

Shared Harvest Foodbank, Inc.

**Financial Statements and
Supplemental Information
December 31, 2022
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 Audit of the Financial Statements

Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Shared Harvest Foodbank, Inc. as of December 31, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Shared Harvest Foodbank, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Shared Harvest Foodbank, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Shared Harvest Foodbank, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Shared Harvest Foodbank, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2023, 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 solely 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

May 5, 2023

Shared Harvest Foodbank, Inc.
Statement of Financial Position
December 31, 2022

Assets

Current assets	
Cash and cash equivalents	\$ 3,871,004
Restricted cash and cash equivalents	721,666
Accounts receivable - contract asset	27,144
Unconditional promises to give	128,639
Grants receivable	201,289
Inventory	977,983
Prepaid expenses	2,498
Total current assets	5,930,223
Investments	246,691
Right of use asset	9,677
Property and equipment, net	2,948,759
Total assets	9,135,350

Liabilities and Net Assets

Current liabilities	
Current portion of lease liability	4,380
Accounts payable	621,253
Accrued payroll and related taxes	12,607
Accrued liabilities	240,837
Total current liabilities	879,077
Lease liability, net of current portion	5,297
Total liabilities	884,374
Net assets	
Without donor restrictions	7,207,055
Without donor restrictions - board designated	246,691
	7,453,746
With donor restrictions	797,230
Total net assets	8,250,976
Total liabilities and net assets	\$ 9,135,350

**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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Public support			
In-kind food contributions	\$ 8,069,162	\$ -	\$ 8,069,162
Contributions	928,108	809,019	1,737,127
United Ways	123,131	-	123,131
Government grants	2,169,183	151,127	2,320,310
Net assets released from restrictions	228,521	(228,521)	-
Total public support	11,518,105	731,625	12,249,730
Other revenue			
Member agency contract revenue, net	203,294	-	203,294
Investment activity, net	(28,790)	-	(28,790)
Miscellaneous	13,779	-	13,779
Total revenue	188,283	-	188,283
Total public support and revenue	11,706,388	731,625	12,438,013
Expenses			
Program services			
Food banking	8,705,025	-	8,705,025
Senior food program	859,197	-	859,197
Childhood food program	712,799	-	712,799
SNAP outreach	89,283	-	89,283
Advocacy	1,873	-	1,873
Total program services	10,368,177	-	10,368,177
Management and general	270,052	-	270,052
Fundraising	218,532	-	218,532
Total expenses	10,856,761	-	10,856,761
Change in net assets	849,627	731,625	1,581,252
Net assets at beginning of year	6,604,119	65,605	6,669,724
Net assets at end of year	\$ 7,453,746	\$ 797,230	\$ 8,250,976

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, 2022

	Program Services					Supporting Services			Total
	Food Banking	Senior Food Program	Childhood Food Program	SNAP Outreach	Advocacy	Total	Management and General	Fundraising	
Salaries	\$ 236,184	\$ 92,827	\$ 18,782	\$ 61,264	\$ -	\$ 409,057	\$ 143,003	\$ 99,468	\$ 651,528
Employee benefits	36,681	14,417	2,917	9,515	-	63,530	22,209	15,448	101,187
Payroll taxes	24,213	9,516	1,925	6,281	-	41,935	14,660	10,198	66,793
Total salaries and related expenses	<u>297,078</u>	<u>116,760</u>	<u>23,624</u>	<u>77,060</u>	<u>-</u>	<u>514,522</u>	<u>179,872</u>	<u>125,114</u>	<u>819,508</u>
Food distributions	7,685,026	668,032	203,804	-	-	8,556,862	-	-	8,556,862
Food purchases	77,308	-	463,236	-	-	540,544	-	-	540,544
Capacity building grants	170,002	1,800	-	-	-	171,802	-	-	171,802
Professional and contract services	90,493	484	-	-	-	90,977	21,355	18,715	131,047
Depreciation	96,394	8,651	11,122	1,236	1,236	118,639	2,472	2,472	123,583
Transportation	105,332	9,193	3,468	2,250	152	120,395	579	531	121,505
Occupancy	67,940	16,373	4,901	74	479	89,767	9,519	2,573	101,859
Supplies	55,770	25,272	1,884	-	-	82,926	3,162	1,358	87,446
Marketing and communications	-	5,119	-	4,558	-	9,677	12,904	44,688	67,269
Subscriptions and dues	24,580	1,833	-	-	-	26,413	7,323	-	33,736
Technology and related	5,818	878	197	-	-	6,893	16,515	6,080	29,488
Postage	-	890	-	2,334	-	3,224	2,134	14,106	19,464
Insurance	14,913	1,291	504	-	-	16,708	-	-	16,708
Telephone	474	2,611	55	1,771	6	4,917	8,395	-	13,312
Staff support	2,803	10	4	-	-	2,817	5,797	2,895	11,509
Non-vehicle equipment and maintenance	11,094	-	-	-	-	11,094	-	-	11,094
Miscellaneous	-	-	-	-	-	-	25	-	25
Total expenses	<u>\$ 8,705,025</u>	<u>\$ 859,197</u>	<u>\$ 712,799</u>	<u>\$ 89,283</u>	<u>\$ 1,873</u>	<u>\$ 10,368,177</u>	<u>\$ 270,052</u>	<u>\$ 218,532</u>	<u>\$ 10,856,761</u>

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

Shared Harvest Foodbank, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash flows from operating activities	\$ 1,581,252
Change in net assets	
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	123,583
Investment activity	32,702
Increase (decrease) in cash from changes in operating assets and liabilities	
Accounts receivable and grants receivable	(35,623)
Unconditional promises to give	(84,320)
Inventory	487,699
Prepaid expenses	2,134
Accounts payable	486,205
Accrued expenses	239,423
Net cash provided by operating activities	<u>2,833,055</u>
Cash flows from investing activities	
Payments related to the acquisition and construction of property and equipment	<u>(1,792,914)</u>
Net cash used by investing activities	(1,792,914)
Net change in cash and cash equivalents and restricted cash and cash equivalents	1,040,141
Cash and cash equivalents and restricted cash and cash equivalents at beginning of year	3,552,529
Cash and cash equivalents and restricted cash and cash equivalents, end of year	<u>\$ 4,592,670</u>
Noncash investing activities	
Property and equipment construction costs in accounts payable and accrued expenses	<u>\$ 640,743</u>

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

Shared Harvest Foodbank, Inc.
Notes to Financial Statements
December 31, 2022

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 February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the statement of financial position for most leases and provide enhanced disclosures. The Organization adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. The Organization did not restate prior periods and instead evaluated whether a cumulative effect adjustment to net assets as of January 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. No cumulative effect adjustment to net assets as of January 1, 2022, was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended December 31, 2022.

As part of the transition, the Organization elected to apply the following practical expedients:

Package of practical expedients:

1. Election not to reassess whether any expired or existing contracts are or contain leases.
2. Election not to reassess the lease classification for any expired or existing leases.
3. Election not to reassess initial direct costs on any existing leases.
4. Election not to record right of use assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month. Leases of 1 month or less are not included in the short-term lease costs.
5. Election to use a risk-free rate as the discount rate for the leases.

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 valuation of inventory. The other significant estimates include 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 statement of financial position and cash flows, the Organization considers all instruments that have original maturity date less than three months to be cash equivalents.

Grants Receivable – consist primarily of unpaid grant reimbursements due from ODJFS and the Ohio Association of Foodbanks. Therefore, management believes that an allowance for uncollectible accounts is not required and has not been provided.

Inventory – Inventory consists of food, supplies, and commodities available for distribution. The inventory was valued at \$1.00 per pound through October 31, 2022. This value was 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. Beginning November 1, 2022 the inventory is valued at \$1.53 per pound. This value is based on Feeding America’s product valuation methodology survey for December 31, 2021. 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 received.

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, vehicles and software, 5 to 20 years for building 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.

Leases – The Organization accounts for leases in accordance with FASB ASC 842. Leases are evaluated using the criteria outlined in FASB ASC 842 to determine whether they will be classified as operating leases or finance leases. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization determines if an arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Organization recognizes a lease liability and right of use asset at the commencement date of the lease.

Note 1 – Summary of Significant Accounting Policies, continued

Beginning January 1, 2022, operating lease right of use assets and related current and long-term portions of operating lease liabilities have been presented on the statement of financial position.

Lease liabilities. A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The Organization uses the risk-free rate at the commencement of the lease.

Right of use assets (ROU). A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued lease payments, less the unamortized balance of lease incentives received). Lease cost for lease payments is recognized on a straight-line basis over the lease term. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the lease term or the remaining useful life of the asset and are recorded with property and equipment on the statement of financial position.

Accounting policy election for short-term leases. The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term. The Organization's lease does not include termination options for either party to the lease, guaranteed residual values or restrictive financial or other covenants.

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 statement 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. The unpaid promises to give have not been discounted because the promises are due in the next year. Management believes the promises to give balance is fully collectible and no allowance for uncollectible promises has been recorded at year end.

Note 1 – Summary of Significant Accounting Policies, continued

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. The Organization has two cost-reimbursable grants with a total balance of \$394,100 in which qualifying expenditures have not yet been incurred nor have any funds been 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. Donated marketable securities are usually sold immediately, and nonfood donations are usually used by the Organization. No such donated assets were received by the Organization in 2022.

In-kind Food Contributions – Food contributions are recorded in the financial statements as in-kind contribution revenue and inventory and was valued at \$1.00 per pound through October 31, 2022, which management believed approximates fair market value and was 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. On November 1, 2022, food contributions are valued at \$1.53 per pound, which is based on Feeding America's product valuation methodology survey for December 31, 2021. When food is distributed to member charities, the inventory recorded value is recorded as direct service expenditure. Food contributions are utilized by the Organization within the food banking, senior food, and childhood food programs.

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 1,170 volunteers in 2022 that provided 3,676 hours of service to the Organization in 2022. Based on a Value of Volunteer Time Index prepared by the Independent Sector the volunteers provided \$99,509 to the Organization in 2022.

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. The Organization has determined that there are no significant financing components in its contracts. The Organization is not aware of any variable considerations that constrain revenue recognition. The Organization believes there are not any significant refunds or similar obligations, or warranty obligations as a result of these contracts. The Organization's contract assets (accounts receivable) were \$27,144 at December 31, 2022 and \$27,283 at January 1, 2022. Trade accounts receivable are stated at the amount management expects to collect from outstanding balances.

Note 1 – Summary of Significant Accounting Policies, continued

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.

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 functions based the actual usage by each function, the amount of inventory distributed by each function, or the percentage of staff time dedicated to the function which is applied to shared costs.

Advertising – Advertising costs are expensed as incurred and were \$5,585 in 2022.

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 2019 through 2022 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).

Note 1 – Summary of Significant Accounting Policies, continued

The valuation methodologies, which have not changed during 2022, are:

The carrying values of cash and cash equivalents and restricted cash and cash 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). 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 statement 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, 2022, through May 5, 2023, 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 statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash held in checking, savings and money market accounts with a bank. Assets reserved for certain purposes on the statement 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 statement of financial position that sum to the total of the same such amount on the statement of cash flows.

Cash and cash equivalents	\$ 3,871,004
Restricted cash and cash equivalents	<u>721,666</u>
	<u>\$ 4,592,670</u>

Note 4 – Investments

The balances, presented at fair market value, were:

	Level 1
Money market	\$ 6,677
ETFs and mutual funds - stock funds	147,967
ETFs and mutual funds - bond funds	59,370
Stocks	<u>32,677</u>
	<u>\$ 246,691</u>

The investment activities were:

Balances, beginning of year, fair market value	\$ 279,393
Interest and dividends	5,815
Realized losses	(1,957)
Unrealized losses	(33,621)
Fees	<u>(2,939)</u>
	<u>(32,702)</u>
Balances, end of year, fair market value	<u>\$ 246,691</u>

Note 9 – 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 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. Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance 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, 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 10 – 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:

Financial assets at year end:	
Cash and cash equivalents	\$ 4,592,670
Investments	246,691
Grants receivable	201,289
Accounts receivable	27,144
Unconditional promises to give	128,639
	<u>5,196,433</u>
Less those unavailable for general expenditures within one year, due to:	
Donor restricted and board designated	
Board designated investments	<u>(246,691)</u>
Financial assets available to meet cash needs	
for general expenditures within one year	<u>\$ 4,949,742</u>

Note 11 – Leases

The Organization rents office equipment under an operating lease agreement that requires monthly payments of \$365 and the lease expires in February 2025. Operating lease costs were \$4,380 for 2022. The short-term lease costs were \$25,071 in 2022. The maturity of the lease liability as of December 31, 2022, is as follows:

Note 11 – Leases, continued

2023	\$ 4,380
2024	4,380
2025	<u>1,095</u>
Total lease payments	9,855
Less present value adjustment	<u>(178)</u>
Present value of lease liability	9,677
Less current portion	<u>(4,380)</u>
	<u>\$ 5,297</u>

Other information related to leases as of or for the year ended December 31, 2022, are as follows:

Weighted-average remaining lease term	2 years
Weighted-average discount rate	1.56%

Supplemental cash flow information for the year ended December 31, 2022, are as follows:

Cash paid for amounts included in the measurement of lease liability	
Operating cash flows	<u>\$ 4,380</u>
Right of use asset obtained in exchange for lease liability	<u>\$ 13,871</u>
Reductions to right of use asset resulting from reduction to lease liability	<u>\$ 4,194</u>

Note 12 – Emergency Food Assistance Program

The Organization coordinates and administers the United States Department of Agriculture's Emergency Food Assistance Program (TEFAP) through the Ohio Department of Job and Family Services (ODJFS) for itself and four foodbanks in Ohio. The Organization orders TEFAP food for itself and the four foodbanks, and the Organization receives only its TEFAP food at the Organization's warehouse. The TEFAP food for the four foodbanks is shipped directly to those foodbanks. The Organization prepares monthly TEFAP grant cost reimbursement reports for itself and the four foodbanks (based on information provided by those foodbanks), and those reports are submitted to ODJFS by the Organization. The Organization receives a TEFAP grant cost reimbursement payment from ODJFS and distributes the funds to the four foodbanks.

Management has determined the administration of the TEFAP program for the four foodbanks is an agency transaction according to accounting principles generally accepted in the United States of America. Thus, the TEFAP food and grant funds for the four foodbanks are not recorded on the Organization's statement of activities. The four foodbanks received \$7,065,444 pounds of TEFAP food (valued at a \$1.00 per pound through October 31, 2022 and \$1.53 beginning November 1, 2022) in 2022, and the TEFAP grant funds passed through to the four foodbanks were \$1,436,720 in 2022. The TEFAP grant funds due to the four foodbanks at December 31, 2022 were \$79,684. This amount is recorded with accrued liabilities on the statement of financial position, and is also recorded with grants receivable at December 31, 2022.

Supplemental Schedule

Shared Harvest Foodbank, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency or Department/Program or Cluster Title/Pass-through Entity	Assistance Listing 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-2223-17-0745 G-2223-17-1237	\$ 1,436,720	\$ 1,989,632
Emergency Food Assistance Program (Food Commodities)	10.569	G-2223-17-0745 G-2223-17-1237		
		Food received directly by Organization	2,214,863	2,814,669
		Food passed through directly to subrecipient organizations	7,065,444	7,065,444
			<u>9,280,307</u>	<u>9,880,113</u>
Commodity Supplemental Food Program	10.565	G-2223-17-0739 G-2223-17-1235		
		Food	-	668,032
		Cash	1,800	164,167
			<u>1,800</u>	<u>832,199</u>
Total Food Distribution Cluster			<u>10,718,827</u>	<u>12,701,944</u>
Passed through the Ohio Association of Foodbanks State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SNAPFY23Q1SHFB SNAPFY22 SHFB SNAPFY23SHFB	-	39,921
Total Department of Agriculture			<u>10,718,827</u>	<u>12,741,865</u>
United States Department of Health and Human Services				
Passed through the Ohio Association of Foodbanks				
Temporary Assistance for Needy Families	93.558	2223-OFPACP-SHFB		
		Food	954,755	1,446,042
		Cash	-	167,256
			<u>954,755</u>	<u>1,613,298</u>
Social Services Block Grant	93.667	2223-OFPACP-SHFB		
		Food	103,282	156,428
		Cash	26,415	26,415
			<u>129,697</u>	<u>182,843</u>
Total Department of Health and Human Services			<u>1,084,452</u>	<u>1,796,141</u>
United States Department of Homeland Security				
Emergency Food and Shelter National Board Program	97.024	Covid-19	-	704
Total Department of Homeland Security			<u>-</u>	<u>75,564</u>
United States Department of the Treasury				
Passed through the Ohio Association of Foodbanks				
Covid-19 - Coronavirus Relief Fund	21.019	G-2223-17-0445	-	869,924
Covid-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Food	47,009	79,460
Total Department of the Treasury			<u>47,009</u>	<u>949,384</u>
United States Department of Housing and Urban Development				
Covid-19 - Community Development Block Grants/Entitlement Grants				
Passed through Butler County, Ohio	14.218		112,356	223,299
Passed through Warren County, Ohio			-	124,584
Total Department of Housing and Urban Development			<u>112,356</u>	<u>347,883</u>
			<u>\$ 11,962,644</u>	<u>\$ 15,911,541</u>

See Independent Auditor's Report.

Shared Harvest Foodbank, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

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, 2022. 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 distributed directly to subrecipients from the Ohio Department of Job and Family Services is not recorded on the Organization's statement of activities. Administrative cost funds distributed to subrecipients is also not recorded on the Organization's statement of activities, see Note 12 in the notes to financial statements for additional information.

Note 5 – Food Distribution

Nonmonetary assistance is reported on the Schedule at \$1.00 per pound for the food, supplies or commodities disbursed from January 1, 2022 to October 31, 2022, and at \$1.53 per pound from November 1, 2022 to December 31, 2022.

Note 6 – Donated Personal Protective Equipment (PPE)

The Organization did not receive donated PPE from federal agencies or pass-through entities in 2022 (unaudited).



STEPHENSON
& WARNER, INC.
CERTIFIED PUBLIC ACCOUNTANTS

**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

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, 2022, 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 May 5, 2023.

Report on 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) as a basis for designing 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.

Report on 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 financial statements. 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

May 5, 2023



**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

Opinion on Each Major Federal Program

We have audited Shared Harvest Foodbank, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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)*. Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Shared Harvest Foodbank, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Shared Harvest Foodbank, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Shared Harvest Foodbank, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Shared Harvest Foodbank, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Shared Harvest Foodbank, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Uniform Guidance*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Shared Harvest Foodbank, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Shared Harvest Foodbank, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Shared Harvest Foodbank, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

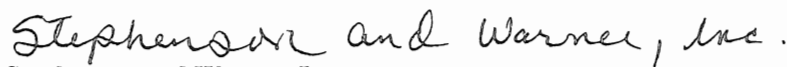
Report on Internal Control Over Compliance

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

May 5, 2023

Shared Harvest Foodbank, Inc.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

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:

Assistance Listing #10.568, 10.569
and 10.565

Food Distribution Cluster

Assistance Listing #93.558

Temporary Assistance for Needy Families

Assistance Listing #21.019

Coronavirus Relief Fund

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

- None -

Section III – Federal Award Findings and Questioned Costs

- None -