

**Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Independent Auditor's Report
and
Financial Statements
For the Year Ended December 31, 2018 and 2017**



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, 2018 and 2017

TABLE OF CONTENTS

	Page
Independent Auditor's Report.....	1
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to the Financial Statements.....	7



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, 2018, 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, 2018, 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

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.

The Nichols Group

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

April 22, 2019

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Statement of Financial Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,213,637	\$ 1,067,296
Investments	31,410	-
Accounts receivable	121,369	70,326
Prepaid expenses and other assets	72,265	50,630
Contributions and promises to give, net	800,747	383,455
Inventories	443,022	899,525
Property and equipment, net	843,749	545,413
Total assets	\$ 3,526,199	\$ 3,016,645
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 310,912	\$ 325,866
Accrued expenses	93,772	72,437
Deferred revenue	29,560	24,287
Long-term debt	690,000	750,000
Total liabilities	1,124,244	1,172,590
Net assets:		
Without donor restrictions	2,085,245	1,844,055
With donor restrictions	316,710	-
Total net assets	2,401,955	1,844,055
Total liabilities and net assets	\$ 3,526,199	\$ 3,016,645

See accompanying notes.

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Statement of Activities
For the Years Ended December 31, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	2018	2017
REVENUE AND OTHER SUPPORT				
Contributions and grants	\$ 3,182,485	\$ 316,710	\$ 3,499,195	\$ 3,192,529
Value of contributed inventory	28,847,594	-	28,847,594	28,220,846
Value of contributed equipment, facilities, and services	141,427	-	141,427	160,052
Fees from providing services paid by agencies	674,910	-	674,910	561,043
Other income	10,162	-	10,162	17,418
Total revenue and other support	<u>\$ 32,856,578</u>	<u>\$ 316,710</u>	<u>\$ 33,173,288</u>	<u>\$ 32,151,888</u>
EXPENSES				
Program services	\$ 31,388,092	\$ -	\$ 31,388,092	\$ 29,929,576
Supporting activities:				
Management and general	210,996.00	-	210,996	230,800
Fundraising	1,016,300.00	-	1,016,300	729,416
Total expenses	<u>32,615,388</u>	<u>-</u>	<u>32,615,388</u>	<u>30,889,792</u>
Change in net assets	241,190	316,710	557,900	1,262,096
Net assets, beginning of year, as reported	1,844,055	-	1,844,055	553,233
Prior period adjustment	-	-	-	28,726
Net assets beginning of year, restated	<u>1,844,055</u>	<u>-</u>	<u>1,844,055</u>	<u>581,959</u>
Net assets, end of year	<u>\$ 2,085,245</u>	<u>\$ 316,710</u>	<u>\$ 2,401,955</u>	<u>\$ 1,844,055</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, 2018,
With Comparative Totals for the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	2018	2017
Salaries and Wages	\$ 731,475	\$ 90,482	\$ 416,970	\$ 1,238,927	\$ 1,335,014
Employee Benefits and payroll taxes	182,045	14,824	61,987	258,856	277,936
Total salaries and benefits	<u>913,520</u>	<u>105,306</u>	<u>478,957</u>	<u>1,497,783</u>	<u>1,612,950</u>
Building maintenance	56,680	-	-	56,680	25,103
Direct mail and special events	-	-	284,646	284,646	30,611
Value of gifts in-kind	29,334,370	-	13,580	29,347,950	27,867,900
Purchased food distributed and direct program supplies	331,488	-	-	331,488	241,761
Insurance	23,714	20,871	-	44,585	31,582
Licenses	-	972	-	972	870
Maintenance and rental of equipment	184,170	-	-	184,170	222,985
Meetings, conferences, and transportation	9,010	6,096	15,698	30,804	76,949
Miscellaneous	7,050	3,772	4,581	15,403	6,630
Dues and subscriptions	5,254	19,936	9,339	34,529	19,777
Occupancy	82,263	-	-	82,263	87,603
Office expenses and supplies	79,121	-	-	79,121	75,855
Postage and shipping	100,315	4,874	-	105,189	106,130
Printing and publications	-	-	51,662	51,662	30,724
Professional and contractual fees	46,919	49,169	157,837	253,925	257,862
Telephone	19,653	-	-	19,653	28,635
Trucking, freight, and fuel costs	73,752	-	-	73,752	67,921
Utility costs	51,007	-	-	51,007	50,067
Total expenses before depreciation	31,318,286	210,996	1,016,300	32,545,582	30,841,915
Depreciation of property and equipment	69,806	-	-	69,806	47,877
Total expenses	<u>\$ 31,388,092</u>	<u>\$ 210,996</u>	<u>\$ 1,016,300</u>	<u>\$ 32,615,388</u>	<u>\$ 30,889,792</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 557,900	\$ 1,262,096
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	69,806	47,877
Inventory	456,503	(373,458)
Donation of stock	(31,410)	-
Net increase (decrease) in cash flow from changes in:		
Accounts receivable	(468,335)	173,773
Prepaid expenses and other assets	(21,635)	(13,202)
Accounts payable and accrued expenses	6,381	(173,944)
Deferred revenue	5,273	(2,931)
Net cash provided by operating activities	<u>574,483</u>	<u>920,211</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(368,142)</u>	<u>(136,063)</u>
Net cash used in investing activities	(368,142)	(136,063)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paydown on letter of credit	<u>(60,000)</u>	-
Net cash used in financing activities	(60,000)	-
Net increase in cash and cash equivalents	146,341	784,148
Cash and cash equivalents at beginning of year	<u>1,067,296</u>	<u>283,148</u>
Cash and cash equivalents at end of year	<u>\$ 1,213,637</u>	<u>\$ 1,067,296</u>

See accompanying notes.

**Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Notes to the Financial Statements
December 31, 2018 and 2017**

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.

2. Summary of Significant Accounting Policies

A. Basis of Accounting and Use of Estimates

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. 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.

B. 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.

C. 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, 2017, from which the summarized information was derived.

D. 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, 2015 and later will be open to examination by federal authorities.

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Notes to the Financial Statements
December 31, 2018 and 2017

E. Cash and Cash Equivalents and Investments

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.

It is the policy of the Organization, under the guidance of its Finance Committee, to follow an investment practice that balances the following fundamental goals:

- Assure minimal principal risk
- Achieve the highest investment returns
- Match present and future liquidity needs
- Foster mutually beneficial relationships with Jacksonville-based financial institutions

The Finance Committee reviews its investment policies on an annual basis.

F. 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, 2018 or 2017 as management believes all amounts are collectible.

G. 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 \$1.68 and \$1.73, respectively, during 2018 and 2017, based on a study performed by Feeding America.

H. 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.

I. 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.

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Notes to the Financial Statements
December 31, 2018 and 2017

Revenue, gains, and other support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses and losses are reported as decreases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expirations of 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 without donor restrictions.

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, 2018 and 2017, there were \$840,000 and \$400,000 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, 2018 and 2017, which are scheduled to be collected during 2019 and 2018, respectively, will be fully collected. Accordingly, no allowance for uncollectible accounts is required.

J. 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 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.

K. Concentration of Credit Risk

The Organization solicits food on behalf of participating local social service agencies or programs, substantially 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 items received. The fee is determined through a combination of a maximum limit determined by Feeding America and Organization discretion as to mix of products assessed and level of fee charged.

The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000. At December 31, 2018 and 2017, the Organization had \$638,962 and \$733,268 uninsured funds at Bank of America, respectively. Additionally, at December 31, 2018, the Organization had \$11,378 uninsured funds at BBVA Compass. The Organization does not believe that there is any significant risk associated with the concentrations of credit.

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Notes to the Financial Statements
December 31, 2018 and 2017

At December 31, 2018 and 2017, the Organization's largest receivables are for four unconditional promises to give due from two individuals and two foundations totaling \$840,000 and for two unconditional promises to give due from two individuals totaling \$400,000, 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.

L. 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. These are recorded at their fair values.

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

N. 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. The requirements of this statement have been implemented for the year ended December 31, 2018.

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

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Notes to the Financial Statements
December 31, 2018 and 2017

requirements of this statement are effective for the Organization for the year ending December 31, 2018. This statement had no affect on the Organization's financial statements.

O. Reclassifications

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

3. Restrictions on net assets

Net assets with donor restrictions available for specific purposes were \$316,710 at December 31, 2018. There were no net assets with donor restrictions at December 31, 2017.

Net assets with donor restrictions are available at December 31, 2018 subject for the following specified purposes:

MCCI - Mobile Pantries	\$	33,125
United Way - Agency Enablement		23,008
Kraft/Heinz - Families and Children's Food Programs		9,000
Fidelity - Hurricane Preparedness		213,000
Holocaust Program - Kosher Friendly Packs		15,577
C&S Grocers - Snackpacks		20,000
Humana -USO Mobile Pantries		3,000
		\$ 316,710

4. Liquidity and availability of financial assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2018	2017
Financial assets at year-end	\$ 2,167,163	\$ 1,521,077
Less those unavailable for general expenditures within one year, due to:		
Debt service	(127,500)	-
Donor-restricted for specified purposes	(316,710)	-
Financial assets available to meet cash needs for general expenditure within one year	\$ 1,722,953	\$ 1,521,077

As part of the Organization's liquidity management, management has chosen to put \$300,000 into various interest-bearing accounts as a cash reserve to protect the Organization against short-term interruptions of cash flow.

5. Investments and fair value measurements

At December 31, 2018, the Organization held donated investments for the purpose of liquidation and use for general operations.

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Notes to the Financial Statements
December 31, 2018 and 2017

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2018, are as follows:

Investments	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable Inputs (Level 3)
Equities:				
Common stocks	\$ 31,410	\$ 31,410	\$ -	\$ -
Total equities	<u>\$ 31,410</u>	<u>\$ 31,410</u>	<u>\$ -</u>	<u>\$ -</u>

6. Inventories

Inventories consisted of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Donated food	\$ 373,616	\$ 863,227
Power purchase	69,406	36,298
	<u>\$ 443,022</u>	<u>\$ 899,525</u>

7. Contributions and promises to give

Contributions and promises to give as of December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Within one year	\$ 270,000	\$ 100,000
Between one and five years	570,000	300,000
	<u>\$ 840,000</u>	<u>\$ 400,000</u>
Less:		
Discount to present value	(39,253)	(16,545)
Total contributions and promises to give, net	<u>\$ 800,747</u>	<u>\$ 383,455</u>

At December 31, 2018 and 2017, contributions and promises to give to be received between one and five years are discounted using rates between 2.01% and 1.43% through the expected term of the contribution and promises to give receivable.

8. Property and Equipment

The following is a summary of the components of property and equipment for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2016</u>
Warehouse equipment	\$ 996,266	652,837
Leasehold improvements	28,021	3,980
Less: Accumulated depreciation	(180,538)	(111,404)
Total	<u>\$ 843,749</u>	<u>\$ 545,413</u>

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Notes to the Financial Statements
December 31, 2018 and 2017

Depreciation expense for the years ended December 31, 2018 and 2017 was \$69,806 and \$47,877 respectively.

9. 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, 2018 and 2017, in-kind contributions included donated food inventory valued at approximately \$28,847,594 and \$28,220,846, respectively. Contributed food inventory was redistributed to charitable organizations at a value of approximately \$28,022,578 and \$26,458,929, respectively for the years ended December 31, 2018 and 2017. For the year ended December 31, 2018, used refrigeration equipment with a fair market value of \$72,032 was donated. 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, 2018 and 2017, the Organization recognized contributed services, meeting the above criteria, in the amount of \$69,395 and \$155,377, respectively. Donated use of facilities is recognized as expense and revenue. There was no donated use of facilities for the year ended December 31, 2018. For the year ended 2017 there were donated facility services amounting to \$4,675.

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.

10. 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 \$29,560 and \$24,287 at December 31, 2018 and 2017, respectively.

11. Compensated Absences

The Organization's liability for compensated absences was \$36,497 and \$34,417 and was included in accrued expenses as of December 31, 2018 and 2017, respectively. This represents amounts owed to employees under the Organization's paid leave policy.

12. Long-term debt

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.

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Notes to the Financial Statements
December 31, 2018 and 2017

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.

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.

For the year ended December 31, 2018, the Organization prepaid \$60,000 of principal amount.

The Organization's long-term debt consists of the following:

	2018	2017
Feeding America Note Payable	\$ 690,000	\$ 750,000
Less: current portion	(127,500)	-
Total long-term debt	<u>\$ 562,500</u>	<u>\$ 750,000</u>

Future scheduled maturities of long-term debt are as follows:

Year ending December 31,	
2019	\$ 127,500
2020	187,500
2021	187,500
2022	187,500
Total	<u>\$ 690,000</u>

13. 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, 2019. As of December 31, 2018, the future minimum lease payments are \$24,794, payable in the 2019 fiscal year.

The Organization leases trucks under month-to-month operating leases with 60 days notice to terminate. These leases include 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, 2018 was \$296.

Regional Food Bank of Northeast Florida, Inc.
(DBA Feeding Northeast Florida)
Notes to the Financial Statements
December 31, 2018 and 2017

Rental expense for all operating leases was \$234,293 and \$286,583 for the years ended December 31, 2018 and 2017, respectively.

14. Related Party Transactions

As discussed in Note 12, Feeding America Note Payable, the Organization has an outstanding balance due to Feeding America for the years ended December 31, 2018 and 2017 of \$690,000 and \$750,000 respectively.

For the years ended December 31, 2018 and 2017, the Organization recorded \$516,912 and \$122,209 respectively, in cash donations, pledges 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, 2018 and 2017, the Organization recorded purchases of food totaling \$112,039 and \$1,342,561, respectively, of which the Organization was paid a shared maintenance fee of \$9,903 and \$21,582, respectively from City Rescue Mission and Beaches Emergency Assistance Ministry that have representatives who are or were members of the Organization's board of directors.

15. Subsequent Events

On March 27, 2019, subsequent to year-end, the operating lease for the Jacksonville warehouse was extended for another year to end April 30, 2020 for substantially the same terms.

In preparing these financial statements, management of the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through April 22, 2019, which is the date the financial statements were available to be issued and determined there were no other matters to disclose.