

**Shared Harvest Foodbank, Inc.**

**Financial Statements and  
Supplemental Information  
December 31, 2018 and 2017  
Together with Independent Auditor's Reports**

# Shared Harvest Foodbank, Inc.

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STEPHENSON  
& WARNER, INC.  
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

To the Board of Trustees of  
Shared Harvest Foodbank, Inc.  
Fairfield, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of Shared Harvest Foodbank, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shared Harvest Foodbank, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Report on Summarized Comparative Information***

We have previously audited Shared Harvest Foodbank, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***Other Matters***

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis, 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 20, 2019, on our consideration of Shared Harvest Foodbank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Shared Harvest Foodbank, Inc.'s 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 Shared Harvest Foodbank, Inc.'s internal control over financial reporting and compliance.

  
**Stephenson and Warner, Inc.**  
Hamilton, Ohio

December 20, 2019

**Shared Harvest Foodbank, Inc.**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 528,838	\$ 536,641
Accounts receivable	153,439	94,802
Inventory	814,549	640,352
Inventory - restricted	139,575	187,040
Restricted cash and cash equivalents	137,034	72,410
Total current assets	1,773,435	1,531,245
Investments	162,194	173,367
Property and equipment, net	806,688	793,137
Total assets	2,742,317	2,497,749
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of mortgage note payable	41,506	30,210
Accounts payable	144,169	68,044
Accrued payroll and related taxes	25,518	16,735
Accrued liabilities	28,228	16,411
Total current liabilities	239,421	131,400
Mortgage note payable, net of current portion	145,280	186,781
Total liabilities	384,701	318,181
Net assets		
Without donor restrictions	1,918,813	1,746,751
Without donor restrictions - board designated	162,194	173,367
	2,081,007	1,920,118
With donor restrictions	276,609	259,450
Total net assets	2,357,616	2,179,568
Total liabilities and net assets	\$ 2,742,317	\$ 2,497,749

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

**Shared Harvest Foodbank, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2018 with Comparative Totals for 2017**

	<b>2018</b>			<b>2017</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
Public support and revenue				
Public support				
Received directly				
In-kind food contributions	\$ 2,893,550	\$ 430,918	\$ 3,324,468	\$ 3,944,848
Other contributions	221,362	166,812	388,174	407,970
Direct mail contributions	16,223	-	16,223	39,993
Received indirectly				
Foundations	48,524	72,945	121,469	65,659
United Way of Greater Cincinnati	35,792	-	35,792	47,622
Butler County United Way	54,037	22,148	76,185	83,325
Oxford United Way	-	3,500	3,500	6,510
Warren County United Way	33,565	-	33,565	33,565
United Way other	33,257	-	33,257	21,606
Total public support	<u>3,336,310</u>	<u>696,323</u>	<u>4,032,633</u>	<u>4,651,098</u>
Revenue				
Fees and grants from government agencies				
The Emergency Food Assistance Program (TEFAP)	2,035,111	-	2,035,111	1,783,199
Commodity Supplement Food Program (CSFP)	701,908	-	701,908	584,342
Emergency Food & Shelter	-	750	750	500
Other revenue				
Member agency support	374,718	-	374,718	389,008
Special events	144,086	53,150	197,236	190,374
Ohio Association of Foodbanks (OAF)	1,370,971	-	1,370,971	1,707,268
Investment activity, net	(6,133)	35	(6,098)	26,656
Net assets released from restrictions	733,099	(733,099)	-	-
Total revenue	<u>5,353,760</u>	<u>(679,164)</u>	<u>4,674,596</u>	<u>4,681,347</u>
Total public support and revenue	8,690,070	17,159	8,707,229	9,332,445
Expenses				
The Emergency Assistance Program (TEFAP)	1,744,526	-	1,744,526	1,889,536
Ohio Association of Foodbanks (OAF)	1,388,203	-	1,388,203	1,511,924
In-kind food donations and purchased food	3,436,824	-	3,436,824	3,772,667
Commodity Supplemental Food Program (CSFP)	698,719	-	698,719	631,124
BackPack	765,544	-	765,544	916,025
SNAP Outreach	154,197	-	154,197	145,925
Advocacy	28,324	-	28,324	42,820
Total program services	<u>8,216,337</u>	<u>-</u>	<u>8,216,337</u>	<u>8,910,021</u>
Management and general	213,102	-	213,102	202,026
Fund development	99,742	-	99,742	173,865
Total expenses	<u>8,529,181</u>	<u>-</u>	<u>8,529,181</u>	<u>9,285,912</u>
Change in net assets	160,889	17,159	178,048	46,533
Net assets at beginning of year	1,920,118	259,450	2,179,568	2,133,035
Net assets at end of year	<u>\$ 2,081,007</u>	<u>\$ 276,609</u>	<u>\$ 2,357,616</u>	<u>\$ 2,179,568</u>

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

**Shared Harvest Foodbank, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2018 with Comparative Totals for 2017**

	Program Services								Supporting Services		Total 2018	Total 2017	
	TEFAP	OAF	In-kind Food Donations	Purchased Food	CSFP	Back- Pack	SNAP Outreach	Advocacy	Total	Management and General			Fund Development
Salaries	\$ 59,936	\$ 68,855	\$ 150,595	\$ 11,169	\$ 81,085	\$ 40,543	\$ 108,114	\$ 20,271	\$ 540,568	\$ 123,413	\$ 13,515	\$ 677,496	\$ 709,333
Employee benefits	12,394	14,239	31,142	2,310	16,768	8,384	22,357	4,192	111,786	25,518	2,795	140,099	127,396
Payroll taxes	4,834	5,553	12,146	901	6,540	3,270	8,720	1,635	43,599	9,954	1,090	54,643	63,381
Total salaries and related expenses	77,164	88,647	193,883	14,380	104,393	52,197	139,191	26,098	695,953	158,885	17,400	872,238	900,110
Food distributions	1,079,951	1,240,663	2,713,497	201,255	547,501	478,368	-	-	6,261,235	-	-	6,261,235	7,073,504
Food purchases	-	-	-	158,990	-	212,627	-	-	371,617	-	-	371,617	439,913
USDA contractor reimbursement	509,775	-	-	-	-	-	-	-	509,775	-	-	509,775	411,525
Utilities	7,686	6,917	14,219	1,153	11,041	3,459	-	384	44,859	2,299	2,264	49,422	46,933
Depreciation	12,404	7,263	14,930	1,211	2,825	3,632	404	404	43,073	807	807	44,687	49,347
Real estate taxes	8,301	7,471	15,356	1,245	2,905	3,735	415	415	39,843	830	830	41,503	30,173
Professional and contract services	-	-	521	-	225	-	-	-	746	13,142	26,425	40,313	46,848
Special events	-	-	-	-	-	-	-	-	-	-	40,013	40,013	34,891
Repair and maintenance - building	8,718	3,815	6,862	375	6,930	892	-	-	27,592	5,411	-	33,003	30,997
Repair and maintenance - equipment	21,504	5,003	6,234	38	103	90	-	-	32,972	-	-	32,972	19,688
Materials and supplies	3,079	3,537	7,736	574	11,896	1,822	458	-	29,102	2,488	-	31,590	32,045
Rent - equipment	3,982	4,574	10,005	742	2,019	1,764	-	-	23,086	-	-	23,086	9,072
Food scrapped or wasted	-	-	21,244	-	-	-	-	-	21,244	-	-	21,244	4,194
Capacity building grants	-	-	19,388	-	-	-	-	-	19,388	-	-	19,388	2,853
Dues	-	10,354	7,603	-	-	-	-	-	17,957	-	1,045	19,002	19,837
Insurance	3,771	3,394	6,977	566	1,320	1,697	189	189	18,103	377	376	18,856	16,755
Gasoline	3,190	3,664	8,014	594	1,617	1,413	-	-	18,492	-	-	18,492	15,921
Printing	-	-	-	-	53	1,678	538	-	2,269	6,315	5,752	14,336	15,693
Travel	433	97	116	-	1,089	-	9,886	485	12,106	1,434	-	13,540	11,510
Technology and related	-	-	-	-	-	-	479	-	479	11,039	-	11,518	11,184
Interest	1,955	1,760	3,617	293	684	880	98	98	9,385	196	196	9,777	11,194
Telephone	857	771	1,586	129	843	386	1,416	43	6,031	514	-	6,545	6,140
Postage	-	-	-	-	1,475	-	14	-	1,489	3,345	125	4,959	8,547
Advertising	-	-	-	-	-	-	-	-	-	213	4,284	4,497	334
Shipping	-	-	2,714	-	-	904	-	-	3,618	-	-	3,618	11,598
Employee development	536	-	-	-	-	-	125	208	869	1,703	225	2,797	18,765
Miscellaneous	-	-	-	-	-	-	-	-	-	2,629	-	2,629	3,003
License and titles	1,220	273	328	-	-	-	-	-	1,821	-	-	1,821	1,745
CSFP contractor reimbursement	-	-	-	-	1,800	-	-	-	1,800	-	-	1,800	-
Subscriptions	-	-	-	-	-	-	-	-	-	1,475	-	1,475	1,015
Equipment purchases	-	-	449	-	-	-	984	-	1,433	-	-	1,433	578
Total expenses	\$ 1,744,526	\$ 1,388,203	\$ 3,055,279	\$ 381,545	\$ 698,719	\$ 765,544	\$ 154,197	\$ 28,324	\$ 8,216,337	\$ 213,102	\$ 99,742	\$ 8,529,181	\$ 9,285,912

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

**Shared Harvest Foodbank, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
Cash flows from operating activities		
Change in net assets	\$ 178,048	\$ 46,533
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,687	49,347
Realized/unrealized gain and return on investments	11,173	(24,151)
Increase (decrease) in cash from changes in operating assets and liabilities		
Accounts receivable	(58,637)	(1,003)
Inventory	(126,732)	(60,982)
Restricted cash and cash equivalents	(64,624)	32,138
Accounts payable	76,125	29,197
Accrued expenses	20,600	(10,136)
Net cash provided by operating activities	80,640	60,943
Cash flows from investing activities		
Payments related to the acquisition of property and equipment	(58,238)	(48,186)
Net cash used by investing activities	(58,238)	(48,186)
Cash flows from financing activities		
Payments on mortgage note payable	(30,205)	(28,794)
Net cash used by financing activities	(30,205)	(28,794)
Net change in cash and cash equivalents	(7,803)	(16,037)
Cash and cash equivalents at beginning of year	536,641	552,678
Cash and cash equivalents, end of year	\$ 528,838	\$ 536,641
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 9,777	\$ 11,194

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



**Shared Harvest Foodbank, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**Nature of Operations**

Shared Harvest Foodbank, Inc., (the Organization), was incorporated under the laws of the State of Ohio in 1984 as a nonprofit corporation. The Organization's purpose is to meet the basic food needs of people experiencing food insecurity. The Organization solicits the food industry for contributions of usable but unmarketable products and participates in federal and state funded hunger relief programs. The Organization distributes grocery products to needy people through a network of 80 member charities in five counties in Ohio and coordinates and administers the United States Department of Agriculture's (USDA) Emergency Food Assistance Program for four foodbanks serving an additional 26 counties.

The Organization earns revenue from a variety of sources, primarily from the food industry providing donations of grocery commodities; the USDA providing funding for emergency food and commodities, which is administered through the Ohio Department of Job and Family Services (ODJFS); and the Ohio Association of Foodbanks that provides funds for SNAP Outreach, funds and food commodities for the Ohio Food Purchase and Agriculture Clearance Program. The Organization receives significant contributions from individuals, United Ways in southwestern Ohio and foundations.

**Note 1 – Summary of Significant Accounting Policies**

**Basis of Accounting** – The financial statements are presented by accounting principles generally accepted in the United States of America as described in *Accounting Standards Codification (ASC)* issued by the Financial Accounting Standards Board (FASB).

FASB recently issued Accounting Standards Update (“ASU”) 2016-14, *Nonprofit Entities (Topic 958): Presentation of Financial Statements of Nonprofit Entities*. This ASU is effective for years beginning after December 15, 2017. The goal of this ASU is to improve the usefulness of information provided to donors, grantors, creditors, and other users of non-profit financial statements. It eliminates the distinction between resources with permanent restrictions and those with temporary restrictions and requires enhanced disclosures in the notes to financial statements to provide useful information about the nature, amounts, and effects of the various types of donor-imposed restrictions, which often include limits on the purposes for which the resources can be used as well as the time frame for their use. It also requires that non-profits disclose their plans for meeting short-term liquidity needs and how financial resources are allocated to carry out the non-profit organization's activities.

The Organization adopted ASU 2016-14 retroactively starting on January 1, 2017. The previously issued 2018 financial statements have been changed accordingly to conform to the requirements of ASU 2016-14. These changes were not material.

**Comparative Data** – The financial statements include certain 2017 comparative information. The statement of activities presents the 2017 data in total rather than by net asset category. The statement of functional expenses presents the 2017 expenses by object rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived. Certain 2017 balances were reclassified to conform to the 2018 presentation. There are no substantive changes in the amounts originally reported.

## **Note 1 – Summary of Significant Accounting Policies, continued**

**Use of Estimates** – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimate is related to the fair value of financial instruments, for which considerable judgment is required in developing the estimates of fair value; accordingly, such estimates may not be indicative of the amounts the Organization could realize in a current market exchanges. The other significant estimates include valuation of the allowances for accounts receivable, valuation of inventory, the useful lives for depreciable assets, and allocation of common expenses to program and supporting services. Actual results could differ, materially, from those estimates.

**Cash and Cash Equivalents** – Cash and cash equivalents reported in the statements of financial position and cash flows consist of monies deposited in checking and savings accounts with local banks. Cash and cash equivalents restricted by funding sources is excluded from cash and cash equivalents.

**Accounts Receivable** – Trade accounts receivable is stated at the amount management expects to collect from outstanding balances. Management has evaluated the credit history of customers having outstanding balances and current relationships with them. Those balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation account and a credit to trade accounts receivable. The accounts receivable balances past due are not interest bearing. Accounts receivable balances consist primarily of unpaid amounts due from contractual obligations at year end by ODJFS and the Ohio Association of Foodbanks. Therefore, management believes that an allowance for uncollectible accounts is not required and has not been provided. The Organization grants credit without collateral to its customers; the customer balances are closely monitored. The Organization has not experienced significant losses from accounts receivable.

**Inventory** – Inventory consists of food, supplies, and commodities available for distribution. The inventory is valued at \$1.00 per pound. This value is based on management’s review and analysis of inventory items in comparison to current retail costs for substantially similar items, using a retail market basket survey. The inventory method approximates the first-in first-out method. The restricted inventory is food and supplies for the Organization’s BackPack program.

**Investments** – Investments in marketable equity securities and mutual funds with readily determined fair values are stated at quoted fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date.

**Property and Equipment** – Property and equipment are stated at cost if purchased or at fair market value at the date of donation less accumulated depreciation. Assets costing \$5,000 or more and with a useful life greater than one year are capitalized. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Useful lives of the assets for financial reporting are 3 to 15 years for equipment and software, 5 to 20 years for improvements, and 31 years for buildings. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the change in net assets for the period. The Organization assesses the recoverability of the carrying amount of property and equipment if events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions.

## **Note 1 – Summary of Significant Accounting Policies, continued**

The Organization uses the direct expensing method to account for major maintenance activities. Gifts of long-lived assets or others used to acquired, or construct property or equipment are released from restriction when the assets are placed in service unless donor-imposed restrictions extend beyond that date.

**Net Assets** – Net assets without donor restrictions are free from donor imposed restrictions. The net assets without donor restrictions may be used at the discretion of management to support the Organization’s purposes and missions. The board designated net assets are to be used for the expressed purpose as voted on by the Board of Trustees. Net assets with donor restrictions are those whose use by the Organizaiton has been limited by donors to a specific time period or purpose.

**Contributions** – Contributions are recognized as support when received. Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Fees and Grants from Government Agencies** – Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants. Grant revenue from federal agencies is subject to audits and reviews by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on experience, the Organization’s management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

**Donated Assets** – Donated marketable securities and other noncash and nonfood donations are recorded as contributions at their estimated fair values at the date of the donation.

**In-kind Food Contributions** – Food contributions are recorded in the financial statements as in-kind contribution revenue and inventory and are valued at \$1.00 per pound, which management believes approximates fair market value. When food is distributed to member charities, the inventory recorded value is recorded as direct service expenditure.

**Donated Services** – Although many individuals volunteer their time and talents to perform a variety of tasks without which the Organization could not conduct any of its programs as successfully, these services do not meet the criteria for recognition under the provisions of ASC for nonprofit organizations. Accordingly, the value of these services has not been recognized in the financial statements. The Organization had 1,533 and 1,560 volunteers in 2018 and 2017, respectively that provided 5,605 and 5,231 hours of service to the Organization in 2018 and 2017, respectively. Based on a Value of Volunteer Time Index prepared by the Independent Sector the volunteers provided \$134,800 and \$122,039 to the Organization in 2018 and 2017, respectively.

**Functional Allocation of Expenses** – The costs of providing the various programs have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs benefited based the actual usage by each program, the amount of inventory distributed by each program or the percentage of staff time dedicated to the program which is applied to shared costs.

**Advertising** – Advertising costs are expensed as incurred.

## **Note 1 – Summary of Significant Accounting Policies, continued**

**Income Taxes** – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Organization’s information returns for the years 2015 through 2018 are subject to examination by the Internal Revenue Service, although that agency has not indicated any intent to do so. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**Fair Value of Financial Instruments** – ASC Section 820 requires certain disclosures for the fair value measurements of financial assets and financial liabilities. Fair value is 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 Section 820 establishes a framework for measuring fair value which includes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC Section 820 are:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization is able to access.

*Level 2* – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation method are unobservable and significant to the fair value measurement.

The level at which the fair value of an asset or liability will be measured is based on the highest priority of any available input that is significant to the fair value measurement. Valuation techniques used attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. These standards apply to all financial assets and liabilities as well as nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

The valuation methodologies, which have not changed during 2018 and 2017, are:

The carrying values of cash and cash equivalents, accounts receivable, restricted cash and cash equivalents and accounts payable approximate their fair values due to their short-term duration (Level 1). Investments are recognized at fair value as determined by quoted market prices on a traded market (Level 1). The mortgage note payable is not reported at fair value; management believes any differences between the reported amount and fair value is insignificant to the financial statements taken as a whole. There are no fair value measurements with respect to nonfinancial assets or liabilities that are recognized or disclosed at fair value in our financial statements on a recurring basis. The tabular presentation of the fair value of financial instruments, besides investments, is not considered necessary since it is presented in the statements of financial position.

## Note 2 – Date of Management’s Review

In preparing the financial statements, management has evaluated events and transactions subsequent to December 31, 2018 through December 20, 2019, which represents the date the financial statements were available to be issued.

## Note 3 – Cash and Cash Equivalents

The balances were:

	<u>2018</u>	<u>2017</u>
General account	\$ 58,616	\$ 31,850
Money market account	188,202	210,577
Savings account	240,557	238,641
Payroll account	1,770	1,700
Foodbank savings	17,490	23,977
FEED alliance savings	19,668	29,896
Other	2,535	-
	<u>\$ 528,838</u>	<u>\$ 536,641</u>

## Note 4 – Investments

The balances, presented at fair market value, were:

	<u>Level 1</u>	
	<u>2018</u>	<u>2017</u>
Mutual funds	\$ 143,834	\$ 155,965
Stocks	18,360	17,402
	<u>\$ 162,194</u>	<u>\$ 173,367</u>

The investment activities were:

	<u>2018</u>	<u>2017</u>
Balances, beginning of year, fair market value	\$ 173,367	\$ 149,216
Interest and dividends	3,339	2,730
Realized gains	8,008	5,894
Unrealized gains (losses)	(20,945)	16,945
Fees	(1,575)	(1,418)
	<u>(11,173)</u>	<u>24,151</u>
Balances, end of year, fair market value	<u>\$ 162,194</u>	<u>\$ 173,367</u>

The Organization uses the following ways to determine the fair value of its investments:

*Equity securities traded on national securities exchanges:* determined by the closing price on the last business day of the fiscal year.

*Open-end mutual funds:* determined by the published net asset value per unit at the end of the last trading day of the fiscal year, this is the basis for transactions at that date.

## Note 5 – Property and Equipment, net

The balances were:

	<u>2018</u>	<u>2017</u>
Land	\$ 518,085	\$ 518,085
Equipment	499,445	488,949
Buildings	299,950	299,950
Building improvements	782,235	776,787
Software	37,960	-
	<u>2,137,675</u>	<u>2,083,771</u>
Less accumulated depreciation	<u>(1,330,987)</u>	<u>(1,290,634)</u>
	<u>\$ 806,688</u>	<u>\$ 793,137</u>
Depreciation	<u>\$ 44,687</u>	<u>\$ 49,347</u>

The building and land are collateral for the mortgage note payable, see Note 7.

## Note 6 – Restricted Cash and Cash Equivalents

The balances were:

	<u>2018</u>	<u>2017</u>
BackPack	\$ 77,735	\$ 56,114
Community Food Relief Campaign	15,304	14,796
Capital campaign	3,715	1,500
Feeding America grants	40,280	-
	<u>\$ 137,034</u>	<u>\$ 72,410</u>

The restricted cash and cash equivalents accounts are reported as net assets with restrictions, see Note 8.

## Note 7 – Mortgage Note Payable

The mortgage note payable with a bank that requires monthly payments of \$3,332 with a fixed interest rate of 4.75%. The note was due in March 2019 and required a balloon payment. In March 2019, the mortgage note payable was refinanced under new terms that require monthly payments of \$4,939 with a fixed interest rate of 4.50%. The note is due in April 2024. The Organization borrowed an additional \$82,368 from the bank, the note principal at March 25, 2019 was \$264,000. The note is collateralized by the Organization's land and building. The future required principal payments for the years ending December 31 are as follows (based on terms for the refinanced note):

2019	\$ 41,506
2020	49,829
2021	52,118
2022	54,512
2023	57,016
Thereafter	<u>19,017</u>
	<u>\$ 273,998</u>

## Note 8 – Net Assets

The Board of Trustees designated specific net assets without restrictions for certain functions. The value of the investments, see Note 4, are designated for long-term needs.

The net assets with restrictions and their activities were:

	<b>Community Food Relief Campaign</b>	<b>BackPack</b>	<b>BackPack Food</b>	<b>Capital Campaign</b>	<b>Feeding America Grants</b>	<b>Total</b>
Balances, December 31, 2016	\$ 23,623	\$ 79,425	\$ 120,781	\$ 1,500	\$ -	\$ 225,329
Contributions and interest	12,118	270,800	600,194	-	-	883,112
Assets released from restrictions for expenditures	(20,945)	(294,111)	(533,935)	-	-	(848,991)
Balances, December 31, 2017	14,796	56,114	187,040	1,500	-	259,450
Contributions and interest	17,613	229,512	430,918	2,215	70,000	750,258
Assets released from restrictions for expenditures	(17,105)	(207,891)	(478,383)	-	(29,720)	(733,099)
Balances, December 31, 2018	<u>\$ 15,304</u>	<u>\$ 77,735</u>	<u>\$ 139,575</u>	<u>\$ 3,715</u>	<u>\$ 40,280</u>	<u>\$ 276,609</u>

## Note 9 – Retirement Benefits

The Organization maintains a noncontributory defined contribution pension plan that covers virtually all employees. Under the plan, the Organization is required to contribute up to 5% of each participant's compensation to the plan. The pension costs were \$10,660 and \$11,492 for the years 2018 and 2017, respectively.

## Note 10 – Related Party

The Organization may engage in immaterial financial transactions with members of its Board of Trustees.

## Note 11 – Risks, Uncertainties, and Concentrations

The Organization's market is concentrated in the southwest Ohio geographic area. The Organization obtains substantial funding and support through ODJFS and the Ohio Association of Foodbanks.

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. The investments are not insured.

The concentration of credit risk with respect to the amount borrowed consists of the mortgage note payable with one financial institution.

The Organization grants credit without collateral to its customers; the customer balances are closely monitored. The Organization has not experienced significant losses from accounts receivable.

## Note 11 – Risks, Uncertainties, and Concentrations, continued

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Organization deposits its cash with high quality financial institutions, and management believes the Organization is not exposed to significant credit risk on those amounts.

Under the terms of government grants/contracts, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Management expects such amounts, if any, of expenditures that may be disallowed by the grantor to be immaterial.

## Note 12 – Liquidity and Availability of Financial Assets

As part of the Organization’s liquidity management plan, cash in excess of estimated daily requirements are deposited in a money market account.

The Organization’s available financial assets and financial assets available to meet cash needs for general expenditures within one year consists of the following at December 31, 2018:

Financial assets at year end:

Cash and cash equivalents	\$ 665,872
Investments	162,194
Accounts receivable	153,439
	<u>981,505</u>

Less those unavailable for general expenditures within one year, due to:

Donor restricted and board designated	
Board designated investments	<u>(162,194)</u>

Financial assets available to meet cash needs  
for general expenditures within one year

\$ 819,311



## **Supplemental Schedule**

**Shared Harvest Foodbank, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<u>Federal Grantor/Program or Cluster Title/Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>United States Department of Agriculture</b>				
Passed through the State of Ohio Department of Job and Family Services				
<b>Food Distribution Cluster</b>				
Emergency Food Assistance Program (Administrative Costs)	10.568	G-1819-17-0507 G-1819-17-0761 G-2021-17-0129	\$ 509,775	\$ 720,089
Emergency Food Assistance Program (Food Commodities)	10.569	G-1819-17-0507 G-1819-17-0761 G-2021-17-0129		
Food received directly by Organization			1,079,951	1,079,951
Food passed through directly to subrecipient organizations			<u>4,918,108</u>	<u>4,918,108</u>
Total Emergency Food Assistance Program (Food Commodities)			5,998,059	5,998,059
Commodity Supplemental Food Program	10.565	G-1819-17-0514 G-1819-17-0750 Food Cash	- - -	547,501 122,837
Total Commodity Supplemental Food Program			<u>-</u>	<u>670,338</u>
Total Food Distribution Cluster			<u>6,507,834</u>	<u>7,388,486</u>
Passed through the Ohio Association of Foodbanks State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SNAPFY18SHFB SNAPFY19SHFB	-	76,463
Total Department of Agriculture			<u>6,507,834</u>	<u>7,464,949</u>
<b>United States Department of Health and Human Services</b>				
Passed through the Ohio Association of Foodbanks				
Temporary Assistance for Needy Families	93.558	1718-OFPACP-SHFB 1819-OFPACP-SHFB Food Cash	1,240,663 -	1,240,663 103,518
Total Department of Health and Human Services			<u>1,240,663</u>	<u>1,344,181</u>
<b>United States Department of Homeland Security</b>				
Emergency Food and Shelter National Board Program	97.024	N/A	-	750
			<u>\$ 7,748,497</u>	<u>\$ 8,809,880</u>

**See Independent Auditor's Report.**

**Shared Harvest Foodbank, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Shared Harvest Foodbank, Inc. (the Organization) under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

**Note 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 allowable or are limited as to reimbursement.

**Note 3 – Indirect Cost Rates**

The Organization did not elect to use 10 percent de minimis indirect cost rate as allowed under the *Uniform Guidance*.

**Note 4 – Emergency Food Assistance Program (Food Commodities)**

Food distributed directly to subrecipients from the Ohio Department of Job and Family Services is not recorded on the Organization's statement of activities.

**Note 5 – Food Distribution**

Nonmonetary assistance is reported in the schedule at \$1.00 per pound for the food, supplies or commodities disbursed.

**See Independent Auditor's Report.**

**Single Audit Reports and  
Schedule of Findings and Questioned Costs**

**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees of  
Shared Harvest Foodbank, Inc.  
Fairfield, Ohio



**STEPHENSON  
& WARNER, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Shared Harvest Foodbank, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2019.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 that we consider to be significant deficiencies.

### ***Compliance and Other Matters***


As part of obtaining reasonable assurance about whether Shared Harvest Foodbank, Inc.'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*.

### ***Shared Harvest Foodbank's Response to Findings***

Shared Harvest Foodbank, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Shared Harvest Foodbank, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
**Stephenson and Warner, Inc.**  
Hamilton, Ohio

December 20, 2019



STEPHENSON  
& WARNER, INC.  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Compliance for  
Each Major Federal Program and on Internal Control  
Over Compliance Required by the *Uniform Guidance***

To the Board of Trustees of  
Shared Harvest Foodbank, Inc.  
Fairfield, Ohio

**Report on Compliance for Each Major Federal Program**

We have audited Shared Harvest Foodbank, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Shared Harvest Foodbank, Inc.'s major federal programs for the year ended December 31, 2018. Shared Harvest Foodbank, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to its major federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Shared Harvest Foodbank, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shared Harvest Foodbank, Inc.'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 Shared Harvest Foodbank, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Shared Harvest Foodbank, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.


### **Report on Internal Control Over Compliance**

Management of Shared Harvest Foodbank, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Shared Harvest Foodbank, Inc.'s internal control over compliance with types of requirements that could have a direct and material effect on a 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 Shared Harvest Foodbank, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility the 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

  
**Stephenson and Warner, Inc.**  
Hamilton, Ohio

December 20, 2019



Shared Harvest Foodbank, Inc.

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2018

Section I – Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weaknesses identified *No*
- Significant deficiencies identified *Yes*

Noncompliance material to financial statements noted *No*

*Federal Awards*

Internal control over major federal programs:

- Material weaknesses identified *No*
- Significant deficiencies identified *No*

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 2 CFR 200.516(a) *No*

Identification of major programs:

CFDA # 10.568, 10.569 and 10.565 *Food Distribution Cluster*

Dollar threshold used to distinguish between type A and type B programs: *\$750,000*

Auditee qualified as a low risk auditee *Yes*

## Section II – Financial Statement Findings and Questioned Costs

### *Finding: 2018-001*

**Criteria** – The Organization reports donor restricted support as an increase to net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Condition** – Two grants, from nongovernmental organizations, restricted for a specific purpose (identified in the grant agreements and the Organization’s grant applications) were not identified by the Organization as restricted support and included in net assets with donor restrictions.

**Cause** – Management reviewed the grant agreements but failed to identify that the grant funds were restricted for the specific purposes noted in the Organization’s grant applications.

**Effect** – Prior to adjustment the \$70,000 of grant funds were reported as support without donor restrictions instead of support with donor restrictions. The net assets with donor restrictions was adjusted to increase the balance by \$40,280, and the net assets released from restrictions was adjusted to increase the balance by \$29,720.

**Recommendation** – We recommend that the Organization review its practices of reviewing and identifying donor restrictions and make any necessary changes to assure donor restrictions are properly identified and recorded. Personnel directly involved with the Organization’s accounting and financial reporting may benefit from training regarding the matter.

## Section III – Federal Award Findings and Questioned Costs

- None -



**FOODBANK**

*Hunger is not a choice... Giving is*

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Distributing

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Steve Woody  
Retired, Kroger

Bryan Cooper  
Woodforest Bank

Debbie Jones  
Community Volunteer

Teri Coffey  
The Kroger Company

Mike Sullivan  
Retired, Meijer  
Distribution

Eric Knapke  
Whole Foods

Terry Perdue  
Executive Director

Management Response to Audit Findings

FY 2018 Audit

**Finding 2018-001:** We agree with the auditor's finding. The following actions will be taken to prevent future issues concerning classification of restricted donations. We acknowledge that the grants in question were expended accorded to their designated purpose. However, they were not recorded as restricted funds in the General Ledger (GL) which resulted in the need to reclassify to the appropriate GL accounts.

Going forward, in effort to mitigate risks of misclassification, the Executive Director will convene with the Finance Manager concerning all grants to determine whether it is a restricted or unrestricted contribution upon award. If the award is determined to be restricted, it will be appropriately recorded in the GL and tracked throughout the period of the grant accordingly.

