

**HARRY CHAPIN FOOD BANK
OF SOUTHWEST FLORIDA, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION TOGETHER WITH
REPORTS OF INDEPENDENT AUDITOR
YEARS ENDED
JUNE 30, 2017 AND 2016**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
 <u>Financial Statements</u>	
Statements of Financial Position.....	4
Statements of Activities.....	5
Statements of Functional Expenses.....	6-7
Statements of Cash Flows.....	8
Notes to the Financial Statements.....	9-30
 <u>Supplementary Information</u>	
Schedule of Expenditures of Federal Awards - Year Ended June 30, 2017.....	31
Notes to the Schedule of Expenditures of Federal Awards.....	32
 <u>Additional Reports of Independent Auditor</u>	
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 <u>Government Auditing Standards</u>	33-34
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	35-37
Schedule of Findings and Questioned Costs - Federal Awards.....	38-39
Independent Auditor's Report to Management.....	40-41
Management's Response to Independent Auditor's Report to Management.....	Exhibit



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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, 2017 and 2016, 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 misstatements, 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 Audit Standards, issued by the Comptroller General of the United States of America. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

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financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harry Chapin Food Bank of Southwest Florida, Inc. as of June 30, 2017 and 2016, 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, 2017 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" (Uniform Guidance), 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, 2017 and the Notes thereto are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2017, on our consideration of Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Harry Chapin Food Bank of Southwest Florida, Inc.'s internal control over financial reporting and compliance.



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

October 6, 2017

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents (including restricted cash of \$306,560 and \$715,318 for 2017 and 2016, respectively)	\$ 1,185,979	\$ 2,453,584
Certificates of deposit	801,722	-
Accounts receivable	190,369	112,822
Unconditional promises to give-pledges, current portion, restricted	8,264	42,113
Prepaid expenses	55,407	30,869
Inventory	<u>1,667,011</u>	<u>807,028</u>
TOTAL CURRENT ASSETS	3,908,752	3,446,416
PROPERTY AND EQUIPMENT, NET	<u>4,232,064</u>	<u>3,835,378</u>
OTHER ASSETS		
Unconditional promises to give-pledges, net current portion, restricted	5,260	34,274
Investments - beneficial interest	28,055	26,641
Deposits	33,477	3,441
Land held for future use	<u>952,422</u>	<u>952,422</u>
TOTAL OTHER ASSETS	<u>1,019,214</u>	<u>1,016,778</u>
TOTAL ASSETS	<u>\$ 9,160,030</u>	<u>\$ 8,298,572</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 211,902	\$ 32,199
Accrued expenses	330,835	93,354
Grants held for other agencies - restricted	204,479	308,420
Compensated absences	108,641	91,063
Long-term debt, current portion	<u>115,460</u>	<u>86,002</u>
TOTAL CURRENT LIABILITIES	971,317	611,038
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	<u>1,592,150</u>	<u>1,618,758</u>
TOTAL LONG-TERM LIABILITIES	<u>1,592,150</u>	<u>1,618,758</u>
COMMITMENTS AND CONTINGENCIES		
	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,563,467</u>	<u>2,229,796</u>
NET ASSETS		
Operating	3,928,009	3,423,742
Investment in property and equipment, net	<u>2,524,454</u>	<u>2,130,618</u>
TOTAL UNRESTRICTED	6,452,463	5,554,360
Temporarily restricted	116,045	487,775
Permanently restricted	<u>28,055</u>	<u>26,641</u>
TOTAL NET ASSETS	<u>6,596,563</u>	<u>6,068,776</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,160,030</u>	<u>\$ 8,298,572</u>

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, 2017 and 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
CHANGES IN NET ASSETS				
REVENUES AND SUPPORT				
Gross proceeds from special events and fundraising	\$ 1,558,224	\$ 22,982	\$ -	\$ 1,581,206
Less direct costs	<u>(341,234)</u>	<u>-</u>	<u>-</u>	<u>(341,234)</u>
Net proceeds from special events and fundraising	1,216,990	22,982	-	1,239,972
Food contributions - USDA	9,034,693	-	-	9,034,693
Food contributions - USDA CSFP	1,492,163	-	-	1,492,163
Food contributions - other	24,824,182	-	-	24,824,182
Federal Government programs	466,789	84,135	-	550,924
United Way	225,380	-	-	225,380
Grants and donations	3,066,406	539,896	-	3,606,302
Programs	619,859	-	-	619,859
Other	<u>47,778</u>	<u>-</u>	<u>-</u>	<u>47,778</u>
TOTAL	40,994,240	647,013	-	41,641,253
Net assets released from restrictions	<u>1,017,329</u>	<u>(1,018,743)</u>	<u>1,414</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>42,011,569</u>	<u>(371,730)</u>	<u>1,414</u>	<u>41,641,253</u>
EXPENSES				
Program services	39,963,990	-	-	39,963,990
Supporting services	<u>1,149,476</u>	<u>-</u>	<u>-</u>	<u>1,149,476</u>
TOTAL EXPENSES	<u>41,113,466</u>	<u>-</u>	<u>-</u>	<u>41,113,466</u>
INCREASE (DECREASE) IN NET ASSETS	898,103	(371,730)	1,414	527,787
NET ASSETS, BEGINNING OF YEAR	<u>5,554,360</u>	<u>487,775</u>	<u>26,641</u>	<u>6,068,776</u>
NET ASSETS, END OF YEAR	<u>\$ 6,452,463</u>	<u>\$ 116,045</u>	<u>\$ 28,055</u>	<u>\$ 6,596,563</u>

The accompanying notes are an integral part of this statement.

2016			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 1,605,892	\$ 647,664	\$ -	\$ 2,253,556
<u>(331,093)</u>	<u>-</u>	<u>-</u>	<u>(331,093)</u>
1,274,799	647,664	-	1,922,463
3,386,061	-	-	3,386,061
488,330	-	-	488,330
25,515,784	-	-	25,515,784
742,350	110,016	-	852,366
251,826	5,000	-	256,826
2,821,546	127,700	-	2,949,246
404,116	-	-	404,116
<u>16,829</u>	<u>-</u>	<u>-</u>	<u>16,829</u>
34,901,641	890,380	-	35,792,021
<u>1,055,957</u>	<u>(1,055,100)</u>	<u>(857)</u>	<u>-</u>
<u>35,957,598</u>	<u>(164,720)</u>	<u>(857)</u>	<u>35,792,021</u>
34,890,028	-	-	34,890,028
<u>1,023,047</u>	<u>-</u>	<u>-</u>	<u>1,023,047</u>
<u>35,913,075</u>	<u>-</u>	<u>-</u>	<u>35,913,075</u>
44,523	(164,720)	(857)	(121,054)
<u>5,509,837</u>	<u>652,495</u>	<u>27,498</u>	<u>6,189,830</u>
<u>\$ 5,554,360</u>	<u>\$ 487,775</u>	<u>\$ 26,641</u>	<u>\$ 6,068,776</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, 2017

FUNCTIONAL EXPENSES	SUPPORTING SERVICES				2017 Total Expenses
	Program Services	Admin.	Fund Raising	Total Supporting Services	
Payroll and related expenses	\$ 2,001,911	\$ 247,831	\$ 646,619	\$ 894,450	\$ 2,896,361
Insurance	433,317	47,939	82,748	130,687	564,004
Utilities	106,142	4,444	3,339	7,783	113,925
Vehicle	285,907	3,311	5,922	9,233	295,140
Business travel	21,992	2,148	4,051	6,199	28,191
Cost of food	865,033	-	-	-	865,033
Agency program	140,793	-	-	-	140,793
Pick and pack out	270,669	-	-	-	270,669
Maintenance	155,710	1,250	1,282	2,532	158,242
Transportation	267,445	-	-	-	267,445
Finance	84,817	1,305	9,943	11,248	96,065
Technology	80,364	8,324	11,163	19,487	99,851
Other	335,083	24,776	43,081	67,857	402,940
Food distribution	<u>34,561,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,561,001</u>
Total expenses before depreciation	39,610,184	341,328	808,148	1,149,476	40,759,660
Depreciation	<u>353,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,806</u>
TOTAL EXPENSES	<u>\$ 39,963,990</u>	<u>\$ 341,328</u>	<u>\$ 808,148</u>	<u>\$ 1,149,476</u>	<u>\$ 41,113,466</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, 2016

FUNCTIONAL EXPENSES	SUPPORTING SERVICES				2016 Total Expenses
	Program Services	Admin.	Fund Raising	Total Supporting Services	
Payroll and related expenses	\$ 2,025,794	\$ 251,699	\$ 538,620	\$ 790,319	\$ 2,816,113
Insurance	389,731	47,959	86,032	133,991	523,722
Utilities	110,566	6,267	2,959	9,226	119,792
Vehicle	306,765	4,849	3,481	8,330	315,095
Business travel	31,987	2,084	6,671	8,755	40,742
Cost of food	523,159	-	-	-	523,159
Agency programs	100,407	-	-	-	100,407
Pick and pack out	300,925	2,100	-	2,100	303,025
Maintenance	86,964	2,934	63	2,997	89,961
Transportation	337,538	-	-	-	337,538
Finance	98,889	444	4,408	4,852	103,741
Technology	56,754	2,604	6,854	9,458	66,212
Other	333,790	19,579	33,429	53,008	386,798
Food distributions	<u>29,887,104</u>	<u>-</u>	<u>11</u>	<u>11</u>	<u>29,887,115</u>
Total expenses before depreciation	34,590,373	340,519	682,528	1,023,047	35,613,420
Depreciation	<u>299,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,655</u>
TOTAL EXPENSES	<u>\$ 34,890,028</u>	<u>\$ 340,519</u>	<u>\$ 682,528</u>	<u>\$ 1,023,047</u>	<u>\$ 35,913,075</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from donations, grants, contracts & programs	\$ 4,881,471	\$ 4,804,170
Cash received from fundraising and events	1,581,206	2,253,556
Interest and other income received	46,364	17,635
Cash payments to suppliers and personnel	(6,112,393)	(6,034,399)
Interest paid	<u>(96,065)</u>	<u>(87,561)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>300,583</u>	<u>953,401</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	(801,722)	-
Purchases of property & equipment	(771,685)	(272,798)
Proceeds from sales of property and equipment	<u>2,369</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(1,571,038)</u>	<u>(272,798)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from acquisition of note payable	100,000	-
Principal payments on capital leases	-	(516)
Principal payments on note and mortgage	<u>(97,150)</u>	<u>(479,681)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>2,850</u>	<u>(480,197)</u>
Net increase (decrease) in cash and cash equivalents	(1,267,605)	200,406
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,453,584</u>	<u>2,253,178</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,185,979</u>	<u>\$ 2,453,584</u>

NON-CASH TRANSACTIONS

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

	<u>2017</u>	<u>2016</u>
Non-cash revenues	<u>\$ 35,351,038</u>	<u>\$ 29,390,175</u>
Non-cash expenditures	<u>\$ 34,491,055</u>	<u>\$ 29,868,422</u>

The accompanying notes are an integral part of this statement.

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

	<u>2017</u>	<u>2016</u>
Increase (Decrease) in Net Assets	\$ 527,787	\$ (121,054)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used In) Operating Activities		
Depreciation	353,806	299,655
Amortization of pledge discount	(4,050)	(8,913)
Noncash donations - property and equipment	-	-
(Gain) Loss on disposal of property and equipment	18,824	9,959
Unrealized investment (gain) loss - beneficial interest	(1,414)	857
(Increase) decrease in accounts receivable	(77,547)	157,801
(Increase) decrease in promises to give - pledges	66,913	169,050
(Increase) decrease in prepaid expenses	(24,538)	(984)
(Increase) decrease in inventory, noncash	(859,983)	478,247
(Increase) decrease in deposits	(30,036)	-
Increase (decrease) in accounts payable	179,703	(758)
Increase (decrease) in accrued expenses	237,481	(51,726)
Increase (decrease) in grants for agencies	(103,941)	23,627
Increase (decrease) in compensated absences	<u>17,578</u>	<u>(2,360)</u>
TOTAL ADJUSTMENTS	<u>(227,204)</u>	<u>1,074,455</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 300,583</u>	<u>\$ 953,401</u>

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Activities

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

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

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

Program Summary

Volunteer Services: Volunteers are a vital part of the success of the programs at Harry Chapin Food Bank of Southwest Florida, Inc. For the year ended June 30, 2017, more than 6,100 volunteers collectively provided 40,400 hours, which equate to more than \$975,000 in in-kind services. In-kind service have not been recorded.

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).

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

Basis of Accounting, continued

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

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

Investments

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

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

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 \$3,652 and \$14,316 for the years ended June 30, 2017 and 2016, respectively, and is included in other in the statements of functional expenses.

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

Inventory

Inventories of donated products (food) are recorded at the approximate average wholesale value as outlined in the Product Valuation Survey Methodology, December 2016 and 2015 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 in the financial statements. Federal surplus commodities are recorded in inventory as of the date they are physically received in the Organization's warehouse. For the year ended June 30, 2016, values assigned were based on price lists provided by the Florida Department of Agriculture and Consumer Services. During the year ended June 30, 2017, the Organization changed the valuation of the Federal surplus commodities inventory to comply with the valuation method used by Feeding America.

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

Property and Equipment

The Organization's policy is to capitalize assets with a cost of \$1,000 or more and a useful life greater than one (1) year. Property and equipment are recorded

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

Property and Equipment, continued

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, 2017 and 2016.

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, 2017 and 2016.

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, 2017 and 2016 have been accrued as a liability.

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

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 years 2013 through 2016 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.

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.

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

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, 2017 and 2016, the carrying value of balances such as 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 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.

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

Shared maintenance revenue consists of charges to members for food purchased by the Organization and certain donated non-food products.

In-kind Contributions/Donated Services

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

Contributions of services are recognized only if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by the individuals possessing those skills, and would typically be purchased if not

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

In-kind Contributions/Donated Services, continued

provided by donation. For the years ended June 30, 2017 and 2016, 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, 2017 and 2016, Harry Chapin Food Bank of Southwest Florida, Inc. held no such cash equivalents.

The Organization made no cash payments for income taxes during the years ended June 30, 2017 or 2016.

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.

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

Subsequent Events

Subsequent events have been evaluated through October 6, 2017, which is the date the financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

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

	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 69	\$ 69
Depository accounts	<u>1,185,910</u>	<u>2,453,515</u>
	<u>\$ 1,185,979</u>	<u>\$ 2,453,584</u>

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

	<u>2017</u>	<u>2016</u>
Unrestricted cash	\$ 879,419	\$ 1,738,266
Restricted cash	<u>306,560</u>	<u>715,318</u>
	<u>\$ 1,185,979</u>	<u>\$ 2,453,584</u>

Restricted cash consists of funded grants held for other agencies and/or temporarily restricted net assets at year end.

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a total of \$250,000 per institution. The uninsured balances as of June 30, 2017 and 2016 were \$57,080 and \$1,294,813, 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, 2017 and 2016, certificates of deposit held were \$801,722 and \$0, respectively.

Concentration of credit risk

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

	<u>Bank Balance</u>	
	<u>2017*</u>	<u>2016</u>
Amount covered by FDIC	\$ 599,884	\$ -
Amount uninsured	<u>201,838</u>	<u>-</u>
	<u>\$ 801,722</u>	<u>\$ -</u>

* Consists of five (5) CD's that mature through November 2017.

NOTE D - INVESTMENTS

Investments consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Beneficial Interest in Assets Held at:		
Southwest Florida Community Foundation	\$ 13,973	\$ 13,891
Community Foundation of Collier County	11,693	10,673
Charlotte Community Foundation	<u>2,389</u>	<u>2,077</u>
	<u>\$ 28,055</u>	<u>\$ 26,641</u>

NOTE E - FAIR VALUE MEASUREMENT

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

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

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

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

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

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

NOTE E - FAIR VALUE MEASUREMENT, CONTINUED

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

2017		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)
Certificates of deposit	\$ 801,722	\$ 801,722	\$ -	\$ -
Beneficial Interest in Assets Held at Community Foundations	28,055	-	-	28,055
	<u>\$ 829,777</u>	<u>\$ 801,722</u>	<u>\$ -</u>	<u>\$ 28,055</u>
2016		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	\$ 26,641	\$ -	\$ -	\$ 26,641

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

NOTE E - FAIR VALUE MEASUREMENT, CONTINUED

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:

	2017	2016
Beginning balance	\$ 26,641	\$ 27,498
Additional amounts invested	150	-
Foundations match of amounts invested	-	-
Distributions/grants	(1,186)	-
Net appreciation and earnings	2,864	(494)
Administrative fees	(414)	(363)
Ending balance	<u>\$ 28,055</u>	<u>\$ 26,641</u>

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

NOTE F - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30:

	2017	2016
Accounts receivable - purchased food, net	\$ 14,775	\$ 2,802
Grants receivable - Federal	171,875	105,710
Other receivables	3,719	4,310
	<u>\$ 190,369</u>	<u>\$ 112,822</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, 2017 and 2016, respectively.

NOTE G - UNCONDITIONAL PROMISES TO GIVE

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

	<u>2017</u>	<u>2016</u>
Receivables expected to be collected in:		
Less than one year	\$ 8,264	\$ 42,113
One to five years	5,700	38,764
Less: discounts to net present value	<u>(440)</u>	<u>(4,490)</u>
	<u>\$ 13,524</u>	<u>\$ 76,387</u>

Unconditional promises to give to be collected in less than one year are recorded at their net realizable value. Unconditional promises to give to be collected after one year are recorded at their present value using a discount rate of 3.25% which approximates Prime Rate at June 30, 2017 and 2016. Amortization of promises to give was \$4,050 and \$8,913 for the years ended June 30, 2017 and 2016, respectively.

Management believes the unconditional promises to give are fully collectible.

NOTE H - PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Land	\$ 518,304	\$ 518,304
Building and improvements	3,515,548	3,405,770
Furniture and equipment	519,450	438,230
Construction in progress - Naples WH	143,623	-
Vehicles	<u>1,902,352</u>	<u>1,617,505</u>
	6,599,277	5,979,809
Less: accumulated depreciation	<u>(2,367,213)</u>	<u>(2,144,431)</u>
	<u>\$ 4,232,064</u>	<u>\$ 3,835,378</u>

For the years ended June 30, 2017 and 2016, depreciation expense was \$353,806 and \$299,655, respectively, and is allocated between program and supporting services.

NOTE H - PROPERTY AND EQUIPMENT, CONTINUED

The Organization leased warehouse equipment under a capital lease with an original cost of \$11,935 at June 30, 2016. Depreciation expense of \$1,705 was recorded for the equipment for the year ended June 30, 2016, and is included in total depreciation expense. The capital lease was paid in full during the year ended June 30, 2016.

Accumulated depreciation on assets held under capital lease totaled \$9,662 at June 30, 2016, and is included in total accumulated depreciation.

NOTE I - LAND HELD FOR FUTURE USE

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, 2017 and 2016, as it is lower than the estimated market value.

At the June 2017 Board meeting, the Board voted to list the property for sale. Subsequent to year end, in August 2017, the property was listed for a selling price of \$1,300,000.

NOTE J - ACCRUED EXPENSES

Accrued expenses consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Accrued payroll and benefits	\$ 103,210	\$ 93,354
Accrued subrecipient payable	49,490	-
Accrued construction payable	172,997	-
Other accruals	5,138	-
	<u>\$ 330,835</u>	<u>\$ 93,354</u>

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE K - CAPITAL LEASE

The Organization leased warehouse equipment of \$11,935 under a capital lease. The economic substance of the lease was that the Organization was financing the acquisition of the equipment through the lease, and accordingly, it was recorded in the Organization's assets and liabilities. The lease was for a period of five (5) years with equal monthly payments of \$262, which matured in September 2015. The imputed rate of interest for the lease was 11.8%. The outstanding balance for the capital lease at June 30, 2016 was \$0.

The lease agreement contained a bargain purchase option at the end of the lease term of \$1 for the leased equipment which the Organization exercised during the year ended June 30, 2016.

Interest expense related to the capital lease was \$270 for the year ended June 30, 2016.

NOTE L - LONG TERM DEBT

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

	<u>2017</u>	<u>2016</u>
Loan payable to respective landlord in the amount of \$100,000 dated March 2017, payable in sixty (60) monthly payments of principal and interest of \$1,980, at a fixed rate of 7%, final payment due March 15, 2022. Loan proceeds to be used for the exclusive purpose for constructing tenant improvements on the specific premises.	\$ 95,785	\$ -
Mortgage payable - Financial Institution, in the original amount of \$2,220,000 dated December 8, 2014, monthly payments of principal and interest of \$13,913, at a fixed rate of 4.39% with the balance of \$1,365,865 due at maturity on December 9, 2019, collateralized by specific real property.	<u>1,611,825</u>	<u>1,704,760</u>
	1,707,610	1,704,760
Less: current maturities	<u>(115,460)</u>	<u>(86,002)</u>
Long-term debt, net of current portion	<u>\$ 1,592,150</u>	<u>\$ 1,618,758</u>

NOTE L - LONG TERM DEBT, CONTINUED

Future maturities of mortgages payable are as follows:

Years Ending <u>June 30</u>	<u>Amount</u>
2018	\$ 115,460
2019	121,117
2020	1,432,003
2021	21,717
2022	17,313
	<u>\$ 1,707,610</u>

Interest expense was \$75,747 and \$87,291, for the years ended June 30, 2017 and 2016, respectively. During the year ended June 30, 2016, the Organization made an additional principal payment on the mortgage in the amount of \$400,000.

NOTE M - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Capital campaign - building fund	\$ 36,112	\$ 407,721
EFSP	3,433	4,961
Care and Share	26,500	-
Mobile pantries	25,000	75,093
Other	25,000	-
	<u>\$ 116,045</u>	<u>\$ 487,775</u>

NOTE N - EMPLOYEE BENEFIT PLAN

The Organization offers a defined contribution plan to its employees and contributes 4% of eligible compensation to a 401(k) pension plan (the "Plan") on behalf of all eligible employees whether or not the employee contributes. The Organization also will match employee contributions up to another 4% of the employee's compensation. An employee is eligible to participate in the Plan

NOTE N - EMPLOYEE BENEFIT PLAN, CONTINUED

immediately upon hire if employed at least 30 hours per week. The Employer does not contribute to the Plan until the month after the employee completes one year of service. The employee is immediately 100% vested in their own contributions. The employee vests 100% in the Organization's contributions in the first month after completion of thirty-six (36) months qualified employment. Total retirement expense for the years ended June 30, 2017 and 2016 was \$158,662 and \$133,757, respectively, and is included in payroll and related expenses, allocated between program and supporting services.

NOTE O - OPERATING LEASES

Office and Warehouse Space

During the year ended June 30, 2013, the Organization entered into an operating lease for warehouse space in Naples, Florida ending June 30, 2015. Monthly payments under the lease were \$2,725.

During fiscal year ended June 30, 2015, the lease was amended to extend the term to December 31, 2016 with a monthly lease payment of \$2,725 beginning in July 2015.

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. The Organization also entered into a loan payable with the landlord to finance the cost of the respective tenant improvements.

NOTE O - OPERATING LEASES, CONTINUED

Office and Warehouse Space, continued

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

Lease expense for the years ended June 30, 2017 and 2016 under these leases was \$85,844 and \$47,167, respectively, and is included in other expenses, allocated between program and supporting services.

Future minimum payments required under these leases are as follows:

Years ending <u>June 30</u>	<u>Amount</u>
2018	\$ 183,523
2019	178,464
2020	182,699
2021	187,060
2022	126,684
	<u>\$ 858,430</u>

NOTE P - ENDOWMENT FUND

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

During the 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, 2017 and 2016, net investment gains (losses), net of investment management costs totaled \$2,600 and \$(806) respectively. The total endowment held by the foundations for the benefit of the Organization at June 30, 2017 and 2016, was \$28,055 and \$26,641, respectively (see Note C).

NOTE Q - COMMITMENTS AND CONTINGENCIES

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

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

NOTE R - 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, 2017 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, 2017.

NOTE S - 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>2017</u>	<u>2016</u>
Lee County	\$ 169,023	\$ 168,255
Charlotte County	29,057	30,271
Collier County	21,300	52,300
Hendry/Glades County	6,000	6,000
	<u>\$ 225,380</u>	<u>\$ 256,826</u>

NOTE T - RELATED PARTY TRANSACTION

During the year ended June 30, 2017, the Organization awarded a contract of approximately \$173,000 to a construction company that is owned by one of the Organization's board members. The contract is to construct the build out of the Organization's new leased Naples facility and was awarded through a competitive bidding process. The entire amount is payable at June 30, 2017.

As of June 30, 2017, the Organization held certificates of deposit of \$801,722 in an investment company in which a member of Board held a management position.

NOTE U - CHANGE IN ACCOUNTING ESTIMATE

During the year ended June 30, 2017, the Organization changed the valuation of the Federal surplus commodities inventory to comply with the valuation method used by Feeding America. The effect of this change on net assets for the year ended June 30, 2017 was \$223,372.

NOTE V - SUBSEQUENT EVENTS

In March 2015, the Organization received the first and only federal award in the State of Florida for Commodities Supplemental Food Program (CSFP). CSFP is a program to provide nutritious supplemental food for qualified seniors above the age of sixty (60) and below the poverty level. The Florida Department of Agriculture and Consumer Services (FDACS) issued a ruling that the enrollment was to be completed by September 2015. The Organization completed all enrollments, including a wait list, by the due date. Due to the successful efforts of the Organization, the allotment for the State of Florida increased during fiscal year ended 2017 from 2,580 cases to 10,000 cases per month, however, the State eliminated the CSFP program for the beneficiaries of Collier, Charlotte, and Lee counties while increasing the expected case load in both Hendry and Glades counties by a factor in excess of three (3).

In response, the Organization solicited assistance from several donors, state senators and representatives and secured a matching state grant for the year ended June 30, 2018 to continue this program for the disenfranchised seniors in Collier, Charlotte and Lee counties. The new program, entitled "Care and Share, Senior Feeding", commenced distributions in July 2017.

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

Page 30 of 41

NOTE V - SUBSEQUENT EVENTS, CONTINUED

Subsequent to the year ended June 30, 2017 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 2018 the Feeding America rate changed from \$1.67 to \$1.73. In addition, on August 1, 2017 Feeding America determined USDA donated goods should be separated from all other donated goods and be valued at \$1.52 per pound.

SUPPLEMENTARY INFORMATION

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal or State Agency & Office/Pass Through Grantor/Program Title	CFDA	Pass-Through or Grant Contract Number
MAJOR (Type A)		
U.S. Department of Agriculture		
Passed through Florida Department of Agriculture and Consumer Services		
Commodity Supplemental Food Program - Food Commodities	10.565	* 21959
Commodity Supplemental Food Program - Administrative Costs	10.565	* 21959
Administrative Costs 16/17	10.568	* 22748
Food Commodities - Non Cash	10.569	* 22748
NON MAJOR (Type B)		
U.S. Department of Homeland Security (FEMA):		
Passed through United Way of America		
Emergency Food and Shelter Program (EFSP)		
Collier County - Phase 33	97.024	159000-013
Lee County - Phase 34	97.024	165400-012
Hendry County - Phase 34	97.024	163200-017
Glades County - Phase 34	97.024	162400-004

TOTAL FEDERAL AWARDS

- (1) includes receivables of \$27,122
- (2) includes receivables of \$144,753
- * considered Food Distribution Cluster

Program or Award Amount	Revenue	Expenditures	Pass through to subrecipients
\$ 1,492,163	\$ 1,492,163	\$ 1,492,163	\$ 1,492,163
312,684	102,636 (1)	102,636	-
871,373	443,403 (2)	443,403	-
<u>9,034,693</u>	<u>9,034,693</u>	<u>9,034,693</u>	<u>9,034,693</u>
<u>11,710,913</u>	<u>11,072,895</u>	<u>11,072,895</u>	<u>10,526,856</u>
9,170	4,885	4,885	4,885
65,000	-	-	-
7,500	-	-	-
3,000	-	-	-
<u>84,670</u>	<u>4,885</u>	<u>4,885</u>	<u>4,885</u>
<u>\$ 11,795,583</u>	<u>\$ 11,077,780</u>	<u>\$ 11,077,780</u>	<u>\$ 10,531,741</u>

HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year ended June 30, 2017

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 requirements of Title 2 U.S. Code of Federal Regulations Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance).

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

NOTE B - INDIRECT COSTS

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

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

NOTE C - FOOD DISTRIBUTION

Included in the Schedule of Expenditures of Federal Awards are in-kind food items received through The Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program (CSFP). For the fiscal years ended June 30, 2017 and 2016, the value of these contributions and related inventory are based on price lists provided by Feeding America and the Florida Department of Agriculture and Consumer Services, respectively.

**ADDITIONAL REPORTS OF
INDEPENDENT AUDITOR**



TUSCAN
 & Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

**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, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 6, 2017.

Internal Control Over Financial Reporting

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

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

INTEGRITY SERVICE EXPERIENCE

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

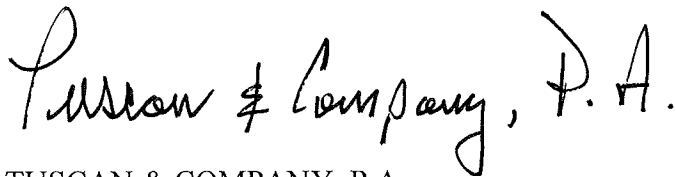
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

October 6, 2017



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 & Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants
 American Institute of Certified Public Accountants
 Private Companies Practice Section
 Tax Division

**Independent Auditor's Report on Compliance For
 Each Major Program and on Internal Control Over Compliance Required
 by 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, 2017. Harry Chapin Food Bank of Southwest Florida, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Harry Chapin Food Bank of Southwest Florida, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America; and audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance). Those standards and the Uniform Guidance 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

INTEGRITY SERVICE EXPERIENCE

requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Harry Chapin Food Bank of Southwest Florida, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Harry Chapin Food Bank of Southwest Florida, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

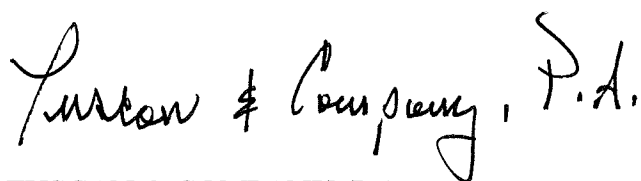
Management of Harry Chapin Food Bank of Southwest Florida, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Harry Chapin Food Bank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

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

October 6, 2017

**HARRY CHAPIN FOOD BANK OF SOUTHWEST FLORIDA, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL
 AWARDS, CONTINUED
 Year ended June 30, 2017**

The Organization provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Amount</u>
U.S. Department of Agriculture Emergency Food Assistance Program Commodity Supplemental Food Program	10.565	21959	<u>\$ 1,492,163</u>
U.S. Department of Agriculture Emergency Food Assistance Program Food Commodities	10.569	22748	<u>\$ 9,034,693</u>
U.S. Department of Homeland Security Emergency Food and Shelter Program National Board Program	97.024	various	<u>\$ 4,885</u>

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Federal Prior Year Findings

There were no prior year findings.



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Private Companies Practice Section

Tax Division

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, 2017, 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.

INTEGRITY SERVICE EXPERIENCE

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 Audit Requirements for Federal Awards (Uniform Guidance) and Chapter 10.650 "Rules of the Auditor General - State Single Audit, Nonprofit and For-Profit Organizations" (Revised September 30, 2016) Rule 10.656(3)(e) and Section 215.97(9)(f), of the Florida Statutes. We are, therefore, submitting for your review and consideration, items noted during the audit and recommendations designed to help the Organization make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to Harry Chapin Food Bank of Southwest Florida, Inc.

PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:

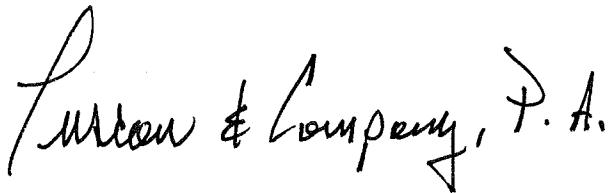
No financially significant comments noted.

CURRENT YEAR COMMENTS:

No financially significant comments noted.

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

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



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

October 6, 2017

EXHIBIT



Harry Chapin Food Bank
OF SOUTHWEST FLORIDA

Fighting Hunger, Feeding Hope

November 6, 2017

Mr. Jeff Tuscan
Tuscan & Co. P.A.
12621 World Plaza Lane, Building 55
Fort Myers, Fl 33907

Subject: Audit FYE 06/30/17

Dear Mr. Tuscan,

This letter acknowledges that the audit report is complete for the year ending 6/30/17.

There are no management recommendations included in this year's report.

We appreciate the thoroughness, professionalism, timeliness and responsiveness of the entire Tuscan team associated with the audit.

Sincerely,

David J. Najjar
Chief financial Officer