

**HARRY CHAPIN FOOD BANK  
OF SOUTHWEST FLORIDA, INC.  
FINANCIAL STATEMENTS AND SUPPLEMENTARY  
INFORMATION TOGETHER WITH  
REPORTS OF INDEPENDENT AUDITOR  
YEARS ENDED  
JUNE 30, 2020 AND 2019**

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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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control. Accordingly, we

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express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harry Chapin Food Bank of Southwest Florida, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### Supplementary Information

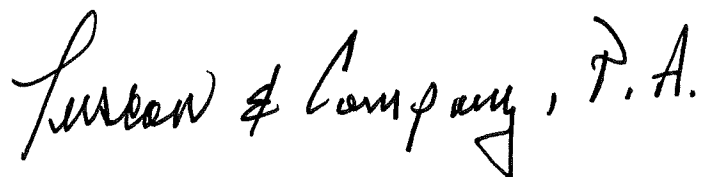
Our audit was conducted for the purpose of forming an opinion on the financial statements of Harry Chapin Food Bank of Southwest Florida, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2020 and the Notes thereto are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" and 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, 2020 and the Notes thereto are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2020, on our consideration of Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control over financial reporting and compliance.

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

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
September 24, 2020

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2020 and 2019**

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<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (including restricted cash of \$127,930 and \$233,644 at June 30, 2020 and 2019, respectively)	\$ 1,401,093	\$ 685,658
Certificates of deposit	7,951,776	1,519,039
Accounts receivable	2,136,712	571,814
Prepaid expenses	24,671	26,901
Inventory	1,735,862	2,045,223
<b>TOTAL CURRENT ASSETS</b>	<b>13,250,114</b>	<b>4,848,635</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>4,654,670</b>	<b>4,604,775</b>
<b>OTHER ASSETS</b>		
Investments - beneficial interest	274,066	31,424
Deposits	22,612	15,362
Land held for sale	952,422	952,422
<b>TOTAL OTHER ASSETS</b>	<b>1,249,100</b>	<b>999,208</b>
<b>TOTAL ASSETS</b>	<b>\$ 19,153,884</b>	<b>\$ 10,452,618</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 318,162	\$ 123,875
Accrued expenses	625,180	327,410
Grants held for other agencies - restricted	17,812	42,841
Compensated absences	203,964	98,809
Long-term debt, current portion	73,415	1,413,107
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,238,533</b>	<b>2,006,042</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, net of current portion	1,902,956	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,902,956</b>	<b>-</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>3,141,489</b>	<b>2,006,042</b>
<b>NET ASSETS</b>		
<b>Without donor restrictions</b>		
Operating	12,332,347	5,032,681
Investment in property and equipment, net	3,295,864	3,191,668
<b>TOTAL WITHOUT DONOR RESTRICTIONS</b>	<b>15,628,211</b>	<b>8,224,349</b>
<b>With donor restrictions</b>		
Temporarily restricted	352,107	190,803
Permanently restricted	32,077	31,424
<b>TOTAL WITH DONOR RESTRICTIONS</b>	<b>384,184</b>	<b>222,227</b>
<b>TOTAL NET ASSETS</b>	<b>16,012,395</b>	<b>8,446,576</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,153,884</b>	<b>\$ 10,452,618</b>

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, 2020 and 2019**

		2020	
		With Donor Restrictions	
	Without Donor Restrictions	Temporarily Restricted	Permanently Restricted
<b>CHANGES IN NET ASSETS</b>			
<b>REVENUES AND SUPPORT</b>			
Gross proceeds from special events and fundraising	\$ 1,597,048	\$ -	\$ -
Less direct costs	(359,766)	-	-
Net proceeds from special events and fundraising	1,237,282	-	-
Food contributions - USDA	15,791,558	-	-
Food contributions - USDA CFAP	1,918,398	-	-
Food contributions - USDA CSFP	699,885	-	-
Food contributions - other	28,682,506	-	-
Federal Government programs	2,019,882	112,069	-
State Government programs	-	-	-
United Way	218,596	-	-
Grants and donations	11,719,997	1,305,201	-
Programs	353,357	-	-
Other	86,452	-	-
<b>TOTAL</b>	<b>62,727,913</b>	<b>1,417,270</b>	<b>-</b>
Net assets released from restrictions	1,255,313	(1,255,966)	653
<b>TOTAL REVENUES AND SUPPORT</b>	<b>63,983,226</b>	<b>161,304</b>	<b>653</b>
<b>EXPENSES</b>			
Program services	55,288,875	-	-
General and administrative	439,921	-	-
Fundraising	850,568	-	-
<b>TOTAL EXPENSES</b>	<b>56,579,364</b>	<b>-</b>	<b>-</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>7,403,862</b>	<b>161,304</b>	<b>653</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>8,224,349</b>	<b>190,803</b>	<b>31,424</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 15,628,211</b>	<b>\$ 352,107</b>	<b>\$ 32,077</b>

The accompanying notes are an integral part of this statement.

2019				
Total	Without Donor Restrictions	With Donor Restrictions		Total
		Temporarily Restricted	Permanently Restricted	
\$ 1,597,048	\$ 1,118,831	\$ -	\$ -	\$ 1,118,831
(359,766)	(359,454)	-	-	(359,454)
1,237,282	759,377	-	-	759,377
15,791,558	16,831,635	-	-	16,831,635
1,918,398	-	-	-	-
699,885	653,370	-	-	653,370
28,682,506	25,494,661	-	-	25,494,661
2,131,951	1,259,377	37,903	-	1,297,280
-	-	800,000	-	800,000
218,596	196,995	-	-	196,995
13,025,198	3,688,679	747,978	-	4,436,657
353,357	225,846	-	-	225,846
86,452	85,705	-	-	85,705
64,145,183	49,195,645	1,585,881	-	50,781,526
-	1,483,643	(1,484,519)	876	-
64,145,183	50,679,288	101,362	876	50,781,526
55,288,875	48,461,393	-	-	48,461,393
439,921	437,970	-	-	437,970
850,568	845,521	-	-	845,521
56,579,364	49,744,884	-	-	49,744,884
7,565,819	934,404	101,362	876	1,036,642
8,446,576	7,289,945	89,441	30,548	7,409,934
\$ 16,012,395	\$ 8,224,349	\$ 190,803	\$ 31,424	\$ 8,446,576

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, 2020**

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FUNCTIONAL EXPENSES	Program Services	SUPPORTING SERVICES			2020 Total Expenses
		Admin.	Fund Raising	Total Supporting Services	
Payroll and related expenses	\$ 2,391,556	\$ 255,983	\$ 670,998	\$ 926,981	\$ 3,318,537
Insurance	489,302	39,785	86,648	126,433	615,735
Utilities	98,277	5,300	2,016	7,316	105,593
Vehicle	352,948	-	-	-	352,948
Business travel	33,417	2,061	5,001	7,062	40,479
Cost of food	2,526,630	-	-	-	2,526,630
Agency program	40,469	-	-	-	40,469
Pick and pack out	270,025	-	-	-	270,025
Maintenance	82,140	1,777	-	1,777	83,917
Transportation	220,119	-	-	-	220,119
Finance	49,406	90,719	59	90,778	140,184
Technology	92,682	6,049	12,096	18,145	110,827
Other	392,819	38,247	73,750	111,997	504,816
Food distribution	<u>47,758,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,758,230</u>
Total expenses before depreciation	54,798,020	439,921	850,568	1,290,489	56,088,509
Depreciation	<u>490,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490,855</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 55,288,875</u></u>	<u><u>\$ 439,921</u></u>	<u><u>\$ 850,568</u></u>	<u><u>\$ 1,290,489</u></u>	<u><u>\$ 56,579,364</u></u>

The accompanying notes are an integral part of this statement.

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

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FUNCTIONAL EXPENSES	Program Services	SUPPORTING SERVICES			2019 Total Expenses
		Admin.	Fund Raising	Total Supporting Services	
Payroll and related expenses	\$ 2,216,064	\$ 322,662	\$ 664,982	\$ 987,644	\$ 3,203,708
Insurance	500,909	51,853	98,501	150,354	651,263
Utilities	111,589	5,091	2,600	7,691	119,280
Vehicle	319,549	2,042	6,784	8,826	328,375
Business travel	14,006	3,512	2,493	6,005	20,011
Cost of food	890,812	-	-	-	890,812
Agency program	61,484	-	-	-	61,484
Pick and pack out	180,970	-	-	-	180,970
Maintenance	76,598	793	15	808	77,406
Transportation	299,323	-	-	-	299,323
Finance	65,443	7,766	12,516	20,282	85,725
Technology	73,051	7,438	16,277	23,715	96,766
Other	345,192	36,813	41,353	78,166	423,358
Food distribution	<u>42,825,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,825,903</u>
Total expenses before depreciation	47,980,893	437,970	845,521	1,283,491	49,264,384
Depreciation	<u>480,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480,500</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 48,461,393</u></u>	<u><u>\$ 437,970</u></u>	<u><u>\$ 845,521</u></u>	<u><u>\$ 1,283,491</u></u>	<u><u>\$ 49,744,884</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, 2020 and 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from donations, grants, contracts & programs	\$ 14,139,175	\$ 6,396,118
Cash received from fundraising and events	1,597,048	1,118,831
Interest and other income received	(156,190)	84,829
Cash payments to suppliers and personnel	(8,348,791)	(7,266,591)
Interest paid	(140,184)	(85,725)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>7,091,058</u>	<u>247,462</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of certificates of deposit	(6,432,737)	(58,758)
Purchases of property & equipment	(540,750)	(501,235)
Proceeds from sales of property and equipment	34,600	15,029
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(6,938,887)</u>	<u>(544,964)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan and note payable	2,017,565	-
Principal payments on loan and mortgage	(1,454,301)	(101,564)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>563,264</u>	<u>(101,564)</u>
Net increase (decrease) in cash and cash equivalents	715,435	(399,066)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>685,658</u>	<u>1,084,724</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,401,093</u></u>	<u><u>\$ 685,658</u></u>

**NON-CASH TRANSACTIONS**

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

	2020	2019
Non-cash revenues	<u>\$ 47,092,347</u>	<u>\$ 42,979,666</u>
Non-cash expenditures	<u>\$ 47,401,708</u>	<u>\$ 42,128,911</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**

	2020	2019
Increase (Decrease) in Net Assets	\$ 7,565,819	\$ 1,036,642
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used In) Operating Activities		
Depreciation	490,855	480,500
Noncash donations - property and equipment	-	-
(Gain) Loss on disposal of property and equipment	(34,600)	(15,029)
Unrealized investment (gain) loss - beneficial interest	(242,642)	(876)
(Increase) decrease in accounts receivable	(1,564,898)	(509,615)
(Increase) decrease in unconditional promises to give - pledges	-	5,424
(Increase) decrease in prepaid expenses	2,230	61,570
(Increase) decrease in inventory, noncash	309,361	(850,755)
(Increase) decrease in deposits	(7,250)	-
Increase (decrease) in accounts payable	194,287	(107,724)
Increase (decrease) in accrued expenses	297,770	215,798
Increase (decrease) in grants held for agencies	(25,029)	(56,469)
Increase (decrease) in compensated absences	105,155	(12,004)
TOTAL ADJUSTMENTS	(474,761)	(789,180)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 7,091,058	\$ 247,462

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

**Description of Activities**

Harry Chapin Food Bank of Southwest Florida, Inc. (the "Organization") is a nonprofit organization serving the hungry in Southwest Florida. Its mission is to lead our community in the fight to end hunger. It was incorporated on January 21, 1983 as a nonprofit organization under the laws of Florida and is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization has grown from its inception in Lee County to serve the hungry across Southwest Florida. Its primary service territory consists of Charlotte, Collier, Glades, Hendry and Lee Counties. Additionally, the Organization is the prime contractor for Region 5 of the TEFAP program in Florida, which includes these five counties as well as DeSoto, Hardee, Highlands and Manatee, and Sarasota Counties.

The Organization provides programs and services directly to hungry families and partners with approximately 150 agencies including pantries, soup kitchens, emergency shelters, and residential programs. The Organization is also a key provider of food and relief supplies in the event of local disasters. The Organization is the largest hunger relief organization in Southwest Florida. It distributed 32.4 million pounds of food in the fiscal year ended June 30, 2020.

The Organization rescues food from a variety of sources to support its programs and operations. Food sources include retail stores, wholesalers, distributors, farms, packing houses, government sources, and private donations. The Organization's funding comes primarily from private sources, including private donors, foundations, corporate giving, and the general public, as well as from government programs.

**Program Summary**

**Volunteer Services:** Volunteers are a vital part of the success of the programs at Harry Chapin Food Bank of Southwest Florida, Inc. For the year ended June 30, 2020, more than 7,363 volunteers collectively provided 60,673 hours, which equate to more than \$1,500,000 in in-kind services. In-kind services have not been recorded in these financial statements.

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

**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.

**Financial Statement Presentation**

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

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

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

**Investments**

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

**Accounts Receivable and Unconditional Promises to Give**

Accounts receivable primarily consist of amounts due from agencies and grantors. It is the Organization's policy to establish an allowance for doubtful accounts based on known circumstances and historical collection history. Bad debt expense was \$0 and \$1,666 for the years ended June 30, 2020 and 2019, respectively, and is included in other expenses in the statements of functional expenses.

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

**Inventory**

Inventories of donated products (food) are recorded at the approximate average wholesale value as outlined in the Product Valuation Survey Methodology, December 2019 and 2018 prepared by Feeding America, a national, nonprofit distributor of donated product in the food bank network. During the year ended June 30, 2017, Feeding America established a separate Product Valuation Survey Methodology to be applied to USDA inventory. The Organization's subsidiary records are maintained for federal surplus commodities as to quantities received and quantity on hand for control purposes and for revenue recognition in the financial statements. Federal surplus commodities are recorded in inventory as of the date they are physically received in the Organization's warehouse.

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

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

**Property and Equipment**

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

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

No debt related interest costs were capitalized for the years ended June 30, 2020 or 2019.

**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 years ended June 30, 2020 or 2019.



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

**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, 2020 and 2019 have been accrued as a liability.

**Income Taxes**

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

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.

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

**Accounting for uncertainty in income tax items**

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

**Fair Value of Financial Instruments**

In accordance with FASB ASC 820, the Organization uses fair value measurements to value certain types of assets. At June 30, 2020 and 2019, the carrying value of balances such as cash, receivables, inventory, prepaids, accounts payable, accrued liabilities and deposits approximate fair value due to the short term maturity of these financial instruments.

**Revenues and Support**

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

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions (unrestricted) if the restriction expires in the reporting period in which the support is recognized. All other grant revenue and donor-restricted support is reported as an increase in net assets with donor restrictions (temporarily or permanently restricted), depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions (temporarily restricted) are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**NOTE A - ORGANIZATION AND 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.

**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, 2020 and 2019, 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.

**Cash Flows**

For the purpose of the Statements of Cash Flows, Harry Chapin Food Bank of Southwest Florida, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At June 30, 2020 and 2019, Harry Chapin Food Bank of Southwest Florida, Inc. held no such cash equivalents.

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

**Cash Flows, continued**

The Organization made no cash payments for income taxes during the years ended June 30, 2020 or 2019.

**Estimates**

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

**Subsequent Events**

Subsequent events have been evaluated through September 24, 2020, which is the date the financial statements were available to be issued.

**NOTE B - CASH AND CASH EQUIVALENTS**

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

	2020	2019
Cash on hand	\$ 7,569	\$ 3,000
Depository accounts	1,393,524	682,658
	<u>\$ 1,401,093</u>	<u>\$ 685,658</u>

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

	2020	2019
Unrestricted cash	\$ 1,273,163	\$ 452,014
Restricted cash	127,930	233,644
	<u>\$ 1,401,093</u>	<u>\$ 685,658</u>

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
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**NOTE B - CASH AND CASH EQUIVALENTS, CONTINUED**

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

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a total of \$250,000 per institution. Cash bank balances may exceed the FDIC limit at times during the fiscal year. The uninsured balances as of June 30, 2020 and 2019 were \$1,233,486 and \$386,622, respectively, based on the bank balances, less the FDIC insurance. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE C - CERTIFICATES OF DEPOSIT**

At June 30, 2020 and 2019, certificates of deposit held were \$7,951,776 and \$1,519,039, respectively.

**Concentration of credit risk**

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

	Bank Balance	
	2020	2019
Amount covered by FDIC	\$ 7,951,776	\$ 1,519,039
Amount uninsured	-	-
	<u>\$ 7,951,776</u>	<u>\$ 1,519,039</u>

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
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**NOTE D - INVESTMENTS**

Beneficial Interest in Assets Held consist of the following at June 30:

	2020	2019
Community Foundation of Collier County	\$ 241,989	\$ -
Temporarily Restricted	241,989	-
Southwest Florida Community Foundation	13,959	14,254
Community Foundation of Collier County	12,777	13,135
Charlotte Community Foundation	5,341	4,035
Permanently Restricted	32,077	31,424
	<u>\$ 274,066</u>	<u>\$ 31,424</u>

**NOTE E - FAIR VALUE MEASUREMENT**

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

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

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

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

**NOTE E - FAIR VALUE MEASUREMENT, CONTINUED**

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.

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

2020		Fair Value Measurements at Reporting Date Using:		
Description	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level (1)	Quoted Prices in Active Markets for Similar Assets Level (2)	Significant Unobservable Inputs Level (3)
Beneficial Interest in Assets Held at Community Foundations	\$ 32,077	\$ -	\$ -	\$ 32,077
	<u>\$ 32,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,077</u>
2019		Fair Value Measurements at Reporting Date Using:		
Description	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level (1)	Quoted Prices in Active Markets for Similar Assets Level (2)	Significant Unobservable Inputs Level (3)
Beneficial interest in Assets Held at Community Foundations	\$ 31,424	\$ -	\$ -	\$ 31,424
	<u>\$ 31,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,424</u>

**NOTE E - FAIR VALUE MEASUREMENT, CONTINUED**

The beneficial interest in assets held at various community foundations (the "foundations") has been valued, as a practical expedient, at the fair value of the Organization's share of the foundations' investment pool as of the measurement date and includes, in some instances, a match provided by the foundations. The foundations value securities and other financial instruments on a fair value basis of accounting. The estimated fair value of certain investments of the foundations, which includes private placement and 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:

	2020	2019
Beginning balance	\$ 31,424	\$ 30,548
Additional amounts invested	251,256	100
Foundations match of amounts invested	-	-
Distributions/grants	(50)	-
Net appreciation and earnings	(7,575)	1,203
Administrative fees	(989)	(427)
Ending balance	<u>\$ 274,066</u>	<u>\$ 31,424</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.



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**NOTE F - ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30:

	2020	2019
Accounts receivable - purchased food, net	\$ 80	\$ 8,756
Grants receivable - Federal	1,136,632	561,766
Other receivables	1,000,000	1,292
	<u>\$ 2,136,712</u>	<u>\$ 571,814</u>

Accounts receivable - purchased food is net of the allowance for doubtful accounts in the amount of \$0 and \$0 for the years ended June 30, 2020 and 2019, respectively.

Management believes these receivables are fully collectible.

**NOTE G - PROPERTY AND EQUIPMENT**

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

	2020	2019
Land	\$ 518,304	\$ 518,304
Building and improvements	4,226,859	4,159,398
Furniture and equipment	787,760	650,200
Vehicles	2,541,255	2,320,609
	<u>8,074,178</u>	<u>7,648,511</u>
Less: accumulated depreciation	(3,419,508)	(3,043,736)
	<u>\$ 4,654,670</u>	<u>\$ 4,604,775</u>

For the years ended June 30, 2020 and 2019, depreciation expense was \$490,855 and \$480,500, respectively.

**NOTE H - LAND HELD FOR SALE**

The Organization purchased land with the intent to build a new warehouse for operations in 2007. Subsequently, the Organization purchased a warehouse to meet its current needs. Therefore, the project to build a new warehouse was abandoned and the Organization made the determination to sell the land. The land is being carried at cost in the amount of \$952,422 as of June 30, 2020 and 2019, as it is lower than the estimated market value. The Organization entered into a contract to sell the land at a price of \$1,300,000 in September 2020. The sale is expected to be completed in March 2021.

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE I - LONG TERM DEBT**

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

	<u>2020</u>	<u>2019</u>
Note payable - on April 15, 2020 the Organization received a loan in the amount of \$617,565 through the Small Business Administration (SBA) Paycheck Protection Program (PPP). The loan has a maturity date of two (2) years with an annual interest rate of 1.00%. The Organization intends to apply for full or partial forgiveness of the loan in accordance with the requirements of the PPP and provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Organization has recorded the entire PPP loan balance of \$617,565 as non-current and management believes the Organization has met the criteria to have the loan ultimately fully forgiven.	617,565	-
Mortgage payable - Financial Institution, in the original amount of \$2,220,000 dated December 8, 2014, monthly payments of principal and interest of \$13,913, at a fixed rate of 4.39% with the balance of \$1,365,865 due at maturity on December 9, 2019, collateralized by specific real property. On November 19, 2019 the mortgage was refinanced with another financial institution. New loan amount is \$1,400,000 with monthly payments of \$10,148 including principal and interest at a fixed interest rate of 3.65%, maturing on November 19, 2034. The loan and the LOC are cross collateralized and collateralized by all non real property assets and a pledge not to sell or encumber real property.	1,358,806	1,413,107
Line of credit - In addition to refinancing the Mortgage Payable on November 19, 2019, the Organization obtained a revolving Line of Credit (LOC) in the amount of \$250,000. Interest rate is LIBOR plus 1.8%. The LOC renews annually on November 19. The loan and the LOC are cross collateralized and collateralized by all non real property assets and a pledge not to sell or encumber real property. No amounts were borrowed during the year ended June 30, 2020.	-	-
	1,976,371	1,413,107
Less: current maturities	(73,415)	(1,413,107)
Long-term debt, net of current portion	<u>\$ 1,902,956</u>	<u>\$ -</u>

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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

Future maturities of debt are as follows:

Years Ending June 30	Amount
2021	\$ 73,415
2022	693,707
2023	78,965
2024	81,896
2025	84,936
Thereafter	963,452
	<u>\$ 1,976,371</u>

Interest expense was \$54,895 and \$65,421, for the years ended June 30, 2020 and 2019, respectively.

**NOTE J - NET ASSETS WITH DONOR RESTRICTIONS**

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

	2020	2019
Capital campaign - building fund	\$ 241,989	\$ 3,378
EFSP	2,550	1,871
Harry's Helping program	40,000	50,000
Mobile & in-school pantries	25,000	94,359
Other	42,568	41,195
	<u>\$ 352,107</u>	<u>\$ 190,803</u>

Permanently restricted net assets reflect the beneficial assets held.

**NOTE K - EMPLOYEE BENEFIT PLAN**

The Organization offers a defined contribution plan to its employees and contributes 4% of eligible compensation to a 401(k) retirement plan ( the "Plan") on behalf of all eligible employees whether or not the employee contributes. The Organization also matches employee contributions up to another 4% of the employee's compensation. An employee is eligible to participate in the Plan immediately upon hire if employed at least 30 hours per week. The Employer does not contribute to the Plan until the month after the employee completes one year of service. The employee is immediately 100% vested in their own contributions. The employee vests 100% in the Organization's contributions in the first month after completion of thirty-six (36) months qualified employment.

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
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**NOTE K - EMPLOYEE BENEFIT PLAN, CONTINUED**

Total retirement expense for the years ended June 30, 2020 and 2019 was \$170,784 and \$188,521, respectively, and is included in payroll and related expenses, allocated between program and supporting services.

**NOTE L - OPERATING LEASES**

**Office and Warehouse Space**

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

During the year ended June 30, 2020, the Organization entered into an operating lease for office space in Fort Myers, Florida ending May 30, 2021. Monthly payments under the lease agreement are \$3,500 through May 30, 2021.

Lease expense for the years ended June 30, 2020 and 2019 under these leases was \$192,068 and \$181,707, respectively, and is included in other expenses, allocated between program and supporting services.

Future minimum payments required under these leases are as follows:

<u>Years ending</u> <u>June 30</u>	<u>Amount</u>
2021	\$ 225,556
2022	126,681
	<u>\$ 352,237</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.

**NOTE M - ENDOWMENT FUND, CONTINUED**

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

The assets of all three (3) agreements are the property of the respective local foundations in accordance with the terms of the agreements and are not available for distribution to the Organization. The assets of each agreement fund are held for the benefit of the Organization and the income from the fund is available to be distributed to the Organization annually subject to the approval of each individual foundation. Annual income from each agreement has, historically, been reinvested by the respective foundations at the direction of the Organization. Once the annual income has been reinvested it historically, has then not been available for future distribution to the Organization. Each agreement also incurs investment management costs. The endowment fund agreements permit additional endowment gifts to be contributed. During the years ended June 30, 2020 and 2019, net investment gains (losses) including additional contributions, net of investment management costs totaled \$242,642 and \$876, respectively. The recorded gain for the year ended June 30, 2020 included receipt of a gift of \$241,989 (net) which is temporarily restricted for capital expenditures. The total endowment held by the foundations for the benefit of the Organization at June 30, 2020 and 2019, was \$274,066 and \$31,424, respectively (see Note D).

**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.

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**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, 2020 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, 2020.

**NOTE P - UNITED WAY CONTRIBUTIONS**

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

<u>United Way</u>	<u>2020</u>	<u>2019</u>
Lee County	\$ 193,472	\$ 173,345
Charlotte County	18,624	17,650
Collier County	500	-
Hendry/Glades County	6,000	6,000
	<u>\$ 218,596</u>	<u>\$ 196,995</u>

**NOTE Q - RELATED PARTY TRANSACTION**

As of June 30, 2020, the Organization held certificates of deposit of \$7,951,776 in an investment company in which a member of the Board held a management position.

**NOTE R - SUBSEQUENT EVENTS**

Subsequent to the year ended June 30, 2020 and after each year end, the Organization revalues its inventory and then implements the current Feeding America food price for the subsequent fiscal year. For fiscal year 2020 the Feeding America rate for USDA products changed from \$1.52 to \$1.49 and non-USDA products changed from \$1.62 to \$1.74.

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE S - LIQUIDITY**

Financial assets available within one year of June 30, 2020 consisted of the following:

	<u>Amount</u>
Cash and cash equivalents	\$ 1,401,093
Investments without donor restrictions - CD's	7,951,776
Accounts receivable	<u>2,136,712</u>
	11,489,581
Less amounts due within one year:	
Current liabilities	1,238,533
Restricted cash	<u>127,930</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 10,123,118</u></u>

The Board had not self imposed any limits on without donor restrictions net assets at June 30, 2020.

## **SUPPLEMENTARY INFORMATION**



**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2020**

Federal or State Agency & Office/Pass Through Grantor/Program Title	Federal CFDA State CSFA Number
<b>FEDERAL AWARDS</b>	
<b>MAJOR (Type A)</b>	
U.S. Department of Agriculture	
Passed through Florida Department of Agriculture	
and Consumer Services	
Administrative Costs 18/19 (CSFP)	10.565 *
Food Commodities - Non Cash (CSFP)	10.565 *
Administrative Costs 18/19 (USDA/TEFAP)	10.568 *
Food Commodities - Non Cash (USDA/TEFAP)	10.569 *
Administrative Costs 18/19 (DISASTER USDA/TEFAP)	10.568 *
Food Commodities - Non Cash (DISASTER USDA/TEFAP)	10.569 *
Administrative Costs 19/20 (USDA/TRADE MITIGATION USDA/TEFAP)	10.568 *
Food Commodities - Non Cash (USDA/TRADE MITIGATION USD)	10.569 *
Administrative Costs 20 (USDA/FFCRA/CARES USDA/TEFAP)	10.568 *
Food Commodities - Non Cash (USDA/FFCRA/CARES USDA/TEFAP)	10.569 *
<b>NON MAJOR (Type B)</b>	
U.S. Department of the Treasury	
Passed through Lee County Board of County Commissioners	
Food Security Program	
Administration Costs- Lee County Cares Grant	21.019
U.S. Department of Homeland Security (FEMA):	
Passed through United Way of America	
Emergency Food and Shelter Program (EFSP)	
Lee County	97.024
Lee County	97.024
Hendry County	97.024
Hendry County	97.024
Glades County	97.024
Glades County	97.024
Collier County	97.024
Collier County	97.024

(1) includes receivables of \$16,131

(2) includes receivables of \$176,322

(3) includes receivables of \$207,261

(4) includes receivables of \$535,655

(5) includes receivables of \$201,263

(a) Pertains to Phase 35

(b) Pertains to Phase 36

\* considered Food Distribution Cluster

Pass-Through or Grant Contract Number	Program or Award Amount	Receipts or Revenue Recognized		Disbursements/ Expenditures	Pass through to subrecipients
24879	\$ 273,396	\$ 95,663	(1)	\$ 95,663	\$ -
21959/24879	652,040	647,722		647,722	647,722
22748	3,261,949	498,352	(2)	498,352	322,030
22748	8,556,470	8,556,470		8,556,470	8,556,470
25544	246,421	-		-	-
25544	633,178	633,178		633,178	633,178
26188	688,950	688,950	(3)	688,950	481,689
26188	5,201,576	5,201,576		5,201,576	5,201,576
26931	1,697,431	535,655	(4)	535,655	-
26931	<u>2,022,097</u>	<u>2,022,097</u>		<u>2,022,097</u>	<u>2,022,097</u>
	<u>23,233,508</u>	<u>18,879,663</u>		<u>18,879,663</u>	<u>17,864,762</u>
8776	<u>1,550,000</u>	<u>201,263</u>	(5)	<u>201,263</u>	<u>-</u>
165400-012	65,650 (a)	32,825		32,825	32,825
165400-012	55,000 (b)	55,000		55,000	55,000
163200-017	7,200 (a)	3,600		3,600	3,600
163200-017	5,000 (b)	5,000		5,000	5,000
162400-004	2,955 (a)	1,478		1,478	1,478
162400-004	2,500 (b)	2,500		2,500	2,500
159000-013	13,500 (a)	3,285		3,285	3,285
159000-013	<u>8,381 (b)</u>	<u>8,380</u>		<u>8,380</u>	<u>8,380</u>
	<u>160,186</u>	<u>112,068</u>		<u>112,068</u>	<u>112,068</u>
<b>TOTAL</b>					
<b>FEDERAL AWARDS</b>	<u>\$ 24,943,694</u>	<u>\$ 19,192,994</u>		<u>\$ 19,192,994</u>	<u>\$ 17,976,830</u>

Federal receipts recognized on above schedule for the year ended June 30, 2020 are approximately \$1,348,798 less than Federal grants reported on Statement of Activities, difference due to ending inventory balance.

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AWARDS**  
**Year ended June 30, 2020**

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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 Uniform Guidance, "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. Costs charged to such programs were direct costs unless specifically incurred for the program and allowed and indicated as such.

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

**NOTE C - FOOD DISTRIBUTION**

Included in the Schedule of Expenditures of Federal Awards are in-kind food items received through The Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program (CSFP). For the fiscal year ended June 30, 2020, the value of these contributions and related inventory are based on price lists provided by Feeding America and the Florida Department of Agriculture and Consumer Services, respectively.

**NOTE D - COVID RELATED GRANTS**

Harry Chapin Food Bank of Southwest Florida, Inc. received the Payroll Protection Program (PPP) Loan CFDA 59.073 and the Coronavirus Food Assistance Program (CFAP) CFDA 10.130 during the year ended June 30, 2020. These grants are not listed on the Schedule of Expenditures of Federal Awards (SEFA) as they are not subject to Uniform Guidance.

**ADDITIONAL REPORTS OF  
INDEPENDENT AUDITOR**

**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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2020.

**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

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

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

We noted a certain other item that we have reported in our Independent Auditor's Report to Management dated September 24, 2020.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Harry Chapin Food Bank of Southwest Florida, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

#### **Purpose of this Report**

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

A handwritten signature in black ink that reads "TUSCAN & COMPANY, P.A." in a cursive, stylized font.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

September 24, 2020

**Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance**

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 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, 2020. 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 each of its major federal programs.

**Auditor's Responsibility**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards" (Uniform Guidance). Those Standards, 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

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circumstances. We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination on Harry Chapin Food Bank of Southwest Florida, Inc.'s compliance with those requirements.

**Opinion on Each Major Federal Program**

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, 2020.

**Report on Internal Control Over Compliance**

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

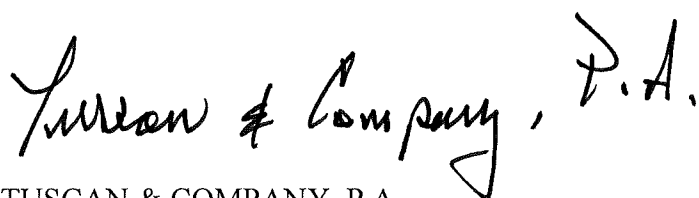
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or



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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "TUSCAN & COMPANY, P.A." with a stylized flourish at the end.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

September 24, 2020

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

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**Year ended June 30, 2020**

***Section I – Summary of Auditor’s Results***

Financial Statements

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

Federal Awards

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

Identification of major programs (Type A):

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

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

Threshold used was \$750,000.

Auditee qualified as low-risk auditee?	_____ X	Yes	_____	No
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**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL**  
**AWARDS, CONTINUED**  
**Year ended June 30, 2020**

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The Organization provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Grant Number	Amount
U.S. Department of Agriculture			
Emergency Food Assistance Program			
Commodity Supplemental Food Program	10.565	21959	\$ <u>647,722</u>
U.S. Department of Agriculture			
Emergency Food Assistance Program			
Administrative Costs	10.568	22748	\$ <u>322,030</u>
U.S. Department of Agriculture			
Emergency Food Assistance Program			
Administrative Costs	10.568	26188	\$ <u>481,689</u>
U.S. Department of Agriculture			
Emergency Food Assistance Program			
Food Commodities	10.569	22748	\$ <u>8,556,470</u>
U.S. Department of Agriculture			
Emergency Food Assistance Program			
Food Commodities	10.569	26188	\$ <u>5,201,576</u>
U.S. Department of Agriculture			
Emergency Food Assistance Program			
Food Commodities	10.569	26931	\$ <u>2,022,097</u>
U.S. Department of Agriculture			
Emergency Food Assistance Program			
Food Commodities (Disaster)	10.569	25544	\$ <u>633,178</u>
U.S. Department of Homeland Security			
Emergency Food and Shelter Program			
National Board Program	97.024	various	\$ <u>112,068</u>
			\$ <u>17,976,830</u>

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL**  
**AWARDS, CONTINUED**  
**Year ended June 30, 2020**

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***Section II - Financial Statement Findings***

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

***Section III - Federal Award Findings and Questioned Costs***

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

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

There were no prior year findings.

## **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, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

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Audit Requirements for Federal Awards (Uniform Guidance). 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 comment reflects our desire to be of continuing assistance to Harry Chapin Food Bank of Southwest Florida, Inc.

**PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:**

Prior year comments appear to be resolved.

**CURRENT YEAR COMMENTS:**

2020-1 Controls Over Payroll Should be Enhanced

During the year ended June 30, 2020 audit, we noted that the wage rate of one employee was overstated which resulted in the overpayment of employee wages. The change in the rate was not initiated by the Organization but was due to an error by the payroll service provider as a result of a system update. Once discovered, the employee reimbursed the overpayment and the payroll service provider investigated the error and corrected the respective pay rate.

Although the error was limited to one employee, it was undetected by the Organization for several pay periods due the payroll review procedures. The review procedures of the Organization include an analysis of monthly pay in comparison to budgeted amounts as well as the review of the bi-weekly payroll register, which include spot checks of employee hours. The review of the bi-weekly pay register did not include a spot check of employee approved wage rates and therefore the error was undetected. It was assumed that the system control to limit the ability to change wage rates along with the reliance of the payroll processing company would limit the modification of wage rates.

Based on the above, we recommend that the review of the bi-weekly payroll register be expanded to include a spot check of employee's approved wage rates.

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 awarding agencies, pass-through entities. This report is not intended to be, and should not be, used by anyone other than these specified parties.

*Tuscan & Company, P.A.*

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

September 24, 2020

## **EXHIBIT**





**Harry Chapin Food Bank**  
OF SOUTHWEST FLORIDA

October 26, 2020

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

Dear Jeff,

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

**2020-1 Controls Over Payroll Should be Enhanced:**

**HCFB Response:**

To address the control weakness described in comment 2020-1 HCFB will take the following actions.

- Hire an additional person in the accounting department to assist with payroll processing.
- Re-evaluate potential PEOs and other payroll processors.

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

Very truly yours,

Steven Soucy  
CFO  
Harry Chapin Food Banks of Southwest Florida

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



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

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

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

The Foundation has not transferred any goods or services to you in exchange for your gift. Therefore, the full amount stated above may be treated as a deductible contribution for federal income tax purposes. A COPY OF THE OFFICIAL REGISTRATION AND FINANCIAL INFORMATION MAY BE OBTAINED FROM THE DIVISION OF CONSUMER SERVICES BY CALLING TOLL-FREE (1-800-435-7352) WITHIN THE STATE. REGISTRATION DOES NOT IMPLY ENDORSEMENT, APPROVAL, OR RECOMMENDATION BY THE STATE.  
100% OF EACH CONTRIBUTION IS RECEIVED BY HARRY CHAPIN FOOD BANK (# CH 328).