\$ 1,319,521
Investments	12,471	12,719
Accounts receivable	197,560	139,359
Prepaid expenses	52,673	36,279
Inventory	1,196,457	1,589,514
Total current assets	2,943,210	3,097,392
 PROPERTY AND EQUIPMENT, net	 4,356,998	 4,322,853
 OTHER ASSETS		
Deposits	1,000	6,350
Land available for sale	952,422	952,422
Total other assets	953,422	958,772
 Total assets	 \$ 8,253,630	 \$ 8,379,017
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 51,693	\$ 17,136
Accrued expenses	-	18,857
Grants for agencies	145,565	78,255
Accrued payroll and benefits	80,333	44,779
Compensated absences	65,074	57,839
Deferred revenue	28,000	32,000
Current portion of capital lease payable	2,264	2,013
Current portion of long-term debt	188,443	861,476
Total current liabilities	561,372	1,112,355
 LONG-TERM LIABILITIES		
Capital lease payable, net of current portion	5,002	7,943
Long-term debt, net of current portion	2,637,672	2,194,130
Total long-term liabilities	2,642,674	2,202,073
 Total liabilities	 3,204,046	 3,314,428

	<u>2012</u>	<u>2011</u>
NET ASSETS		
Operating	506,849	517,297
Property and equipment	4,356,998	4,322,853
Total unrestricted	<u>4,863,847</u>	<u>4,840,150</u>
Temporarily restricted	180,737	219,439
Permanently restricted	<u>5,000</u>	<u>5,000</u>
Total net assets	<u>5,049,584</u>	<u>5,064,589</u>
Total liabilities and net assets	<u><u>\$ 8,253,630</u></u>	<u><u>\$ 8,379,017</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, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Food contributions	\$ 19,971,907	\$ -	\$ -	\$ 19,971,907
FL Department of Agriculture Federal Emergency Management Agency	277,309	-	-	277,309
Grants and donations	1,708,882	220,000	-	1,928,882
United Way:				
Lee County	144,850	-	-	144,850
Collier County	46,200	-	-	46,200
Charlotte County	20,575	-	-	20,575
Hendry/Glades County	6,000	-	-	6,000
Florida Association of Food Banks	23,052	-	-	23,052
Special events and fund raising	1,895,787	-	-	1,895,787
Interest	4,022	-	-	4,022
Unrealized loss on investments	(248)	-	-	(248)
In-kind donations	59,696	-	-	59,696
Shared maintenance	300,584	-	-	300,584
Food sales	733,280	-	-	733,280
Other	30,329	-	-	30,329
Net assets released from restrictions	258,702	(258,702)	-	-
Total revenues and support	25,627,729	(38,702)	-	25,589,027
EXPENSES				
Program services	24,683,171	-	-	24,683,171
Supporting services	920,861	-	-	920,861
Total expenses	25,604,032	-	-	25,604,032
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.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Food contributions	\$ 16,346,640	\$ -	\$ -	\$ 16,346,640
FL Department of Agriculture Federal Emergency Management Agency	255,105	-	-	255,105
Grants and donations	85,842	-	-	85,842
United Way:	1,502,936	185,244	-	1,688,180
Lee County	145,280	-	-	145,280
Collier County	42,790	-	-	42,790
Charlotte County	12,995	-	-	12,995
Hendry/Glades County	6,000	-	-	6,000
Florida Association of Food Banks	10,590	-	-	10,590
Special events and fund raising	1,587,820	-	-	1,587,820
Interest	2,978	-	-	2,978
Unrealized gain on investments	1,836	-	-	1,836
In-kind donations	189,986	-	-	189,986
Shared maintenance	321,269	-	-	321,269
Food sales	550,869	-	-	550,869
Other	62,765	-	-	62,765
Net assets released from restrictions	33,305	(33,305)	-	-
Total revenues and support	21,159,006	151,939	-	21,310,945
EXPENSES				
Program services	19,440,172	-	-	19,440,172
Supporting services	934,954	-	-	934,954
Total expenses	20,375,126	-	-	20,375,126
Increase in net assets	783,880	151,939	-	935,819
NET ASSETS - July 1, 2010	4,056,270	67,500	5,000	4,128,770
NET ASSETS - June 30, 2011	\$ 4,840,150	\$ 219,439	\$ 5,000	\$ 5,064,589

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

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (15,005)	\$ 935,819
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities		
Depreciation	300,347	256,510
Loss on disposal of assets	3,280	170,392
Non-cash donation of equipment	(18,750)	(120,419)
Unrealized loss (gain) on investments	248	(1,836)
Changes in:		
Accounts receivable	(58,201)	(80,687)
Unconditional promise to give	-	20,000
Prepaid expenses	(16,394)	(20,379)
Inventory	393,057	(395,885)
Deposits	5,350	67,652
Accounts payable	34,557	(61,645)
Accrued expenses	(18,857)	4,876
Grants for agencies	67,310	337
Accrued payroll and benefits	35,554	14,205
Compensated absences	7,235	22,794
Deferred revenue	(4,000)	(18,637)
Total adjustments	<u>730,736</u>	<u>(142,722)</u>
Net cash provided by operating activities	715,731	793,097
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(350,631)	(433,445)
Proceeds from sales of property and equipment	<u>31,609</u>	<u>-</u>
Net cash used by investing activities	<u>(319,022)</u>	<u>(433,445)</u>

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(232,181)</u>	<u>(594,522)</u>
Net increase (decrease) in cash	164,528	(234,870)
CASH - July 1, 2011 and 2010	<u>1,319,521</u>	<u>1,554,391</u>
CASH - June 30, 2012 and 2011	<u>\$ 1,484,049</u>	<u>\$ 1,319,521</u>

SUPPLEMENTAL DISCLOSURE:		
Non-cash revenues	<u>\$ 19,971,907</u>	<u>\$ 16,346,640</u>
Non-cash expenditures	<u>\$ 20,242,078</u>	<u>\$ 15,950,465</u>
Non-cash proceeds received on sales of property and equipment	<u>\$ 24,500</u>	<u>\$ -</u>
Non-cash capital lease issued for acquisition of property and equipment	<u>\$ -</u>	<u>\$ 11,935</u>
Non-cash principal payments on long-term debt	<u>\$ 657,000</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 155,322</u>	<u>\$ 174,012</u>

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

	Program Services	Supporting Services		Total Supporting Services	Total
		Administrative and General	Fund raising		
Awards	\$ 53	\$ 52	\$ -	\$ 52	\$ 105
Agency assistance	94,307	-	-	-	94,307
Bank and credit card fees	13,785	161	4,677	4,838	18,623
Building lease	5,750	-	-	-	5,750
Casual labor	446	-	-	-	446
Children's feeding program	1,540	-	-	-	1,540
Computer/technology	44,593	3,043	5,262	8,305	52,898
Depreciation	295,633	1,858	2,856	4,714	300,347
Direct mail	22,111	-	287,698	287,698	309,809
Dues and subscriptions	10,335	5,012	618	5,630	15,965
Events	259	-	38,895	38,895	39,154
FEMA purchases	221,746	-	-	-	221,746
Food purchases	979,819	383	-	383	980,202
Food donations	20,242,078	-	-	-	20,242,078
Food handling	212,255	-	-	-	212,255
Food transportation	133,285	-	-	-	133,285
Food transportation - USDA	38,173	-	-	-	38,173
Fund raising	1,675	-	28,551	28,551	30,226
Insurance - health and life	181,384	17,339	40,113	57,452	238,836
Insurance - liability	38,985	2,972	553	3,525	42,510
Interest	155,322	-	-	-	155,322
Interim facility	1,400	-	-	-	1,400
Legal and accounting	-	18,225	-	18,225	18,225
License and fees	314	6,407	-	6,407	6,721
Loss on disposal of assets	3,280	-	-	-	3,280
Meetings	6,090	621	627	1,248	7,338
Office and postage	22,215	4,416	13,078	17,494	39,709
Payroll taxes and fees	113,656	13,516	23,725	37,241	150,897
Pension	59,197	5,797	12,887	18,684	77,881
Printing	2,337	88	1,428	1,516	3,853
Public relations	320	-	-	-	320
Real estate taxes	11,396	-	-	-	11,396
Repairs and maintenance	52,127	1,769	-	1,769	53,896
Restricted grants	163,738	-	-	-	163,738
Salaries and wages	1,135,066	111,371	246,624	357,995	1,493,061
Supplies	42,720	-	-	-	42,720

	<u>Supporting Services</u>			Total Supporting Services	Total
	Program Services	Administrative and General	Fund raising		
Telephone	19,617	4,207	497	4,704	24,321
Training and education	213	830	120	950	1,163
Travel	35,264	3,852	5,557	9,409	44,673
Uniforms	2,297	-	-	-	2,297
Utilities	65,020	3,207	-	3,207	68,227
Vehicle	218,922	1,039	45	1,084	220,006
Volunteers	7,862	-	-	-	7,862
Worker's compensation	26,586	303	582	885	27,471
	<u>24,683,171</u>	<u>206,468</u>	<u>714,393</u>	<u>920,861</u>	<u>25,604,032</u>
Total expenses	<u>\$ 24,683,171</u>	<u>\$ 206,468</u>	<u>\$ 714,393</u>	<u>\$ 920,861</u>	<u>\$ 25,604,032</u>

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HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services	Supporting Services		Total Supporting Services	Total
		Administrative and General	Fund raising		
Awards	\$ 136	\$ 173	\$ -	\$ 173	\$ 309
Agency assistance	81,167	-	-	-	81,167
Bank and credit card fees	10,562	1,153	3,869	5,022	15,584
Computer/technology	31,301	7,420	5,503	12,923	44,224
Depreciation	255,187	662	661	1,323	256,510
Direct mail	675	-	280,854	280,854	281,529
Dues and subscriptions	11,142	2,874	-	2,874	14,016
Events	398	30,081	-	30,081	30,479
FEMA purchases	159,512	-	-	-	159,512
Food purchases	664,220	1,932	-	1,932	666,152
Food donations	15,950,465	-	-	-	15,950,465
Food handling	83,632	-	-	-	83,632
Food transportation	117,885	-	-	-	117,885
Food transportation - USDA	99,165	-	-	-	99,165
Fund raising	1,280	-	25,034	25,034	26,314
Insurance - health and life	149,279	13,398	24,278	37,676	186,955
Insurance - liability	21,344	1,550	-	1,550	22,894
Interest	174,012	-	-	-	174,012
Legal and accounting	-	17,569	-	17,569	17,569
License and fees	595	167	-	167	762
Loss on abandoned project	-	164,150	-	164,150	164,150
Loss on disposal of assets	6,242	-	-	-	6,242
Meetings	5,947	22,717	80	22,797	28,744
Office and postage	16,755	2,562	11,587	14,149	30,904
Payroll taxes and fees	88,363	9,355	13,774	23,129	111,492
Pension	50,599	5,144	7,709	12,853	63,452
Printing	1,688	209	284	493	2,181
Public relations	1,306	332	137	469	1,775
Real estate taxes	-	8,100	-	8,100	8,100
Repairs and maintenance	49,887	6,240	-	6,240	56,127
Restricted grants	178,120	-	-	-	178,120
Salaries and wages	926,757	96,009	148,763	244,772	1,171,529
Supplies	25,403	-	322	322	25,725
Telephone	16,637	3,618	966	4,584	21,221
Training and education	993	1,274	833	2,107	3,100
Travel	12,778	8,637	725	9,362	22,140
Uniforms	1,919	-	-	-	1,919
Utilities	56,402	3,182	6	3,188	59,590
Vehicle	160,580	222	1	223	160,803
Volunteers	5,911	7	-	7	5,918
Worker's compensation	21,928	357	474	831	22,759
Total expenses	\$ 19,440,172	\$ 409,094	\$ 525,860	\$ 934,954	\$ 20,375,126

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, 2012 AND 2011

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 September 21, 2012, 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 in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Receivables and Allowance for Uncollectible Accounts

All receivables 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. There was no bad debt expense for the years ended June 30, 2012 and 2011.

Inventory

Inventories of donated products are recorded at the approximate average wholesale value as outlined in the *Product Valuation Survey Methodology, December 2011 and 2010* 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, 2012 AND 2011

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, 2012 and 2011 has been accrued as a liability in the amount of \$65,074 and \$57,839, 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 2009 through 2012 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, 2012 AND 2011

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, 2012 and 2011, 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 \$155,322 and \$174,012 for interest during the years ended June 30, 2012 and 2011, respectively. The Organization made no cash payments for income taxes during the years ended June 30, 2012 or 2011.

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.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011

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, 2012 and 2011 were \$1,032 and \$3,346, respectively, based on the bank statement balances, less the FDIC insurance.

NOTE 5 - INVESTMENTS

Investments consisted of mutual funds as of June 30, 2012 and 2011.

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

The following are the major categories of assets measured at fair value on a recurring basis during the year ended June 30, 2011, 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, 2011
Mutual funds	\$ 12,719	\$ -	\$ -	\$ 12,719

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011

NOTE 6 - ACCOUNTS RECEIVABLE

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

	<u>2012</u>	<u>2011</u>
Agencies' receivable	\$ 41,557	\$ 24,658
Accounts receivable - purchased food	119,630	10,423
Grants receivable	29,148	101,827
Other receivables	7,225	2,451
	<u>\$ 197,560</u>	<u>\$ 139,359</u>

NOTE 7 - 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. During the year ended June 30, 2011 the Organization made the determination to sell the land that was purchased with the intent to build a new warehouse. The land is being carried at cost, as it is lower than the estimated market value as of June 30, 2012 and 2011.

NOTE 8 - PROPERTY AND EQUIPMENT

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

	<u>Estimated Useful Lives</u>	<u>2012</u>	<u>2011</u>
Land	N/A	\$ 528,160	\$ 528,160
Building and improvements	5-40 years	3,499,234	3,351,798
Furniture and equipment	3-10 years	298,393	250,158
Vehicles	5-10 years	1,121,810	1,237,378
Less: accumulated depreciation		<u>(1,090,599)</u>	<u>(1,044,641)</u>
		<u>\$ 4,356,998</u>	<u>\$ 4,322,853</u>

For the years ended June 30, 2012 and 2011, depreciation expense was \$300,347 and \$256,510, respectively, and is allocated between program and supporting services.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011

NOTE 9 - 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,:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 11,935	\$ 11,935
Less: accumulated depreciation	(2,842)	(1,137)
	<u>\$ 9,093</u>	<u>\$ 10,798</u>

Future minimum payments required under the lease are as follows:

<u>Years ending June 30.</u>	
2013	\$ 3,141
2014	3,141
2015	3,141
2016	785
	<u>10,208</u>
Less: amounts representing interest	(2,942)
Present value of minimum lease payments	<u>\$ 7,266</u>

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

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 10 - 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>2012</u>	<u>2011</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.	\$ 136,341	\$ 203,482
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.	2,059,962	2,124,230
Mortgage payable - Northern Trust NA, in the original amount of \$1,187,500, monthly payments of principal and interest of \$7,385, at a fixed rate of 4.3% with the balance due at maturity on January 2, 2012, secured by real property.	-	727,894
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>629,812</u>	<u>-</u>
	2,826,115	3,055,606
Less: current maturities	<u>(188,443)</u>	<u>(861,476)</u>
Long-term debt, net of current portion	<u>\$ 2,637,672</u>	<u>\$ 2,194,130</u>

Future maturities of loans payable are as follows:

<u>Years ending June 30,</u>	
2013	\$ 188,443
2014	201,412
2015	2,436,260
	<u>\$ 2,826,115</u>

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Food for life	\$ 10,737	\$ -
Retail store	5,000	-
Refrigerated truck	125,000	-
Warehouse equipment	40,000	-
Immokalee agencies	-	122,885
Sweetbay capacity	-	36,000
Collier County outreach	-	20,859
New building	-	20,000
SNAP outreach	-	14,195
Wax coated meat boxes	-	5,000
Newsletter	-	500
	<u>\$ 180,737</u>	<u>\$ 219,439</u>

NOTE 12 - 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, 2012 and 2011 was \$77,881 and \$63,452, respectively, and is allocated between program and supporting services.

NOTE 13 - OPERATING LEASES

During the year ended June 30, 2012, the Organization entered into 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 year ended June 30, 2012 was \$4,362 and is included in office and postage, allocated between program and supporting services.

Future minimum payments required under the leases are as follows:

<u>Years ending June 30,</u>	
2013	\$ 5,832
2014	5,832
2015	5,832
2016	5,832
2017	2,874
	<u>\$ 26,202</u>

NOTE 14 - COMMITMENT

During the year ended June 30, 2012, the Organization entered into an agreement for professional fund raising services ending December 31, 2012.

SUPPLEMENTARY INFORMATION

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.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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	12838	\$ 160,826
ARRA Administrative Costs (1)	10.568	15511	94,279
Administrative Costs (1)	10.568	10-FL-01	99,500
Food Commodities (1)	10.569	99008	2,204,647
ARRA Food Commodities (1)	10.569	99008	5,857
			<u>2,565,109</u>
Department of Homeland Security:			
Passed through United Way of America:			
Emergency Food and Shelter National Board Program			
Lee County	97.024	165400-012	35,209
Hendry County	97.024	163200-017	2,894
Collier County	97.024	159000-013	15,888
Charlotte County	97.024	158400-012	5,944
			<u>59,935</u>
Total expenditures of federal awards			<u>\$ 2,625,044</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.



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

**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.
Fort Myers, Florida

We have audited the financial statements of Harry Chapin Food Bank of Southwest Florida, Inc. as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated September 21, 2012. 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.

Internal Control Over Financial Reporting

Management of Harry Chapin Food Bank of Southwest Florida, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered Harry Chapin food Bank of Southwest Florida, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 of 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 audits, 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*.

Board of Directors
Harry Chapin Food Bank of Southwest Florida, Inc.
Page 2

This report is intended solely for the information and use of management, others within the Organization, the Board of Directors of Harry Chapin Food Bank of Southwest Florida, Inc., federal awarding agencies and pass-through entities and 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 "Myers, Brettholtz & Company, PA". The signature is written in a cursive, flowing style.

MYERS, BRETT HOLTZ & COMPANY, PA
September 21, 2012



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Harry Chapin Food Bank of Southwest Florida, Inc.
Fort Myers, Florida

Compliance

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 years ended June 30, 2012 and 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Harry Chapin Food Bank of Southwest Florida, Inc.'s management. Our responsibility is to express an opinion on Harry Chapin Food Bank of Southwest Florida, Inc.'s compliance based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Harry Chapin Food Bank of Southwest Florida, Inc.'s compliance with those requirements.

In our opinion, Harry Chapin Food Bank of Southwest Florida, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2012 and 2011.

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 requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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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 combinations 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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the Organization, the Board of Directors of Harry Chapin Food Bank of Southwest Florida, Inc., federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



MYERS, BRETT HOLTZ & COMPANY, PA
September 21, 2012

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

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: unqualified

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

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

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: unqualified

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 10.568 ARRA Emergency Food Assistance Program - Administrative Costs

CFDA Number 10.569 Emergency Food Assistance Program - Food Commodities

CFDA Number 10.569 ARRA 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

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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, 2012

There were no prior year audit findings for the year ended June 30, 2012.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

FINDINGS - FINANCIAL STATEMENTS AUDIT

FINDING 2010 - 1

Condition: Accounts payable at year end did not accurately reflect the accrual of a final payment on a vehicle purchase.

Recommendation: Review invoices received after year end for a period of time in order to assess their applicability to the prior year's activities.

Current status: The recommendation was implemented. No similar findings were noted in the 2011 audit.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

FINDING 2010 - 2

Condition: The total food commodities received from the Department of Agriculture was correctly stated. However the ARRA portion of the food commodities grant expenditures was not reported separately from the non-ARRA food commodities on the Schedule of Expenditures of Federal Awards.

Recommendation: Implement a review process for the Schedule of Expenditures of Federal Awards at year end as it relates to the financial statements and expenditures of federal awards.

Current status: The recommendation was implemented. No similar findings were noted in the 2011 audit.