



THE WHITLOCK CO.

*CPAs and Consultants*

**OZARKS FOOD HARVEST, INC.**

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**FINANCIAL STATEMENTS  
with  
INDEPENDENT AUDITOR'S REPORT  
YEARS ENDED JUNE 30, 2016 AND 2015**

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## 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 the **Ozarks Food Harvest** (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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, 2016 and 2015, 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 January 12, 2017 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 slanted style.

Springfield, Missouri  
January 12, 2017

**OZARKS FOOD HARVEST, INC.**

**STATEMENTS OF FINANCIAL POSITION**

ASSETS

	June 30,	
	2016	2015
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,913,918	\$ 5,126,474
Restricted cash and cash equivalents	1,343,570	186,193
	6,257,488	5,312,667
Investments	142,881	-
Accounts receivable	117,081	106,775
Pledges receivable - current portion	187,436	-
Inventory	969,715	1,113,036
<b>Total current assets</b>	<b>7,674,601</b>	<b>6,532,478</b>
<b>Pledges receivable - long term</b>	<b>420,439</b>	<b>-</b>
<b>Fixed assets</b>		
Property and equipment, net of accumulated depreciation	5,514,464	5,458,921
<b>Net fixed assets</b>	<b>5,514,464</b>	<b>5,458,921</b>
<b>Total assets</b>	<b>\$ 13,609,504</b>	<b>\$ 11,991,399</b>

LIABILITIES AND NET ASSETS

<b>Current liabilities</b>		
Accounts payable	\$ 54,580	\$ 29,113
Payroll taxes payable	23,379	24,152
Due to other organizations	133,341	105,418
Advances	12,196	9,360
<b>Total current liabilities</b>	<b>223,496</b>	<b>168,043</b>
<b>Net assets</b>		
Unrestricted	12,042,438	11,637,163
Temporarily restricted	1,343,570	186,193
<b>Total net assets</b>	<b>13,386,008</b>	<b>11,823,356</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,609,504</b>	<b>\$ 11,991,399</b>

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, 2016		
	Unrestricted	Temporarily Restricted	Total
<b>Gains and support</b>			
Food contributions	\$ 19,698,416	\$ -	\$ 19,698,416
Individual, corporate and foundation contributions	1,272,938	22,857	1,295,795
Capital campaign	-	1,339,570	1,339,570
Direct mail	988,981	-	988,981
Food safety fees	272,243	-	272,243
USDA commodity contributions	2,617,312	-	2,617,312
Purchased product fees - agency	532,498	-	532,498
Neighborhood assistance program	74,792	-	74,792
Federal and other grants	1,822,199	-	1,822,199
Food assistance program (TEFAP)	299,592	-	299,592
Food assistance program (CACFP)	159,329	-	159,329
Food assistance program (SNAP)	23,567	-	23,567
Food assistance program (CSFP)	137,715	-	137,715
Summer food programs	92,413	-	92,413
Delivery fees	121,450	-	121,450
Investment income	35,599	-	35,599
Miscellaneous	5,298	-	5,298
Total revenues	28,154,342	1,362,427	29,516,769
<b>Net assets released from restrictions</b>	205,050	(205,050)	-
<b>Total net revenue, gains and support</b>	28,359,392	1,157,377	29,516,769
<b>Expenses</b>			
Program services	26,703,961	-	26,703,961
Fundraising	608,140	-	608,140
General and administrative	642,016	-	642,016
Total expenses	27,954,117	-	27,954,117
<b>Increase in net assets</b>	405,275	1,157,377	1,562,652
Net assets at beginning of year	11,637,163	186,193	11,823,356
Net assets at end of year	\$ 12,042,438	\$ 1,343,570	\$ 13,386,008

	Year Ended June 30, 2015		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Gains and support</b>			
Food contributions	\$ 20,502,796	\$ -	\$ 20,502,796
Individual, corporate and foundation contributions	1,149,014	8,923	1,157,937
Direct mail	953,591	-	953,591
Food safety fees	213,042	-	213,042
USDA commodity contributions	2,318,364	-	2,318,364
Purchased product fees - agency	535,015	-	535,015
Neighborhood assistance program	199,824	-	199,824
Federal and other grants	1,740,925	-	1,740,925
Food assistance program (TEFAP)	266,006	-	266,006
Food assistance program (CACFP)	172,174	-	172,174
Food assistance program (SNAP)	15,412	-	15,412
Food assistance program (CSFP)	118,853	-	118,853
Summer food programs	100,009	-	100,009
Delivery fees	126,444	-	126,444
Investment income	40,367	-	40,367
Miscellaneous	3,480	-	3,480
Total revenues	<u>28,455,316</u>	<u>8,923</u>	<u>28,464,239</u>
<b>Net assets released from restrictions</b>	<u>153,726</u>	<u>(153,726)</u>	<u>-</u>
<b>Total net revenue, gains and support</b>	<u>28,609,042</u>	<u>(144,803)</u>	<u>28,464,239</u>
<b>Expenses</b>			
Program services	26,915,421	-	26,915,421
Fundraising	562,673	-	562,673
General and administrative	554,070	-	554,070
Total expenses	<u>28,032,164</u>	<u>-</u>	<u>28,032,164</u>
<b>Increase (decrease) in net assets</b>	576,878	(144,803)	432,075
Net assets at beginning of year (restated)	<u>11,060,285</u>	<u>330,996</u>	<u>11,391,281</u>
Net assets at end of year	<u>\$ 11,637,163</u>	<u>\$ 186,193</u>	<u>\$ 11,823,356</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, 2016			
	Program Services	Fundraising	General and Administrative	Total
<b>Payroll</b>				
Salaries	\$ 1,310,790	\$ 208,967	\$ 379,939	\$ 1,899,696
Employee benefits	149,487	23,831	43,330	216,648
Payroll taxes	96,973	15,459	28,108	140,540
Total payroll and benefits	<u>1,557,250</u>	<u>248,257</u>	<u>451,377</u>	<u>2,256,884</u>
<b>Other Expenses</b>				
Food disbursements and waste	23,505,581	-	-	23,505,581
Subrecipients	213,302	-	-	213,302
Special events	10,054	2,320	3,093	15,467
Transportation expenses	211,244	-	-	211,244
Temporary personnel	67,503	-	-	67,503
Office supplies	57	57	11,272	11,386
Supplies	21,441	4,948	6,597	32,986
Advertising	198,998	198,998	-	397,996
Dues and subscriptions	86,975	26,762	20,071	133,808
Printing, promotion and publications	3,648	20,063	12,767	36,478
Professional fees	196,071	45,247	60,329	301,647
Postage	16,444	16,444	-	32,888
Travel	4,525	4,525	-	9,050
Telephone	12,271	682	682	13,635
Training	2,615	461	-	3,076
Utilities	74,824	4,157	4,157	83,138
Property taxes	-	-	8,322	8,322
Computer expenses	678	156	208	1,042
Repairs and maintenance	63,106	3,506	3,506	70,118
Conferences and meetings	-	-	25,379	25,379
Depreciation	422,289	23,460	23,460	469,209
Miscellaneous	35,085	8,097	10,796	53,978
Total other expenses	<u>25,146,711</u>	<u>359,883</u>	<u>190,639</u>	<u>25,697,233</u>
<b>Total expenses</b>	<u>\$ 26,703,961</u>	<u>\$ 608,140</u>	<u>\$ 642,016</u>	<u>\$ 27,954,117</u>

	Year Ended June 30, 2015			
	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Payroll				
Salaries	\$ 1,191,857	\$ 190,006	\$ 345,466	\$ 1,727,329
Employee benefits	139,527	22,243	40,442	202,212
Payroll taxes	86,362	13,768	25,033	125,163
Total payroll and benefits	<u>1,417,746</u>	<u>226,017</u>	<u>410,941</u>	<u>2,054,704</u>
Other Expenses				
Food disbursements and waste	24,018,635	-	-	24,018,635
Subrecipients	238,226	-	-	238,226
Special events	11,815	2,727	3,636	18,178
Transportation expenses	199,914	-	-	199,914
Temporary personnel	42,081	-	-	42,081
Office supplies	581	580	10,445	11,606
Supplies	19,563	4,515	6,019	30,097
Advertising	217,127	217,127	-	434,254
Dues and subscriptions	10,140	3,120	2,340	15,600
Printing, promotion and publications	3,038	16,708	10,633	30,379
Professional fees	152,983	35,304	47,072	235,359
Acquisition fees	1,411	-	-	1,411
Postage	15,176	15,176	-	30,352
Travel	4,867	4,867	-	9,734
Telephone	11,077	615	615	12,307
Training	1,116	197	-	1,313
Utilities	78,158	4,342	4,342	86,842
Computer expenses	597	138	184	919
Repairs and maintenance	47,656	2,648	2,648	52,952
Conferences and meetings	-	-	24,380	24,380
Depreciation	394,613	21,923	21,923	438,459
Miscellaneous	28,901	6,669	8,892	44,462
Total other expenses	<u>25,497,675</u>	<u>336,656</u>	<u>143,129</u>	<u>25,977,460</u>
Total expenses	<u>\$ 26,915,421</u>	<u>\$ 562,673</u>	<u>\$ 554,070</u>	<u>\$ 28,032,164</u>

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

**OZARKS FOOD HARVEST, INC.**

**STATEMENTS OF CASH FLOWS**

	<u>Years Ended June 30.</u>	
	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 1,562,652	\$ 432,075
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	469,209	438,459
Net unrealized losses on investments	6,673	-
Increase (decrease) in:		
Accounts receivable	(618,181)	241,534
Inventories	143,321	44,468
(Increase) decrease in:		
Accounts payable	25,467	(56,794)
Payroll taxes payable	(773)	5,570
Due to other organizations	27,923	(71,958)
Advances	2,836	(66,230)
	<u>1,619,127</u>	<u>967,124</u>
Net cash provided by operating activities		
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(524,752)	(373,728)
Purchases of investments	(150,615)	-
Proceeds from sales of investments	<u>1,061</u>	<u>-</u>
	<u>(674,306)</u>	<u>(373,728)</u>
Net cash used in investing activities		
<b>Increase in cash and cash equivalents</b>	944,821	593,396
Cash and cash equivalents at beginning of year	<u>5,312,667</u>	<u>4,719,271</u>
Cash and cash equivalents at end of year	<u>\$ 6,257,488</u>	<u>\$ 5,312,667</u>

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

## OZARKS FOOD HARVEST, INC.

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

#### 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 269 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, 2016 and 2015. 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 Feeding America.

### 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 \$469,209 and \$438,459 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015 was \$21,663,197 and \$22,318,658, 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 \$397,996 and \$434,254 for the year ended June 30, 2016 and 2015, 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 2013 through 2016 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, 2016 and 2015. 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 January 12, 2017, the date on which the financial statements were available to be issued.

## **2. Restricted net assets**

Temporarily restricted net assets as of June 30, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Trusts	\$ -	\$ 34,953
Food for Thought	-	104,350
Mobile Food Pantry Truck	4,000	44,163
Agency Reserves	-	2,727
Capital Campaign	<u>1,339,570</u>	<u>-</u>
Total temporary restricted net assets	<u>\$ 1,343,570</u>	<u>\$ 186,193</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>2016</u>	<u>2015</u>
Advance Disaster Relief	\$ -	\$ 1,005
Trusts	34,953	-
Food for Thought	117,730	-
Mobile Food Pantry Truck	44,163	5,508
Agency Reserves	8,204	-
Capital Campaign	<u>-</u>	<u>147,213</u>
Total net assets released	<u>\$ 205,050</u>	<u>\$ 153,726</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, 2016 and 2015. Due to the nature of this receivable, no allowance for doubtful accounts was established. Accounts receivable as of June 30, 2016 and 2015 was \$117,081 and \$106,775, respectively, for food service program reimbursements.

### 4. Pledges receivable

Pledges receivable consist of the following unconditional promises to give:

	<u>2016</u>	<u>2015</u>
Gross unconditional promise to give	\$ 699,893	\$ -
Less: Allowance for uncollectible	-	-
Unamortized discount	<u>(92,018)</u>	-
Net unconditional promises to give	<u>\$ 607,875</u>	<u>\$ -</u>

Unconditional promises to give are due as follows:

Less than one year	\$ 187,436
One to five years	<u>420,439</u>
	<u>\$ 607,875</u>

The Organization used the average incremental borrowing rate of 0.066% to calculate the unamortized discount.

### 5. Investments

Investments consist of the following:

	<u>June 30, 2016</u>			
	<u>Amortized</u>	<u>Net Unrealized</u>		Estimated
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	Fair
				Value
Community Foundation of the Ozarks	\$ 149,554	\$ -	\$ 6,673	\$ 142,881

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

	<u>2016</u>	<u>2015</u>
Investment earnings, including interest	\$ 42,272	\$ 40,367
Net unrealized losses, Community Foundation	<u>(6,673)</u>	-
Total investment income	<u>\$ 35,599</u>	<u>\$ 40,367</u>

## 6. Fair value of financial instruments

The Organization has adopted *FASB Codification No. 820, Fair Value Measurements and Disclosures*. *FASB Codification No. 820* defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements.

*FASB Codification No. 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. *FASB Codification No. 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, 2016			Carrying Amount
	Fair Value			
	Level 1	Level 2	Level 3	
<u>Financial Assets</u>				
Investments				
Community Foundation of the Ozarks	\$ -	\$ 142,881	\$ -	\$ 142,881

## 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:

2017	\$	12,913
2018		11,369
2019		2,310
2020		-
2021		-
	\$	<u>26,592</u>

## 8. Property and equipment

Property and equipment consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Office equipment	\$ 1,103,961	\$ 993,490
Vehicles	1,387,670	1,143,414
Building	4,483,980	4,483,981
Land	723,425	723,425
Land Improvements	20,190	20,190
Construction in process	<u>186,081</u>	<u>16,081</u>
	7,905,307	7,380,581
Less accumulated depreciation	<u>(2,390,843)</u>	<u>(1,921,660)</u>
	<u>\$ 5,514,464</u>	<u>\$ 5,458,921</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 \$39,027 and \$33,020 for the years ended June 30, 2016 and 2015, 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 \$8,128,406 of donated food from Wal-Mart which represents 38% of the total food contributions received for the year ended June 30, 2016. During the prior year, the Organization received \$9,930,579 of donated food from Wal-Mart which represented 50% of total food contributions.

## 12. Restatement

Beginning temporary restricted net assets at July 1, 2014, was reduced by \$78,000 based on 2014 year grant program advances that were classified as temporary restricted contributions in error. The effect of this restatement did not affect net income.



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, 2016, 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 January 12, 2017.

**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  
January 12, 2017



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, 2016. 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, 2016.

## **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.

### **Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the 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., LLP". The signature is written in a cursive, slightly slanted style.

Springfield, Missouri  
January 12, 2017

**OZARKS FOOD HARVEST, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><u>Department of Agriculture</u></b>			
<i>Passed through program from:</i>			
<i>Missouri Department of Health and Senior Services</i>			
Child and Adult Care Food Program	10.558	ERS46111183	\$ 159,329
Summer Food Program	10.559	ERS046-1183S	92,413
Food Distribution Cluster			
Commodity Supplemental Food Program (Food Commodities)	10.565	C314042002	522,201
Commodity Supplemental Food Program (Administrative Costs)	10.565	C314042002	137,715
<i>Missouri Department of Social Services</i>			
Food Distribution Cluster			
Emergency Food Assistance Program (Food Commodities)	10.569	ER113140102	2,097,347
Emergency Food Assistance Program (Administrative Costs)	10.568	ER113140102	<u>299,592</u>
 Total Department of Agriculture			 3,308,597
<b><u>Department of Health and Human Services</u></b>			
<i>Passed through program from:</i>			
<i>Missouri Department of Social Services</i>			
Temporary Assistance for Needy Families	93.558	ER113120016	<u>1,446,667</u>
 Total Department of Health and Human Services			 1,446,667
<b><u>Department of Housing and Urban Development</u></b>			
<i>Passed through program from:</i>			
<i>City of Springfield, Missouri</i>			
Community Development Block Grant	14.218	2014-1450	<u>17,181</u>
 Total Department of Housing and Urban Development			 <u>17,181</u>
 <b>Total Expenditures of Federal Awards</b>			 <b>\$ <u>4,772,445</u></b>

**OZARKS FOOD HARVEST, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016. 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 January 12, 2017, 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, 2016**

**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, 2015**

There are no prior year audit findings to report.