

**Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Independent Auditor's Report
and
Financial Statements
For the Year Ended December 31, 2017 and 2016**



THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Independent Auditor's Report and Financial Statements
December 31, 2017 and 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Feeding Northeast Florida
Jacksonville, Florida

We have audited the accompanying financial statements of Regional Food Bank of Northeast Florida, Inc. (DBA Feeding Northeast Florida) (Organization), a nonprofit organization, which comprise the statement of financial position as of December 31, 2017, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended December 31, 2016 was derived from and is consistent, in all material respects, with the audited financial statements of the Organization as of December 31, 2016, which were audited by other auditors whose report dated May 15, 2017, expressed an unmodified opinion on those statements.

The Nichols Group

The Nichols Group, PA
Certified Public Accountants
Fleming Island, Florida

April 17, 2017

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Statement of Financial Position
December 31, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016</u>
ASSETS				
Cash and cash equivalents	\$ 1,067,296	\$ -	\$ 1,067,296	\$ 283,148
Accounts receivable	70,326	-	70,326	29,536
Contributions and promises to give, net	383,455	-	383,455	598,018
Inventories	899,525	-	899,525	526,067
Property and equipment, net	545,413	-	545,413	457,227
Prepaid expenses and other assets	50,630	-	50,630	37,428
Total assets	<u>\$ 3,016,645</u>	<u>\$ -</u>	<u>\$ 3,016,645</u>	<u>\$ 1,931,424</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 325,866	\$ -	\$ 325,866	\$ 494,004
Accrued expenses	72,437	-	72,437	106,969
Deferred revenue	24,287	-	24,287	27,218
Long-term debt	750,000	-	750,000	750,000
Total liabilities	<u>1,172,590</u>	<u>-</u>	<u>1,172,590</u>	<u>1,378,191</u>
Net assets	<u>1,844,055</u>	<u>-</u>	<u>1,844,055</u>	<u>553,233</u>
Total liabilities and net assets	<u>\$ 3,016,645</u>	<u>\$ -</u>	<u>\$ 3,016,645</u>	<u>\$ 1,931,424</u>

See accompanying notes.

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Statement of Activities
For the Years Ended December 31, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016</u>
REVENUE AND OTHER SUPPORT				
Contributions and grants	\$ 3,192,529	\$ -	\$ 3,192,529	\$ 2,396,057
Value of contributed inventory	28,220,846	-	28,220,846	28,261,455
Value of contributed equipment, facilities, and services	160,052	-	160,052	96,699
Fees from providing services paid by agencies	561,043	-	561,043	481,232
Other income	17,418	-	17,418	7,793
Net assets released from restrictions	125,750	(125,750)	-	-
Total revenue and other support	<u>32,277,638</u>	<u>(125,750)</u>	<u>32,151,888</u>	<u>31,243,236</u>
EXPENSES				
Program services	29,929,576	-	29,929,576	30,673,026
Supporting activities:				
Management and general	230,800	-	230,800	184,458
Fundraising	729,416	-	729,416	992,073
Total expenses	<u>30,889,792</u>	<u>-</u>	<u>30,889,792</u>	<u>31,849,557</u>
Change in net assets	1,387,846	(125,750)	1,262,096	(606,321)
Net assets, beginning of year, as reported	427,483	125,750	553,233	1,159,554
Prior period adjustment	28,726	-	28,726	-
Net assets beginning of year, restated	<u>456,209</u>	<u>125,750</u>	<u>581,959</u>	<u>1,159,554</u>
Net assets, end of year	<u>\$ 1,844,055</u>	<u>\$ -</u>	<u>\$ 1,844,055</u>	<u>\$ 553,233</u>

See accompanying notes.

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Statement of Functional Expenses
For the Year Ended December 31, 2017,
With Comparative Totals for the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017</u>	<u>2016</u>
Salaries and Wages	\$ 807,467	\$ 120,238	\$ 407,309	\$ 1,335,014	\$ 1,325,750
Employee Benefits and payroll taxes	201,989	13,335	62,612	277,936	254,700
Total salaries and benefits	<u>1,009,456</u>	<u>133,573</u>	<u>469,921</u>	<u>1,612,950</u>	<u>1,580,450</u>
Building maintenance	25,103	-	-	25,103	22,568
Direct mail and special events	-	-	30,611	30,611	344,266
Value of gifts in-kind	27,867,900	-	-	27,867,900	28,779,579
Purchased food distributed and direct program supplies	241,761	-	-	241,761	142,164
Insurance	20,646	10,936	-	31,582	30,105
Licenses	-	870	-	870	562
Maintenance and rental of equipment	222,985	-	-	222,985	239,887
Meetings, conferences, and transportation	55,439	10,469	11,041	76,949	27,327
Miscellaneous	2,917	3,332	381	6,630	3,997
Dues and subscriptions	3,289	10,854	5,634	19,777	5,176
Occupancy	87,603	-	-	87,603	78,844
Office expenses and supplies	75,855	-	-	75,855	57,961
Postage and shipping	98,555	7,575	-	106,130	91,691
Printing and publications	-	-	30,724	30,724	18,172
Professional and contractual fees	23,567	53,191	181,104	257,862	241,451
Telephone	28,635	-	-	28,635	21,959
Trucking, freight, and fuel costs	67,921	-	-	67,921	69,036
Utility costs	50,067	-	-	50,067	46,334
Interest expense	-	-	-	-	14,000
Total expenses before depreciation	<u>29,881,699</u>	<u>230,800</u>	<u>729,416</u>	<u>30,841,915</u>	<u>31,815,529</u>
Depreciation of property and equipment	47,877	-	-	47,877	34,028
Total Expenses	<u>\$ 29,929,576</u>	<u>\$ 230,800</u>	<u>\$ 729,416</u>	<u>\$ 30,889,792</u>	<u>\$ 31,849,557</u>

See accompanying notes.

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Statement of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,262,096	\$ (606,321)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	47,877	34,028
Inventory	(373,458)	496,820
Gain on sale of equipment	-	(1,463)
Net increase (decrease) in cash flow from changes in:		
Accounts Receivable	173,773	(601,078)
Prepaid expenses and other assets	(13,202)	(3,786)
Accounts payable and accrued expenses	(173,944)	421,849
Deferred revenue	(2,931)	9,313
Net cash provided by (used in) operating activities	920,211	(250,638)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(136,063)	(114,298)
Proceeds from sale of equipment	-	7,500
Net cash used in investing activities	(136,063)	(106,798)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from drawdown on letter of credit	-	237,343
Net cash provided by financing activities	-	237,343
 Net increase (decrease) in cash and cash equivalents	784,148	(120,093)
Cash and cash equivalents at beginning of year	283,148	403,241
 Cash and cash equivalents at end of year	\$ 1,067,296	\$ 283,148

See accompanying notes.

Regional Food Bank of Northeast Florida, Inc.
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December 31, 2017 and 2016

1. Nature of Organization

Regional Food Bank of Northeast Florida, Inc. (DBA Feeding Northeast Florida) referred to herein as the Organization, a Florida not-for-profit corporation organized on March 5, 2014 to serve as a clearing house to collect, store, and redistribute surplus food to charitable 501(c)(3) organizations that operate on-site or emergency food distribution services.

Donors, such as processors, wholesalers, distributors, restaurants and resorts, provide the Organization with usable food that is not saleable because the food has been overproduced, discontinued, or will soon be out-of-date.

Second Harvest Food Bank of Central Florida, Inc. is a member of Feeding America, a network of food rescue organizations nationwide that collect food from throughout the food industry for distribution to non-profit feeding programs. For most of 2014, the Organization operated as a program of Second Harvest Food Bank of Central Florida, Inc. until the Organization received its 501(c)(3) on October 8, 2014.

In order to finance the construction and development of the warehouse facility, the Organization entered into a loan agreement with Feeding America.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization. The Organization has adopted the provisions of Financial Accounting Standards Board ASC 958, Accounting for Contributions Received and Contributions Made and Financial Statements for Not-for-Profit Organizations.

These financial statements are prepared on an entity wide basis, focusing on the organization as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying fund balances and transactions into three classes of net assets - unrestricted, temporarily restricted or permanently restricted as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. The Organization reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. There were no temporarily restricted net assets as of December 31, 2017.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets as of December 31, 2017.

Under generally accepted accounting principles, contributions are generally recognized as revenue when the gift is made and are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the presence or absence and type of donor imposed restrictions or conditions.

Regional Food Bank of Northeast Florida, Inc.
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B. Use of 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

C. Functional Allocation of Expenses

The costs of providing program services and supporting activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

D. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

E. Income Tax Status

The Organization is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service (IRS) not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

The Organization's IRS filings are subject to review and examination by federal authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The IRS filings for the years ended December 31, 2014 and later will be open to examination by federal authorities.

F. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

G. Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts and are recorded net of contractual adjustments and an allowance for doubtful accounts. The allowance for doubtful accounts is estimated by management based on the Organization's prior years' experience when available and a review of the current status of the existing receivables. Adjustments to the allowance for doubtful accounts are recorded to an expense account. When management determines that a receivable is uncollectible, it is removed from accounts receivable and is charged to the allowance for doubtful accounts. No allowance is established at December 31,

Regional Food Bank of Northeast Florida, Inc.
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2017 or 2016 as management believes all amounts are collectible.

H. Inventories

Purchased food inventory is stated at the lower of cost (determined on first-in, first-out basis) or market. Donated food inventory continues to be valued at the approximate average wholesale value of one pound of donated product at the national level which was determined to be \$1.73 and \$1.67, respectively, during 2017 and 2016, based on a study performed by Feeding America.

I. Compensated Absences

The Organization accrues accumulated paid time off (PTO) when earned by the employee. Generally, PTO must be taken during the calendar year earned. However, up to 120 hours may be carried forward per calendar year. Eligible employees who end their employment with the Organization are reimbursed for unused PTO, which is capped at 120 hours.

J. Revenue Recognition

The Organization's resources as presented on the statements of activities and changes in net assets include revenue, gains or loss, and other support. Revenue consists of fees earned for the performance of Organization services, public support such as contributions and grants, investment income which consists of interest, rents and other revenue or support. Public support such as contributions and grants are unconditional gifts to the Organization of cash or other assets in a voluntary nonreciprocal transfer by another entity.

Revenue, gains, and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses and losses are reported as decreases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Contributions, including unconditional promises to give, less an allowance for uncollectible accounts, are recognized as revenue in the period made or received. Pledges are discounted, using a market discount rate, to present value for collections expected in future years. Accretion of the discount in subsequent years is also recorded as contribution revenue. At December 31, 2017 and 2016, there were \$400,000 and \$620,518 in pledges outstanding, respectively. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. The Organization also receives indications of intent to support, which are commitments that are open-ended and subject to unilateral change by the donor. The amounts are not measurable since the commitments do not express a term or period. Thus, they are not considered to be unconditional promises to give and are not recognized prior to the receipt of the contribution. The Organization believes that all pledges receivable at December 31, 2017 and 2016, which are scheduled to be collected during 2018 and 2017, respectively, will be fully collected. Accordingly, no allowance for uncollectible accounts is required.

K. Property and Equipment

Purchased property and equipment are stated at cost. Donated property and equipment are stated at estimated fair market value at the date of donation. It is the policy of the Organization

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to expense assets in the period purchased if the assets cost \$2,000 or less individually. Assets, defined as those items purchased or donated with a probable future economic benefit to the organization, costing in excess of \$2,000 individually will be capitalized and depreciated in accordance with the Organization's depreciation policies. Repairs and improvements to real property and leasehold improvements will be capitalized if they cost in excess of \$5,000 individually.

Depreciation is computed on a straight-line method over the estimated useful lives of the related assets which may range from 3 to 30 years.

L. Concentration of Credit Risk

The Organization solicits food on behalf of participating local social service agencies, all of which are 501(c)(3) organizations. These agencies contribute to the costs of food collection and storage by paying the Organization a "handling fee" for refrigerated food received. The Organization grants credit to these agencies, all of which are located in Northeast Florida.

The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000. At December 31, 2017 and 2016, the Organization had \$733,268 and no uninsured funds at one financial institution, respectively. The Foundation does not believe that there is any significant risk associated with the concentrations of credit.

At December 31, 2017 and 2016, the Organization's largest receivables are for two unconditional promises to give due from two individuals totaling \$400,000 and for three unconditional promises to give due from two individuals and one foundation totaling \$600,000, respectively. In addition, the Organization receives a substantial amount of its support from private agencies. A significant reduction in funding from these sources, if it were to occur, may have an effect on the Organization's programs and activities.

M. Fair Value of Financial Instruments

The Organization's financial instruments are cash and cash equivalents, investments, prepaid expenses and deposits, short-term receivables, long-term receivables, accounts payable and accrued expenses.

The recorded values of cash and cash equivalents, prepaid expenses and deposits, short-term receivables, accounts payable and accrued expenses approximate their fair value based on their short-term nature.

N. Long-Lived Assets

The Organization follows the policy of lifting restrictions on contributions of cash and other assets received for the acquisition of long-lived assets when the long-lived assets are acquired. In accordance with generally accepted accounting principles, long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market value and third-party independent appraisals, as considered necessary. No impairment

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charges have been recorded in the accompanying financial statements related to long-lived assets.

O. New Accounting Pronouncements

In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 represents phase 1 of FASB's Not-for Profit Financial Reporting Project and reduces the number of net asset classes, requires expense presentation by functional and natural classification, requires quantitative and qualitative information in liquidity, retains the option to present the cash flow statement on a direct or indirect method as well as includes various other additional disclosure requirements. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017 with retrospective application. The requirements of this statement are effective for the Organization for the year ending December 31, 2018. The Organization has not evaluated the impact of this statement.

In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires entities to recognize all leased assets as assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. The requirements of this statement are effective for the Organization for the year ending December 31, 2019. The Organization has not evaluated the impact of this statement.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Particularly, that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The requirements of this statement are effective for the Organization for the year ending December 31, 2018. The Organization has not evaluated the impact of this statement.

P. Reclassifications

Certain amounts have been reclassified to conform to the 2017 financial statement presentation.

3. Prior period adjustments

The Organization recorded prior period adjustments to correct the balances of liabilities previously estimated and recorded in prior years that were determined to not be payable as follows:

Unrestricted net assets as previously reported	\$ 427,483
Prior period adjustment of unrestricted net assets:	
Correction of payables overstated*	<u>28,726</u>
Unrestricted net assets, as restated	<u><u>\$ 456,209</u></u>

*None of the adjustments individually were considered material.

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4. Inventories

Inventories consisted of the following for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Donated food	\$ 863,227	\$ 507,375
Power purchase	36,298	18,692
	<u>\$ 899,525</u>	<u>\$ 526,067</u>

5. Contributions and promises to give

Contributions and promises to give as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Within one year	\$ 100,000	\$ 220,518
Between one and five years	300,000	400,000
	<u>\$ 400,000</u>	<u>\$ 620,518</u>
Less:		
Discount to present value	<u>(16,545)</u>	<u>(22,500)</u>
Total contributions and promises to give, net	<u>\$ 383,455</u>	<u>\$ 598,018</u>

At December 31, 2017 and 2016, contributions and promises to give to be received between one and five years are discounted using a rate of 1.43% through the expected term of the contribution and promises to give receivable.

6. Property and Equipment

The following is a summary of the components of property and equipment for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Warehouse equipment	\$ 656,817	520,754
Less: Accumulated depreciation	<u>(111,404)</u>	<u>(63,527)</u>
Total	<u>\$ 545,413</u>	<u>\$ 457,227</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$47,877 and \$34,028 respectively.

7. In-kind Donations

Contributions of assets, materials, and facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the financial statements as an asset or expense and revenue. For the years ended December 31, 2017 and 2016, in-kind contributions consisted of donated food inventory valued at approximately \$28,220,846 and \$28,261,455, respectively.

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Contributed food inventory was redistributed to charitable organizations at a value of approximately \$26,458,929 and \$27,262,902, respectively for the years ended December 31, 2017 and 2016. In addition, the Organization receives contributed time related to various program services and construction projects. These contributed services are recorded at their estimated fair value at the date of service if they meet the following criteria: (a) the services would have otherwise been purchased by the Organization, and (b) the services required specialized skills. For the years ended December 31, 2017 and 2016, the Organization recognized contributed services, meeting the above criteria, in the amount of \$155,377 and \$87,349, respectively. Donated use of facilities is recognized as expense and revenue. For the years ended December 31, 2017 and 2016 there were donated facility services amounting to \$4,675 and \$9,350, respectively.

A substantial number of unpaid volunteers have made significant contributions of their time to provide assistance to the Organization in its program and support activities. The value of contributed time of part-time volunteers has not been recorded in the accompanying financial statements since specialized skills were not required.

8. Deferred Revenue

Deferred revenue consists of payments made by agencies in advance of shopping in the warehouse to purchase food from the Organization. Deferred revenue was \$24,287 and \$27,218 at December 31, 2017 and 2016, respectively.

9. Compensated Absences

The Organization's liability for compensated absences was \$34,417 and \$34,439, and was included in accrued expenses as of December 31, 2017 and 2016, respectively. This represents amounts owed to employees under the Organization's paid leave policy.

10. Feeding America Note Payable

The Organization executed a loan agreement with Feeding America on May 22, 2014 that provided for borrowings of up to \$750,000 as a revolving line of credit. The line of credit was made available to finance the development of the Organization's warehouse, food distribution and administrative facilities in Jacksonville, Florida. The Organization was not required to pay interest on any principal outstanding under the loan agreement for the first two years. The Organization was to pay Libor plus 2% interest on any principal outstanding in year three and forward. The line of credit was available until December 31, 2017 unless otherwise terminated as provided in the Agreement.

As of December 31, 2016, the Organization had used all \$750,000 of the line of credit. No principal and interest payments were made during 2016 or 2017, which caused the loan to go into default. On December 27, 2017, a forbearance agreement and first amendment was entered into by and between the Organization and Feeding America. Under the terms of the agreement, the parties agreed to amend the loan agreement as follows:

The Organization may repay the principal amount of the loan without prepayment premium. Any principal amount of the loan that is repaid or prepaid may not be re-borrowed.

The line of credit matures and is due and payable in full on December 31, 2022.

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The Organization is required to pay \$46,875 every quarter beginning March 31, 2019 until the expiration date of December 31, 2022 or, if earlier, until the remaining unpaid balance is paid in full.

During the forbearance period, the loan shall not bear interest and the Organization shall not be required to pay interest on the outstanding principal amount of the Loan.

11. Operating Leases

On March 27, 2014, the Organization entered into a one year operating lease agreement for approximately 21,000 square feet of warehouse space commencing on May 1, 2014. This agreement has been extended annually since its inception and is currently set to end on April 30, 2018. As of December 31, 2017, the future minimum lease payments are \$24,096, payable in the 2018 fiscal year.

The Organization leases trucks under month-to-month operating leases with 60 days notice to terminate. These leases include a tractor, a trailer, and three refrigeration trucks.

Beginning January 23, 2017, the Organization is leasing copier equipment under a 64-month lease term which automatically renews for successive one-year periods, subject to annual increases. The monthly payment for the year ended December 31, 2017 was \$296.

Rental expense for all operating leases was \$286,583 and \$259,958 for the years ended December 31, 2017 and 2016, respectively.

12. Related Party Transactions

As discussed in Note 9, Feeding America Note Payable, the Organization has an outstanding balance due to Feeding America for the years ended December 31, 2017 and 2016 of \$750,000 and \$750,000 respectively.

For the years ended December 31, 2017 and 2016, the Organization recorded \$122,209 and \$33,780 respectively, in cash donations and in-kind services from companies and foundations that have representatives who are members of the Organization's board of directors.

For the years ended December 31, 2017 and 2016, the Organization recorded purchases of food totaling \$1,342,561 and \$119,275, respectively, of which the Organization was paid a shared maintenance fee of \$21,582 and \$7,823, respectively from City Rescue Mission and Beaches Emergency Assistance Ministry that have representatives who are members of the Organization's board of directors.

13. Subsequent Events

In preparing these financial statements, management of the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through April 17, 2018, which is the date the financial statements were available to be issued and determined there were no other matters to disclose.