

Shared Harvest Foodbank, Inc.

**Financial Statements and
Supplemental Information
December 31, 2019 and 2018
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, 2019, 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 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 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 September 4, 2020, 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.

Stephenson and Warner, Inc.
Hamilton, Ohio

September 4, 2020

Shared Harvest Foodbank, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 707,777	\$ 528,838
Restricted cash and cash equivalents	40,778	137,034
Accounts receivable	37,973	16,940
Grants receivable	355,968	136,499
Inventory	1,626,345	814,549
Inventory - restricted	-	139,575
Total current assets	2,768,841	1,773,435
Investments	204,321	162,194
Property and equipment, net	898,169	806,688
Total assets	3,871,331	2,742,317
Liabilities and Net Assets		
Current liabilities		
Current portion of mortgage note payable	231,905	41,506
Accounts payable	247,495	144,169
Accrued payroll and related taxes	29,430	25,518
Accrued liabilities	28,228	28,228
Total current liabilities	537,058	239,421
Mortgage note payable, net of current portion	-	145,280
Total liabilities	537,058	384,701
Net assets		
Without donor restrictions	3,089,174	1,918,813
Without donor restrictions - board designated	204,321	162,194
	3,293,495	2,081,007
With donor restrictions	40,778	276,609
Total net assets	3,334,273	2,357,616
Total liabilities and net assets	\$ 3,871,331	\$ 2,742,317

**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, 2019 with Comparative Totals for 2018

	2019		Total	2018
	Without Donor Restrictions	With Donor Restrictions		
Public support and revenue				
Public support				
In-kind food contributions	\$ 7,616,231	\$ -	\$ 7,616,231	\$ 6,409,551
Contributions	698,511	78,564	777,075	700,927
United Way	165,252	-	165,252	182,299
Federal grants	1,979,847	-	1,979,847	920,139
State of Ohio grants	112,310	-	112,310	103,518
Special events	11,045	-	11,045	7,445
Net assets reclassified	232,614	(232,614)	-	-
Net assets released from restrictions	81,781	(81,781)	-	-
Total public support	<u>10,897,591</u>	<u>(235,831)</u>	<u>10,661,760</u>	<u>8,323,879</u>
Other revenue				
Member agency contract revenue	341,440	-	341,440	374,718
Investment activity, net	46,464	-	46,464	(8,383)
Miscellaneous revenue	12,170	-	12,170	14,730
Total revenue	<u>400,074</u>	<u>-</u>	<u>400,074</u>	<u>381,065</u>
Total public support and revenue	11,297,665	(235,831)	11,061,834	8,704,944
Expenses				
Program services				
The Emergency Food Assistance Program (TEFAP)	3,995,008	-	3,995,008	1,744,526
Ohio Association of Foodbanks (OAF)	1,379,345	-	1,379,345	1,388,203
In-kind food donations and purchased food	2,910,789	-	2,910,789	3,436,824
Commodity Supplemental Food Program (CSFP)	731,065	-	731,065	698,719
BackPack	492,522	-	492,522	765,544
SNAP Outreach	164,420	-	164,420	154,197
Advocacy	25,823	-	25,823	28,324
Total program services	<u>9,698,972</u>	<u>-</u>	<u>9,698,972</u>	<u>8,216,337</u>
Management and general	289,500	-	289,500	210,817
Fund development	96,705	-	96,705	99,742
Total expenses	<u>10,085,177</u>	<u>-</u>	<u>10,085,177</u>	<u>8,526,896</u>
Change in net assets	1,212,488	(235,831)	976,657	178,048
Net assets at beginning of year	<u>2,081,007</u>	<u>276,609</u>	<u>2,357,616</u>	<u>2,179,568</u>
Net assets at end of year	<u>\$ 3,293,495</u>	<u>\$ 40,778</u>	<u>\$ 3,334,273</u>	<u>\$ 2,357,616</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, 2019 with Comparative Totals for 2018

	Program Services								Supporting Services		Total 2019	Total 2018	
	TEFAP	OAF	In-kind Food Donations	Purchased Food	CSFP	Back- Pack	SNAP Outreach	Advocacy	Total	Management and General			Fund Development
Salaries	\$ 103,068	\$ 52,816	\$ 105,929	\$ 5,031	\$ 97,456	\$ 71,125	\$ 121,594	\$ 18,686	\$ 575,705	\$ 157,875	\$ 15,619	\$ 749,199	\$ 677,496
Employee benefits	15,078	7,726	15,497	736	14,257	10,405	17,788	2,734	84,221	23,096	2,285	109,602	140,099
Payroll taxes	8,995	4,610	9,245	439	8,506	6,208	10,612	1,631	50,246	13,779	1,363	65,388	54,643
Total salaries and related expenses	127,141	65,152	130,671	6,206	120,219	87,738	149,994	23,051	710,172	194,750	19,267	924,189	872,238
Food distributions	2,460,820	1,261,013	2,529,142	39,563	559,951	93,522	-	-	6,944,011	-	-	6,944,011	6,282,479
Capacity building grants	1,329,178	-	7,537	-	1,650	-	-	-	1,338,365	-	-	1,338,365	530,963
Food purchases	-	-	-	87,854	-	289,570	-	-	377,424	-	-	377,424	371,617
Occupancy	23,930	15,577	30,695	2,202	18,810	6,645	282	664	98,805	8,881	2,856	110,542	142,420
Professional and contract services	-	-	4,545	-	-	-	-	-	4,545	27,104	29,050	60,699	40,259
Transportation	25,363	7,525	8,684	313	2,715	997	10,678	-	56,275	1,828	478	58,581	31,850
Depreciation	16,052	9,399	19,321	1,567	3,656	4,700	522	522	55,739	1,045	1,045	57,829	44,687
Special events	-	-	-	-	-	-	-	-	-	-	37,835	37,835	40,013
Supplies	4,410	2,260	4,533	215	10,732	4,029	259	-	26,438	2,854	-	29,292	33,411
Subscriptions and dues	-	12,548	7,804	-	1,773	-	-	-	22,125	2,529	-	24,654	20,477
Marketing and communications	-	-	-	-	5,841	1,232	578	612	8,263	10,338	5,334	23,935	18,833
Technology and related	-	-	-	-	-	-	-	-	-	23,330	-	23,330	11,518
Non-vehicle equipment and maintenance	1,902	975	19,001	93	430	-	-	-	22,401	318	-	22,719	42,853
Insurance	3,216	2,894	5,949	482	1,126	1,447	161	161	15,436	322	321	16,079	18,856
Interest	2,179	1,961	4,031	327	763	980	109	109	10,459	218	217	10,894	9,777
Postage	-	-	-	-	275	1,650	-	-	1,925	8,137	-	10,062	4,959
Telephone	27	24	50	4	709	12	1,773	1	2,600	4,573	-	7,173	6,545
Staff support	790	17	-	-	2,415	-	64	703	3,989	1,185	302	5,476	2,797
Miscellaneous	-	-	-	-	-	-	-	-	-	2,088	-	2,088	344
Total expenses	<u>\$ 3,995,008</u>	<u>\$ 1,379,345</u>	<u>\$ 2,771,963</u>	<u>\$ 138,826</u>	<u>\$ 731,065</u>	<u>\$ 492,522</u>	<u>\$ 164,420</u>	<u>\$ 25,823</u>	<u>\$ 9,698,972</u>	<u>\$ 289,500</u>	<u>\$ 96,705</u>	<u>\$ 10,085,177</u>	<u>\$ 8,526,896</u>

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, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 976,657	\$ 178,048
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	57,829	44,687
Realized/unrealized (gain)/loss and return on investments	(42,127)	11,173
Increase (decrease) in cash from changes in operating assets and liabilities		
Accounts receivable and grants receivable	(240,502)	(58,637)
Inventory	(672,221)	(126,732)
Accounts payable	103,326	76,125
Accrued expenses	3,912	20,600
Net cash provided by operating activities	186,874	145,264
Cash flows from investing activities		
Payments related to the acquisition of property and equipment	(149,310)	(58,238)
Net cash used by investing activities	(149,310)	(58,238)
Cash flows from financing activities		
Borrowing on mortgage note payable	82,368	-
Payments on mortgage note payable	(37,249)	(30,205)
Net cash provided (used) by financing activities	45,119	(30,205)
Net change in cash and cash equivalents	82,683	56,821
Cash and cash equivalents and restricted cash and cash equivalents at beginning of year	665,872	609,051
Cash and cash equivalents and restricted cash and cash equivalents, end of year	\$ 748,555	\$ 665,872
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 10,894	\$ 9,777
Noncash financing activities:		
Mortgage note payable refinanced under new terms	\$ 181,632	\$ -

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

Shared Harvest Foodbank, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

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).

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The Organization has analyzed the provisions of ASU 2014-09 and concluded that no changes are necessary to conform with the new standard.

During the first quarter of 2019, the Organization adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Management believes that the adoption of the new accounting standard provides a better presentation of cash flows to the users of its financial statements. Before the change, restricted cash was not included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts reported on the statements of cash flows. The Organization applied the change on a retrospective basis beginning in 2018. The effect of this change was to increase total cash, cash equivalents and restricted cash at the beginning of the 2019 and 2018 on the statements of cash flows by \$137,034 and \$72,410, respectively.

Note 1 – Summary of Significant Accounting Policies, continued

Comparative Data – The financial statements include certain 2018 comparative information. The statement of activities presents the 2018 data in total rather than by net asset category. The statement of functional expenses presents the 2018 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, 2018, from which the summarized information was derived. Certain 2018 balances were reclassified to conform to the 2019 presentation. There are no substantive changes in the amounts originally reported.

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 valuation of inventory. The other significant estimates include valuation of the allowances for accounts receivable, the useful lives for depreciable assets, the fair value of financial instruments and allocation of common expenses to program and supporting services. Actual results could differ, materially, from those estimates.

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents – For purposes of the statements of financial position and cash flows, the Organization considers all instruments that have original maturity date less than three months to be cash equivalents.

Accounts Receivable and Grants Receivable – Trade accounts receivable and grants receivable are 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. Grants 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 member agencies; the member's 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.

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 and dividend income are recorded as earned.

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

Note 1 – Summary of Significant Accounting Policies, continued

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. The Organization uses the direct expensing method to account for major maintenance activities.

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 Organization has been limited by donors to a specific time period or purpose.

Contributions – Contributions are recognized as revenue when the funds or assets are received, or unconditional promises to give are received. All contributions are considered to be available for the Organization’s general programs unless specifically restricted by the donor. Amounts received that are designated for future purposes or restricted by the donor are reported as restricted support and increase 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 statements of activities as net assets released from restrictions. Gifts of long-lived assets or other assets used to acquire, or construct property or equipment are released from restriction when the assets are placed in service unless donor-imposed restrictions extend beyond that date.

Fees and Grants from Government Agencies – Under ASU 2018-08 the Organization has determined that usually grants received from the federal government, other government agencies and government grants received through subrecipients are conditional contributions. Most of the government grant agreements include a requirement that assets must be used for allowable and reasonable qualifying expenses (or costs) that are based on specific requirements of an agreement about the conduct of an activity. The Organization recognizes a contribution for a government grant when qualifying expenses have been incurred and the Organization may request reimbursement from the government agency. Usually the Organization does not receive government grant funds in advance of incurring qualifying expenses. Government grants that are not conditional will be reported as an unconditional contribution when the funds are received or unconditional promises to give are received.

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 2,061 and 1,533 volunteers in 2019 and 2018,

Note 1 – Summary of Significant Accounting Policies, continued

respectively that provided 6,572 and 5,605 hours of service to the Organization in 2019 and 2018, respectively. Based on a Value of Volunteer Time Index prepared by the Independent Sector the volunteers provided \$161,671 and \$134,800 to the Organization in 2019 and 2018, respectively.

Member Agency Contract Revenue – The Organization’s member agencies can order food items from the Organization's website; the Organization will send the member agency an invoice and recognize revenue when the food is delivered to the member agency. Members do not usually pay for orders in advance of delivery. Member agencies are charged a delivery fee and the cost of food (only for purchased food). Invoice payments are usually due from members 30 days from the invoice date.

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.

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 2016 through 2019 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.

Note 1 – Summary of Significant Accounting Policies, continued

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 2019 and 2018, are:

The carrying values of cash and cash equivalents, accounts receivable, grants 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, 2019 through September 4, 2020, which represents the date the financial statements were available to be issued.

Note 3 – Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

For purposes of the statements of financial position and the statements of cash flows, cash and cash equivalents consist of cash held in checking, savings and money market accounts with banks and a credit union. Assets reserved for certain purposes on the statements of financial position include restricted cash and cash equivalents received with restrictions imposed by donors but not yet spent. The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents reported within the statements of financial position that sum to the totals of the same such amounts in the statements of cash flows.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 707,777	\$ 528,838
Restricted cash and cash equivalents	40,778	137,034
	<u>\$ 748,555</u>	<u>\$ 665,872</u>

Note 4 – Investments

The balances, presented at fair market value, were:

	<u>Level 1</u>	
	<u>2019</u>	<u>2018</u>
Money market	\$ 3,043	\$ 1,698
Mutual funds - stock funds	123,264	98,285
Mutual funds - bond funds	52,976	43,851
Stocks	25,038	18,360
	<u>\$ 204,321</u>	<u>\$ 162,194</u>

Note 4 – Investments, continued

The investment activities were:

	<u>2019</u>	<u>2018</u>
Balances, beginning of year, fair market value	\$ 162,194	\$ 173,367
Interest and dividends	3,743	3,339
Realized gains	5,846	8,008
Unrealized gains (losses)	34,113	(20,945)
Fees	<u>(1,575)</u>	<u>(1,575)</u>
	42,127	(11,173)
Balances, end of year, fair market value	<u>\$ 204,321</u>	<u>\$ 162,194</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>2019</u>	<u>2018</u>
Land	\$ 518,085	\$ 518,085
Equipment and vehicles	570,078	499,445
Buildings	299,950	299,950
Building improvements	825,635	782,235
Software	<u>35,260</u>	<u>37,960</u>
	2,249,008	2,137,675
Less accumulated depreciation	<u>(1,350,839)</u>	<u>(1,330,987)</u>
	<u>\$ 898,169</u>	<u>\$ 806,688</u>
Depreciation	<u>\$ 57,829</u>	<u>\$ 44,687</u>

The building and land were collateral for the mortgage note payable, see Note 6. In January 2020, the Organization sold undeveloped land for \$700,000. The land was not on the market and Organization was not actively trying to sell the land; thus, the land was not reported as available for sale on the statements of financial position.

Note 6 – Mortgage Note Payable

The mortgage note payable was 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 was 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 was collateralized by the Organization's land and building. The mortgage note payable was paid in full in February 2020 with proceeds from the sale of land noted in Note 5.

Note 7 – 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:

	Community Food Relief Campaign		BackPack Food	Capital Campaign	Feeding America Grants	Total
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
Net assets released from restrictions	(17,105)	(207,891)	(478,383)	-	(29,720)	(733,099)
Balances, December 31, 2018	15,304	77,735	139,575	3,715	40,280	276,609
Contributions	-	-	-	-	78,564	78,564
Net assets reclassified	(15,304)	(77,735)	(139,575)	-	-	(232,614)
Net assets released from restrictions	-	-	-	(3,715)	(78,066)	(81,781)
Balances, December 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ 40,778	\$ 40,778

Previously the backpack program and community food relief campaign contributions were reported as restricted contributions. However, after a review by management in 2019 it was determined that the contributions for the backpack program and community food relief campaign are not restricted for a purpose outside of the Organization's main purpose/mission. In 2019 these contributions were reported as contributions without donor restrictions and previous restricted funds were reclassified to net assets without donor restrictions.

Note 8 – 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 \$12,159 and \$10,660 for the years 2019 and 2018, respectively.

Note 9 – Related Party

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

Note 10 – 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.

Note 10 – Risks, Uncertainties, and Concentrations, continued

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.

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation, National Credit Union Administration 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 11 – 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:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 748,555	\$ 665,872
Investments	204,321	162,194
Grants receivable	355,968	136,499
Accounts receivable	<u>37,973</u>	<u>16,940</u>
	1,346,817	981,505
Less those unavailable for general expenditures within one year, due to:		
Donor restricted and board designated		
Board designated investments	<u>(204,321)</u>	<u>(162,194)</u>
Financial assets available to meet cash needs		
for general expenditures within one year	<u>\$ 1,142,496</u>	<u>\$ 819,311</u>

Note 12 – Operating Leases

The Organization rents office equipment under an operating lease agreement that requires monthly payments of \$186 and the lease expires in February 2025. The office equipment lease payments were \$372 in 2019. Future minimum payments for the years ending December 31 are:

2020	\$ 2,232
2021	2,232
2022	2,232
2023	2,232
2024	2,232
2025	<u>186</u>
	<u>\$ 11,346</u>

Note 13 – Subsequent Events

The Organization sold undeveloped land in January 2020 (see Note 5) and the balance on the mortgage note payable was paid in full in February 2020 (see Note 6).

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The high unemployment rate caused by the virus significantly increased the demand for food. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements because of this uncertainty.

The Organization received a \$545,675 grant from Feeding America in May 2020 to enable timely, efficient, and expanded procurement, storage, and distribution of food through the purchase of trucks, forklifts, power jacks and installation of a foot walk in cooler. The Organization has also received additional food, assistance and contributions from federal and state government agencies and the community at large.

Supplemental Schedule

Shared Harvest Foodbank, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Grantor/Program or Cluster Title/Pass-through Grantor	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
United States Department of Agriculture				
Passed through the State of Ohio Department of Job and Family Services				
Food Distribution Cluster				
Emergency Food Assistance Program (Administrative Costs)	10.568	G-1819-17-0761 G-2021-17-0129 G-2021-17-0456	\$ 957,978	\$ 1,305,134
Emergency Food Assistance Program (Food Commodities)	10.569	G-1819-17-0761 G-2021-17-0129 G-2021-17-0456		
		Food received directly by Organization	1,281,511	1,281,511
		Food passed through directly to subrecipient organizations	4,072,713	4,072,713
Total Emergency Food Assistance Program (Food Commodities)			5,354,224	5,354,224
Commodity Supplemental Food Program	10.565	G-1819-17-0750 G-2021-17-0470		
		Food	-	559,951
		Cash	1,650	136,580
Total Commodity Supplemental Food Program			1,650	696,531
Total Food Distribution Cluster			6,313,852	7,355,889
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	G-2021-17-0368 G-2021-17-0480		
		Food received directly by Organization	986,048	1,179,196
		Food passed through directly to subrecipient organizations	7,197,894	7,197,894
		Cash	371,200	456,349
Total Trade Mitigation Program			8,555,142	8,833,439
Passed through the Ohio Association of Foodbanks State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SNAPFY19SHFB SNAPFY20SHFB	-	81,034
Total Department of Agriculture			14,868,994	16,270,362
United States Department of Health and Human Services				
Passed through the Ohio Association of Foodbanks				
Temporary Assistance for Needy Families	93.558	1819-OFPACP-SHFB 1921-OFPACP-SHFB		
		Food	1,209,642	1,261,013
		Cash	-	84,599
			1,209,642	1,345,612
Social Services Block Grant	93.667	1819-OFPACP-SHFB 1921-OFPACP-SHFB		
			-	24,888
Total Department of Health and Human Services			1,209,642	1,370,500
United States Department of Homeland Security				
Emergency Food and Shelter National Board Program	97.024	N/A	-	750
			\$ 16,078,636	\$ 17,641,612

See Independent Auditor's Report.

Shared Harvest Foodbank, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

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 and state government for the year ended December 31, 2019. 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.

**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, 2019, 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 September 4, 2020.

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. 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 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*.

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.

Stephenson and Warner, Inc.

Hamilton, Ohio

September 4, 2020



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, 2019. 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, 2019.

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

September 4, 2020

Shared Harvest Foodbank, Inc.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

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 *No*

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*

CFDA #10.178 *Trade Mitigation Program*

CFDA #93.558 *Temporary Assistance for Needy Families*

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

Auditee qualified as a low risk auditee *No*

Section II – Financial Statement Findings and Questioned Costs

- None -

Section III – Federal Award Findings and Questioned Costs

- None -

Shared Harvest Foodbank, Inc.

Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2018

Section II – Financial Statement Findings and Questioned Costs

Finding: 2018-001

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.

Status – The condition was corrected in 2019.