



THE WHITLOCK CO.

CPAs and Consultants

OZARKS FOOD HARVEST, INC.

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2018 AND 2017**



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ozarks Food Harvest
Springfield, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of **Ozarks Food Harvest** (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Organization'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 **Ozarks Food Harvest** as of June 30, 2018 and 2017, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), and is 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018 on our consideration of Ozarks Food Harvest'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 Ozarks Food Harvest's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "THE WHITLOCK CO., LLP". The signature is written in a cursive, slightly stylized font.

Springfield, Missouri
December 21, 2018

OZARKS FOOD HARVEST, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

| | June 30, | |
|---|--------------------------|--------------------------|
| | 2018 | 2017 |
| Current assets | | |
| Cash and cash equivalents | \$ 4,665,720 | \$ 3,800,359 |
| Restricted cash and cash equivalents | 536,846 | 3,716,831 |
| | 5,202,566 | 7,517,190 |
| Investments | 388,810 | 289,527 |
| Accounts receivable | 126,323 | 64,045 |
| Pledges receivable - current portion | 1,286,498 | 1,075,992 |
| Inventory | 1,075,254 | 966,729 |
| Total current assets | 8,079,451 | 9,913,483 |
| Pledges receivable - long term | 371,011 | 583,016 |
| Fixed assets | | |
| Property and equipment, net of accumulated depreciation | 9,310,557 | 5,505,894 |
| Net fixed assets | 9,310,557 | 5,505,894 |
| Total assets | \$ 17,761,019 | \$ 16,002,393 |

LIABILITIES AND NET ASSETS

| | | |
|---|--------------------------|--------------------------|
| Current liabilities | | |
| Accounts payable | \$ 431,072 | \$ 39,560 |
| Payroll taxes payable | 4,525 | 23,976 |
| Due to other organizations | 63,919 | 112,267 |
| Advances | 24,196 | 14,380 |
| Total current liabilities | 523,712 | 190,183 |
| Net assets | | |
| Unrestricted | 16,700,461 | 12,095,379 |
| Temporarily restricted | 536,846 | 3,716,831 |
| Total net assets | 17,237,307 | 15,812,210 |
| Total liabilities and net assets | \$ 17,761,019 | \$ 16,002,393 |

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

OZARKS FOOD HARVEST, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

| | Year Ended June 30, 2018 | | |
|--|--------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Total |
| Gains and support | | | |
| Food contributions | \$ 23,789,995 | \$ - | \$ 23,789,995 |
| Individual, corporate and foundation contributions | 1,792,295 | - | 1,792,295 |
| Capital campaign | - | 1,071,562 | 1,071,562 |
| Direct mail | 872,812 | - | 872,812 |
| Food safety fees | 222,752 | - | 222,752 |
| USDA commodity contributions | 2,992,096 | - | 2,992,096 |
| Purchased product fees - agency | 1,123,182 | - | 1,123,182 |
| Federal and other grants | 2,027,417 | - | 2,027,417 |
| Food assistance program (TEFAP) | 350,781 | - | 350,781 |
| Food assistance program (CACFP) | 172,792 | - | 172,792 |
| Food assistance program (SNAP) | 37,140 | - | 37,140 |
| Food assistance program (CSFP) | 282,957 | - | 282,957 |
| Summer food programs | 90,166 | - | 90,166 |
| Delivery fees | 66,238 | - | 66,238 |
| Investment income | 127,512 | - | 127,512 |
| Miscellaneous | 16,211 | - | 16,211 |
| Gain (loss) on sale of assets | (3,760) | - | (3,760) |
| Total revenues | <u>33,960,586</u> | <u>1,071,562</u> | <u>35,032,148</u> |
| Net assets released from restrictions | <u>4,251,547</u> | <u>(4,251,547)</u> | <u>-</u> |
| Total net revenue, gains and support | <u>38,212,133</u> | <u>(3,179,985)</u> | <u>35,032,148</u> |
| Expenses | | | |
| Program services | 32,233,751 | - | 32,233,751 |
| Fundraising | 644,734 | - | 644,734 |
| General and administrative | 728,566 | - | 728,566 |
| Total expenses | <u>33,607,051</u> | <u>-</u> | <u>33,607,051</u> |
| Increase in net assets | <u>4,605,082</u> | <u>(3,179,985)</u> | <u>1,425,097</u> |
| Net assets at beginning of year | <u>12,095,379</u> | <u>3,716,831</u> | <u>15,812,210</u> |
| Net assets at end of year | <u>\$ 16,700,461</u> | <u>\$ 536,846</u> | <u>\$ 17,237,307</u> |

| | Year Ended June 30, 2017 | | |
|--|--------------------------|-----------------------------------|----------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
| Gains and support | | | |
| Food contributions | \$ 21,206,227 | \$ - | \$ 21,206,227 |
| Individual, corporate and foundation contributions | 1,392,863 | 6,000 | 1,398,863 |
| Capital campaign | - | 2,371,261 | 2,371,261 |
| Direct mail | 974,996 | - | 974,996 |
| Food safety fees | 226,087 | - | 226,087 |
| USDA commodity contributions | 3,068,529 | - | 3,068,529 |
| Purchased product fees - agency | 891,283 | - | 891,283 |
| Federal and other grants | 1,811,418 | - | 1,811,418 |
| Food assistance program (TEFAP) | 245,790 | - | 245,790 |
| Food assistance program (CACFP) | 173,578 | - | 173,578 |
| Food assistance program (SNAP) | 58,651 | - | 58,651 |
| Food assistance program (CSFP) | 160,821 | - | 160,821 |
| Summer food programs | 92,031 | - | 92,031 |
| Delivery fees | 82,759 | - | 82,759 |
| Investment income | 78,499 | - | 78,499 |
| Miscellaneous | 9,661 | - | 9,661 |
| Total revenues | <u>30,473,193</u> | <u>2,377,261</u> | <u>32,850,454</u> |
| Net assets released from restrictions | <u>4,000</u> | <u>(4,000)</u> | <u>-</u> |
| Total net revenue, gains and support | <u>30,477,193</u> | <u>2,373,261</u> | <u>32,850,454</u> |
| Expenses | | | |
| Program services | 29,136,766 | - | 29,136,766 |
| Fundraising | 604,340 | - | 604,340 |
| General and administrative | 683,146 | - | 683,146 |
| Total expenses | <u>30,424,252</u> | <u>-</u> | <u>30,424,252</u> |
| Increase in net assets | 52,941 | 2,373,261 | 2,426,202 |
| Net assets at beginning of year | <u>12,042,438</u> | <u>1,343,570</u> | <u>13,386,008</u> |
| Net assets at end of year | <u>\$ 12,095,379</u> | <u>\$ 3,716,831</u> | <u>\$ 15,812,210</u> |

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES

OZARKS FOOD HARVEST, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

| | Year Ended June 30, 2018 | | | |
|--------------------------------------|--------------------------|-------------------|-------------------------------|----------------------|
| | Program Services | Fundraising | General and Administrative | Total |
| Payroll | | | | |
| Salaries | \$ 1,520,458 | \$ 242,392 | \$ 440,713 | \$ 2,203,563 |
| Employee benefits | 205,901 | 32,825 | 59,682 | 298,408 |
| Payroll taxes | <u>107,426</u> | <u>17,126</u> | <u>31,138</u> | <u>155,690</u> |
| Total payroll and benefits | <u>1,833,785</u> | <u>292,343</u> | <u>531,533</u> | <u>2,657,661</u> |
| Other Expenses | | | | |
| Food disbursements and waste | 28,626,531 | - | - | 28,626,531 |
| Subrecipients | 227,931 | - | - | 227,931 |
| Special events | 10,384 | 2,396 | 3,195 | 15,975 |
| Transportation expenses | 259,285 | - | - | 259,285 |
| Temporary personnel | 102,319 | - | - | 102,319 |
| Office supplies | 82 | 82 | 16,222 | 16,386 |
| Supplies | 30,061 | 6,937 | 9,249 | 46,247 |
| Advertising | 186,185 | 186,186 | - | 372,371 |
| Dues and subscriptions | 64,258 | 19,772 | 14,829 | 98,859 |
| Printing, promotion and publications | 4,794 | 26,368 | 16,780 | 47,942 |
| Professional fees | 190,453 | 43,951 | 58,601 | 293,005 |
| Postage | 17,036 | 17,036 | - | 34,072 |
| Travel | 4,329 | 4,330 | - | 8,659 |
| Telephone | 13,429 | 746 | 746 | 14,921 |
| Training | 4,014 | 708 | - | 4,722 |
| Utilities | 89,571 | 4,976 | 4,976 | 99,523 |
| Property taxes | - | - | 6,431 | 6,431 |
| Computer expenses | 3,115 | 719 | 958 | 4,792 |
| Repairs and maintenance | 74,911 | 4,162 | 4,162 | 83,235 |
| Conferences and meetings | - | - | 23,908 | 23,908 |
| Depreciation | 452,878 | 25,160 | 25,160 | 503,198 |
| Miscellaneous | <u>38,400</u> | <u>8,862</u> | <u>11,816</u> | <u>59,078</u> |
| Total other expenses | <u>30,399,966</u> | <u>352,391</u> | <u>197,033</u> | <u>30,949,390</u> |
| Total expenses | <u>\$ 32,233,751</u> | <u>\$ 644,734</u> | <u>\$ 728,566</u> | <u>\$ 33,607,051</u> |

| | Year Ended June 30, 2017 | | | |
|--------------------------------------|-----------------------------|--------------------|---------------------------------------|----------------------|
| | <u>Program Services</u> | <u>Fundraising</u> | <u>General and Administrative</u> | <u>Total</u> |
| Payroll | | | | |
| Salaries | \$ 1,397,562 | \$ 222,800 | \$ 405,091 | \$ 2,025,453 |
| Employee benefits | 175,622 | 27,998 | 50,905 | 254,525 |
| Payroll taxes | 99,831 | 15,915 | 28,937 | 144,683 |
| Total payroll and benefits | <u>1,673,015</u> | <u>266,713</u> | <u>484,933</u> | <u>2,424,661</u> |
| Other Expenses | | | | |
| Food disbursements and waste | 25,773,210 | - | - | 25,773,210 |
| Subrecipients | 224,217 | - | - | 224,217 |
| Special events | 9,350 | 2,158 | 2,877 | 14,385 |
| Transportation expenses | 282,233 | - | - | 282,233 |
| Temporary personnel | 77,881 | - | - | 77,881 |
| Office supplies | 57 | 56 | 11,181 | 11,294 |
| Supplies | 18,803 | 4,339 | 5,786 | 28,928 |
| Advertising | 177,680 | 177,681 | - | 355,361 |
| Dues and subscriptions | 54,612 | 16,804 | 12,603 | 84,019 |
| Printing, promotion and publications | 4,620 | 25,410 | 16,170 | 46,200 |
| Professional fees | 207,374 | 47,856 | 63,808 | 319,038 |
| Postage | 15,060 | 15,061 | - | 30,121 |
| Travel | 6,623 | 6,623 | - | 13,246 |
| Telephone | 12,624 | 701 | 701 | 14,026 |
| Training | 2,450 | 432 | - | 2,882 |
| Utilities | 81,917 | 4,551 | 4,551 | 91,019 |
| Property taxes | - | - | 6,420 | 6,420 |
| Computer expenses | 1,087 | 251 | 334 | 1,672 |
| Repairs and maintenance | 72,519 | 4,029 | 4,029 | 80,577 |
| Conferences and meetings | - | - | 34,938 | 34,938 |
| Depreciation | 400,621 | 22,257 | 22,257 | 445,135 |
| Miscellaneous | 40,813 | 9,418 | 12,558 | 62,789 |
| Total other expenses | <u>27,463,751</u> | <u>337,627</u> | <u>198,213</u> | <u>27,999,591</u> |
| Total expenses | <u>\$ 29,136,766</u> | <u>\$ 604,340</u> | <u>\$ 683,146</u> | <u>\$ 30,424,252</u> |

The accompanying notes are an integral part of these financial statements.

OZARKS FOOD HARVEST, INC.

STATEMENTS OF CASH FLOWS

| | Years Ended June 30. | |
|---|----------------------|--------------|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 1,425,097 | \$ 2,426,202 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 503,198 | 445,135 |
| Loss on disposal of assets | 3,760 | - |
| Net unrealized losses (gains) on investments | (10,130) | (12,559) |
| (Increase) decrease in: | | |
| Accounts receivable | (62,278) | 53,036 |
| Pledges receivable | 1,499 | (1,051,133) |
| Inventories | (108,525) | 2,986 |
| Increase (decrease) in: | | |
| Accounts payable | 391,512 | (15,020) |
| Payroll taxes payable | (19,451) | 597 |
| Due to other organizations | (48,348) | (21,074) |
| Advances | 9,816 | 2,184 |
| Net cash provided by operating activities | 2,086,150 | 1,830,354 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (4,311,621) | (436,565) |
| Purchases of investments | (92,623) | (135,928) |
| Proceeds from sales of investments | 3,470 | 1,841 |
| Net cash used in investing activities | (4,400,774) | (570,652) |
| Increase in cash and cash equivalents | (2,314,624) | 1,259,702 |
| Cash and cash equivalents at beginning of year | 7,517,190 | 6,257,488 |
| Cash and cash equivalents at end of year | \$ 5,202,566 | \$ 7,517,190 |

The accompanying notes are an integral part of these financial statements.

OZARKS FOOD HARVEST, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

1. Summary of significant accounting policies

This summary of significant accounting policies of **Ozarks Food Harvest** (the Organization), is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of the Organization

Ozarks Food Harvest, Inc. was founded in 1983 as a joint project of the Council of Churches of the Ozarks and the Southwest Missouri Office on Aging. Since 1989, the Organization has been an independent, self-funded and governed 501(c)(3) organization.

Ozarks Food Harvest, Inc. operates as a food bank for 28 counties in Southwest Missouri. The Organization collects food and distributes it to a network of 303 member agencies such as shelters, soup kitchens, senior centers, food pantries and daycares. These hunger relief organizations serve poverty stricken children, working poor families and seniors. In addition to food distribution, the Organization offers direct relief through its Kids Café (after school feeding program), Weekend Backpack program, and Mobile Food Pantry programs.

The Organization received food donations from local and regional producers, growers, distributors and retailers. National food donations also come via Feeding America, The Nation's Food Bank Network, and through federal government subsidies. Donated food is inspected, sorted, labeled and stored at the warehouse for repacking and distribution. The Organization delivers directly to member agencies and prepares orders for agencies to pick up.

Methods of accounting

The Organization uses the accrual method of accounting, which recognizes revenue when earned and expenses when incurred.

Financial statement presentation

Financial statement presentation follows the United States generally accepted accounting principles (U.S. GAAP). Under U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets as of June 30, 2018 and 2017. The Organization does not use fund accounting.

Cash and cash equivalents

The Organization considers all liquid investments available for current use with original maturities of three months or less to be cash equivalents.

Inventory

Inventories consist of donated food from the public, government commodities, and purchased product. Donated product is valued per pound based on Feeding America National Food Bank's stated five-year average, and purchased product is valued at average cost. Nonmonetary assistance such as USDA food commodities are recorded at the value determined by the Missouri Department of Social Services.

Property and depreciation

Property and equipment are stated at cost. It is the Organization's policy to capitalize property and equipment with a value of \$250 or more with a life expectancy longer than three years. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Depreciation is computed by applying the following methods and estimated lives:

| <u>Category</u> | <u>Estimated Life</u> | <u>Method</u> |
|----------------------------|-----------------------|---------------|
| Buildings and improvements | 39 years | Straight-line |
| Leasehold improvements | 5-15 years | Straight-line |
| Vehicles | 5-7 years | Straight-line |
| Furniture and equipment | 5-15 years | Straight-line |
| Computer equipment | 3-7 years | Straight-line |

The costs of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income, except for gains on assets traded where no cash was received. Expenditures for maintenance and repairs are charged to income as incurred.

Depreciation expense totaled \$503,198 and \$445,135 for the years ended June 30, 2018 and 2017, respectively.

Funding and support

Funding for the Organization comes in the form of contracts with city, state, and federal agencies, and from private sources, such as individuals, foundations and corporations. The Organization also receives handling fees up to \$.12 per pound, and delivery fees up to \$.06 per pound for food distributed to agencies.

The Kids Café is funded through the USDA Child and Adult Care Food Programs. USDA's Food and Nutrition Service administers CACFP through grants to States. The Organization submits monthly claim forms to the State to receive reimbursements on a per-meal served basis.

Contributed goods, services, and facilities

During the years ended June 30, 2018 and 2017, the value of contributed goods and services meeting the requirements for recognition in the financial statements was material and has been recorded at fair market value. Contributed goods and services are recognized if the donation creates or enhances a nonfinancial asset or requires specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The value of contributed goods and services as of June 30, 2018 and 2017 was \$26,039,783 and \$23,197,183, respectively and has been properly used to support program services.

Contributions and unconditional promises to give

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

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Pledges receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that may not be collected. Management reviews all pledge balances that are considered delinquent and, based upon donor history with the Organization, estimates the portion, if any, of the balance that may not be collected.

Functional allocation of expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with the program are allocated directly according to their natural expense classification. Various statistical bases allocate other expenses that are common to several functions.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$372,371 and \$355,361 for the year ended June 30, 2018 and 2017, respectively.

Income taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501c(3) of the Internal Revenue Code and classified by the Internal Revenue Services as other than a private foundation.

The Organization has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to the Internal Revenue Service are 2015 through 2018 tax years. However, the Organization is not currently under audit nor has the Organization been contacted by any jurisdiction. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the fiscal years ended June 30, 2018 and 2017. Interest and penalties,

if any, related to annual Form 990 or unrelated business income tax filings are reported within general and administrative expenses in the statement of activities.

The Organization has adopted the Financial Accounting Standards Board's prescribed recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization has taken the position of being exempt from income taxes. The Organization believes their estimates are appropriate based on current facts and circumstances.

Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Organization has evaluated subsequent events through December 21, 2018, the date on which the financial statements were available to be issued.

Recent accounting pronouncements

The FASB issue ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, (ASU 2016-14) in August 2016. ASU 2016-14 improves the current net asset classification requirements and the information presented in the financial statements and notes about the Organization's liquidity, financial performance, and cash flows. The new standard is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, (ASU 2014-09) which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Organization on December 15, 2018. The standard permits the use of either the retrospective or modified-retrospective transition method. The Organization is evaluating the effect that ASU 2014-09 will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02 *Leases*. ASU 2016-02 requires recognition of the assets and liabilities that arise from leases. The new standard is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements.

The FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, in June 2016. Its implementation will result in a new Accounts Receivable loss accounting framework, also known as the current expected credit loss (CECL) model. CECL requires credit losses expected throughout the life of the asset to be recorded at the time of origination. Under the current incurred loss model, losses are recorded when it is probable that a loss event has occurred. The new standard will require significant operational changes, especially in data collection and analysis. The ASU is effective for interim and annual periods beginning January 1, 2021, and is expected to increase the allowance

upon adoption. The Organization is assessing the standard and is in the process of reviewing the capability of its systems and processes to support the data collection and retention required to implement the new standard.

2. Restricted net assets

Temporarily restricted net assets as of June 30, 2018 and 2017 are available for the following purposes:

| <u>Temporary restricted net assets</u> | <u>2018</u> | <u>2017</u> |
|--|-------------------|---------------------|
| Mobile Food Pantry Truck | \$ - | \$ 6,000 |
| Capital Campaign | 536,846 | 3,710,831 |
| Total temporary restricted net assets | <u>\$ 536,846</u> | <u>\$ 3,716,831</u> |

Net assets were released from donor restrictions during the year by incurring expenses satisfying the restricted purposes or time restrictions specified by the donors as follows:

| | <u>2018</u> | <u>2017</u> |
|---------------------------|---------------------|-----------------|
| Mobile Food Pantry Truck | \$ 6,000 | \$ 4,000 |
| Capital Campaign | 4,245,547 | - |
| Total net assets released | <u>\$ 4,251,547</u> | <u>\$ 4,000</u> |

3. Accounts receivable

Accounts receivable consist of amounts due from the U.S. Department of Agriculture for food service program reimbursements for expenses during the year ended June 30, 2018 and 2017. Due to the nature of this receivable, no allowance for doubtful accounts was established. Accounts receivable as of June 30, 2018 and 2017 was \$126,323 and \$64,045, respectively, for food service program reimbursements.

4. Pledges receivable

Pledges receivable consist of the following unconditional promises to give:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------------|---------------------|---------------------|
| Gross unconditional promise to give | \$ 1,723,055 | \$ 1,774,469 |
| Less: Allowance for uncollectible | - | - |
| Unamortized discount | (65,546) | (115,461) |
| Net unconditional promises to give | <u>\$ 1,657,509</u> | <u>\$ 1,659,008</u> |

Unconditional promises to give are due as follows:

| | |
|--------------------|---------------------|
| Less than one year | \$ 1,286,498 |
| One to five years | <u>371,011</u> |
| | <u>\$ 1,657,509</u> |

The Organization used the average incremental borrowing rate of 0.066% based on analysis of historical data to calculate the unamortized discount.

5. Investments

Investments consist of the following:

| | June 30, 2018 | | | Estimated |
|------------------------------------|---------------|----------------|--------|------------|
| | Amortized | Net Unrealized | | Fair |
| | Cost | Gains | Losses | Value |
| Community Foundation of the Ozarks | \$ 378,680 | \$ 10,130 | \$ - | \$ 388,810 |

| | June 30, 2017 | | | Estimated |
|------------------------------------|---------------|----------------|--------|------------|
| | Amortized | Net Unrealized | | Fair |
| | Cost | Gains | Losses | Value |
| Community Foundation of the Ozarks | \$ 276,968 | \$ 12,559 | \$ - | \$ 289,527 |

Total investment income on the statement of activities is comprised of the following:

| | 2018 | 2017 |
|--|-------------------|------------------|
| Investment earnings, including interest | \$ 117,382 | \$ 65,940 |
| Net unrealized gains, Community Foundation | <u>10,130</u> | <u>12,559</u> |
| Total investment income | <u>\$ 127,512</u> | <u>\$ 78,499</u> |

6. Fair value of financial instruments

The Organization has adopted ASC. 820, *Fair Value Measurements and Disclosures*. ASC. 820, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements.

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. ASC. 820, establishes a fair value hierarchy that prioritizes the inputs used in valuation techniques used to measure fair value into three levels, with Level 1 being the highest priority.

Level 1 inputs: Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 inputs: Level 2 inputs are from other than market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active.

Level 3 inputs: Level 3 inputs are unobservable and should be used to measure fair value to the extent that observable inputs are not available.

The following are major categories of assets and liabilities measured at fair value on a recurring basis during the years ended December 31:

Investments - Fair values have been determined using quoted market prices.

| | June 30, 2018 | | | Carrying Amount |
|------------------------------------|---------------|------------|---------|--------------------|
| | Fair Value | | | |
| | Level 1 | Level 2 | Level 3 | |
| <u>Financial Assets</u> | | | | |
| Investments | | | | |
| Community Foundation of the Ozarks | \$ - | \$ 388,810 | \$ - | \$ 388,810 |

| | June 30, 2017 | | | Carrying Amount |
|------------------------------------|---------------|------------|---------|--------------------|
| | Fair Value | | | |
| | Level 1 | Level 2 | Level 3 | |
| <u>Financial Assets</u> | | | | |
| Investments | | | | |
| Community Foundation of the Ozarks | \$ - | \$ 289,527 | \$ - | \$ 289,527 |

7. Lease expense

The Organization has several copier lease agreements, the latest of which expires in 2019. The future minimum lease payments are as follows:

| | |
|------|-----------------|
| 2019 | \$ 2,310 |
| 2020 | - |
| 2021 | - |
| 2022 | - |
| 2023 | - |
| | <u>\$ 2,310</u> |

8. Property and equipment

Property and equipment consists of the following at June 30, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------|---------------------|---------------------|
| Office equipment | \$ 1,360,957 | \$ 1,186,126 |
| Vehicles | 1,746,176 | 1,740,133 |
| Building | 4,487,943 | 4,483,980 |
| Land | 723,425 | 723,425 |
| Land Improvements | 19,424 | 20,190 |
| Construction in process | <u>4,245,547</u> | <u>188,019</u> |
| | 12,583,472 | 8,341,873 |
| Less accumulated depreciation | <u>(3,272,915)</u> | <u>(2,835,979)</u> |
| | <u>\$ 9,310,557</u> | <u>\$ 5,505,894</u> |

9. Retirement plan

In 2008, the Organization adopted a 403(b) Retirement Plan in accordance with the Internal Revenue Code. All employees meeting eligibility requirements that choose to participate receive a matching contribution from the Organization up to 3% of the employees' gross earnings. The Organization contributed \$48,051 and \$44,017 for the years ended June 30, 2018 and 2017, respectively.

10. Concentrations of credit risk

At times during the current fiscal year, the Organization's cash balances exceeded the U.S. Federal Deposit Insurance Corporation's insurance limits.

11. Concentrations of revenue

The Organization received \$5,748,629 of donated food from Wal-Mart which represents 25% of the total food contributions received for the year ended June 30, 2018. During the prior year, the Organization received \$6,626,503 of donated food from Wal-Mart which represented 31% of total food contributions.



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 GOVERNMENTAL AUDITING STANDARDS

Board of Directors
Ozarks Food Harvest
Springfield, Missouri

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **Ozarks Food Harvest** (the Organization) (a non-profit organization), which are comprised of the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, 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 December 21, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 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 misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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.

A handwritten signature in black ink that reads "THE WHITLOCK CO, LLP". The signature is written in a cursive, slightly slanted style.

Springfield, Missouri
December 21, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE
UNIFORM GUIDANCE

Board of Directors
Ozarks Food Harvest
Springfield, Missouri

Report on Compliance for Each Major Federal Program

We have audited the compliance of **Ozarks Food Harvest** (the Organization) (a non-profit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2018. The Organization'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 the Organization'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; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 have occurred. A compliance audit includes examining, on a test basis, evidence about the Organization's compliance with those 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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2018.

Report on Internal Control over Compliance

Management of the Organization 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 the Organization'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 the Organization'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 control 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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "THE WHITLOCK CO., LP". The signature is written in a cursive, slightly slanted style.

Springfield, Missouri
December 21, 2018

OZARKS FOOD HARVEST, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| <u>Department of Agriculture</u> | | | |
| <i>Passed through program from:</i> | | | |
| <i>Missouri Department of Health and Senior Services</i> | | | |
| Child and Adult Care Food Program | 10.558 | ERS46111183 | \$ 172,792 |
| Summer Food Program | 10.559 | ERS046-1183S | 90,166 |
| Food Distribution Cluster | | | |
| Commodity Supplemental Food Program (Food Commodities) | 10.565 | C314042002 | 867,229 |
| Commodity Supplemental Food Program (Administrative Costs) | 10.565 | C314042002 | 282,957 |
| <i>Missouri Department of Social Services</i> | | | |
| Food Distribution Cluster | | | |
| Emergency Food Assistance Program (Food Commodities) | 10.569 | ER113140102 | 2,073,099 |
| Emergency Food Assistance Program (Administrative Costs) | 10.568 | ER113140102 | <u>350,781</u> |
| Total Department of Agriculture | | | 3,837,024 |
| <u>Department of Health and Human Services</u> | | | |
| <i>Passed through program from:</i> | | | |
| <i>Missouri Department of Social Services</i> | | | |
| Temporary Assistance for Needy Families | 93.558 | ER113120016 | <u>1,651,867</u> |
| Total Department of Health and Human Services | | | 1,651,867 |
| <u>Department of Housing and Urban Development</u> | | | |
| <i>Passed through program from:</i> | | | |
| <i>City of Springfield, Missouri</i> | | | |
| Community Development Block Grant | 14.218 | 2014-1450 | <u>17,928</u> |
| Total Department of Housing and Urban Development | | | <u>17,928</u> |
| Total Expenditures of Federal Awards | | | \$ <u>5,506,819</u> |

OZARKS FOOD HARVEST, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

1. Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Ozarks Food Harvest** under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of operations of the Organization, it is not intended to and does not present the financial position, change in net assets, or cash flows for **Ozarks Food Harvest**.

2. Summary of significant accounting policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Food commodities

Nonmonetary assistance is reported in the schedule at the value determined by Feeding America National Food Bank Network.

4. Subsequent events

In preparing the schedule of expenditures of federal awards, the Organization has evaluated events and transactions for potential recognition or disclosure through December 21, 2018, the date the schedule was available to be issued.

OZARKS FOOD HARVEST, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified not considered to be material weakness(es) _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified not considered to be material weakness(es) _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance _____ Yes X No

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|------------------------|---|
| 10.565, 10.568, 10.569 | Emergency Food Assistance Program (Cluster) |

Dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Auditee qualified as low-risk auditee? _____ X Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no matters which are required to be reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters which are required to be reported.

OZARKS FOOD HARVEST, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

There are no prior year audit findings to report.