

SHARE FOOD PROGRAM, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION AND REPORTS
IN COMPLIANCE WITH TITLE 2 U.S. *CODE OF FEDERAL
REGULATIONS* PART 200**

YEAR ENDED JUNE 30, 2016

AND

INDEPENDENT AUDITORS' REPORT

SHARE FOOD PROGRAM, INC.

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ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Share Food Program, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Share Food Program, Inc., (a nonprofit organization), (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Share Food Program, Inc. as of June 30, 2016, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal, state and city awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the City of Philadelphia Subrecipient Audit Guide, 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 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 January 20, 2017, on our consideration of the Organization'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 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 the Organization's internal control over financial reporting and compliance.



January 20, 2017

SHARE FOOD PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS

Current assets

Cash and cash equivalents	\$ 611,711
Restricted cash	152,382
Accounts and grants receivable	945,651
Unconditional promises to give	30,000
Inventories	549,891
<hr/> Total current assets	<hr/> 2,289,635
 Property and equipment - at cost, less accumulated depreciation and amortization	 1,758,924
 Long-term unconditional promises to give	 10,000
Other asset	36,871
	<hr/> \$ 4,095,430 <hr/>

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 1,323,559
Current maturities of mortgage payable	49,965
<hr/> Total current liabilities	<hr/> 1,373,524
 Mortgage payable, less current maturities	 1,006,629
	<hr/> 2,380,153 <hr/>

Commitments and contingencies

Net assets

Unrestricted	796,401
Temporarily restricted	918,876
	<hr/> 1,715,277 <hr/>
	<hr/> \$ 4,095,430 <hr/>

See notes to financial statements.

SHARE FOOD PROGRAM, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Grant revenue	\$ 2,975,893	\$ 519,830	\$ 3,495,723
Program service revenue	485,966	-	485,966
Contributions	325,859	368,594	694,453
Building and other revenue	81,253	-	81,253
	3,868,971	888,424	4,757,395
Net assets released from restrictions			
Satisfaction of program restrictions	1,001,931	(1,001,931)	-
	4,870,902	(113,507)	4,757,395
Expenses			
Program services			
Emergency food relief	3,340,856	-	3,340,856
Community food program	850,600	-	850,600
Total program services	4,191,456	-	4,191,456
Supporting services			
General and administrative	328,517	-	328,517
Fundraising	45,306	-	45,306
Total supporting services	373,823	-	373,823
	4,565,279	-	4,565,279
Changes in net assets	305,623	(113,507)	192,116
Net assets, beginning of year	490,778	1,032,383	1,523,161
Net assets, end of year	\$ 796,401	\$ 918,876	\$ 1,715,277

See notes to financial statements.

SHARE FOOD PROGRAM, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

Cash flows from operating activities	
Changes in net assets	\$ 192,116
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation and amortization	87,434
Changes in assets and liabilities	
Restricted cash	(36,525)
Accounts and grants receivable	(44,224)
Unconditional promises to give	90,000
Inventories	(196,880)
Other asset	(3,506)
Accounts payable and accrued expenses	528,247
Deferred revenue	(4,550)
Net cash provided by operating activities	612,112
Cash flows from investing activities	
Acquisition of property and equipment	(75,581)
Cash flows from financing activities	
Repayment of mortgage payable	(46,871)
Net increase in cash and cash equivalents	489,660
Cash and cash equivalents, beginning of year	122,051
Cash and cash equivalents, end of year	\$ 611,711
Supplemental cash flow disclosures	
Interest paid	\$ 63,350

See notes to financial statements.

SHARE FOOD PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program expenses		Total Program Services	Supporting Services		Total Supporting Services	Total Functional Expenses
	Emergency Food Relief	Community Food Programs		General and administrative	Fundraising		
Food	\$ 2,602,963	\$ 371,663	\$ 2,974,626	\$ -	\$ -	\$ -	\$ 2,974,626
Salaries	298,534	137,862	436,396	113,350	17,002	130,352	566,748
Payroll taxes and employee benefits	63,964	29,539	93,503	24,286	3,643	27,929	121,432
Packaging and distribution	28,319	86,037	114,356	-	-	-	114,356
Trucking	24,445	36,063	60,508	-	-	-	60,508
Warehouse	16,602	29,379	45,981	-	-	-	45,981
Building occupancy	134,635	78,269	212,904	56,507	8,295	64,802	277,706
Program supplies	-	2,639	2,639	-	-	-	2,639
Professional fees	-	-	-	34,657	-	34,657	34,657
Dues and fees	3,565	1,646	5,211	1,354	203	1,557	6,768
Fiscal services	-	-	-	25,800	-	25,800	25,800
Legal	-	-	-	2,000	-	2,000	2,000
Merchant fees	-	-	-	2,718	-	2,718	2,718
Advertising and promotion	1,775	820	2,595	674	101	775	3,370
Consultant	24,624	11,371	35,995	9,349	1,402	10,751	46,746
Office	56,453	26,070	82,523	21,434	3,215	24,649	107,172
Interest	33,370	15,410	48,780	12,670	1,900	14,570	63,350
Depreciation and amortization	46,056	21,268	67,324	17,487	2,623	20,110	87,434
Other	5,551	2,564	8,115	6,231	6,922	13,153	21,268
	\$ 3,340,856	\$ 850,600	\$ 4,191,456	\$ 328,517	\$ 45,306	\$ 373,823	\$ 4,565,279

See notes to financial statements.

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

1 - ORGANIZATION AND NATURE OF ACTIVITIES

Share Food Program, Inc. (the "Organization") is a nonprofit organization that serves as a community food hub. The Organization works to make food more affordable to families and individuals, serving thousands of families each month in the Philadelphia area as well as in Delaware, Maryland, New Jersey, and New York, while at the same time encouraging volunteer service in the community. The SHARE acronym stands for Self Help And Resource Exchange. The Organization operates a model urban agriculture program, harvesting fresh fruits and vegetables grown on 10,000 square feet of raised beds for distribution to food pantries or sale at affordable prices to program participants.

Through its basic program service revenue activity, the Organization offers its participants packages of nutritious food - fresh produce, meats, and staple items - at a price that is approximately half of normal retail cost. In order to receive packages, participants order and pay for their own food and also commit to volunteer service. There are no restrictions or income requirements.

The Organization receives government funding through the Temporary Emergency Food Assistance Program (TEFAP) to distribute surplus commodities to community based food cupboards that support low-income households.

The Organization also provides community assistance in preventing hunger and malnutrition through the purchase, storage and distribution of food to needy individuals under the State of Pennsylvania Food Program.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying financial statements have been presented in accordance with United States generally accepted accounting principles ("GAAP"). Net assets, support and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets consist of assets, public support and program revenues which are available and used for operations and programs.

Temporarily restricted net assets include funds with donor-imposed restrictions which permit the Organization to expend the assets as specified either by the passage of time or by actions of the Organization.

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Concentration of Credit Risk for Cash and Cash Equivalents

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

Donations to Sunday Suppers are restricted specifically for use by that program (See Note 10).

Accounts and Grants Receivable

Accounts and grants receivable represent amounts due from governmental agencies. Past due accounts are individually analyzed for collectability. An allowance is established for accounts deemed potentially uncollectible. When all collection efforts have been exhausted, the receivable is written off against the related reserve. Management has determined that the receivables are fully collectible and that no allowance for uncollectible accounts is considered necessary at June 30, 2016.

Promises to Give

Unconditional promises to give represent pledges which have been made by donors but have not yet been received by the Organization. They are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional and included in temporarily restricted net assets. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Organization considers pledges receivable to be fully collectible; accordingly no allowance for uncollectible pledges has been provided.

Inventories

Inventories are stated at cost, which approximates fair value and consists of purchased food.

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts, less accumulated depreciation. The Organization capitalizes all fixed assets over \$2,000 with an estimated useful life greater than one year. Maintenance and repairs are charged to expense as incurred.

Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the equipment and improvements as follows:

Equipment and furniture	5 to 7 years
Building and Improvements	39 years

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. If long-lived assets are deemed impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds fair value. There were no impairment losses recorded during the year ended June 30, 2016.

Deferred Revenue

All unexpended grant revenues are recorded as deferred revenue and expensed as qualifying expenditures are incurred.

Revenue Recognition

All contributions are generally available for unrestricted use in the year received unless specifically restricted by the donor.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor-imposed restrictions that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted grants received and expended in the same fiscal year are reflected as unrestricted revenues.

Revenues from government contracts are recognized when reimbursable expenses are incurred under the terms of the contract. Such revenues are subject to audit by the agencies. No provision for any disallowances is reflected in the financial statements, since management does not anticipate any material adjustments.

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Certain costs have been allocated among the programs and supporting services they benefit, in accordance with bases that best reflect, in management's judgment, the proportionate benefits derived by the program or administrative unit.

Donated Services and Materials

Donated non-cash assets are reflected as contributions at their estimated fair values upon the date of receipt. A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and its fundraising activities; however, no amounts have been reflected in the financial statements for donated services as these services don't meet the criteria for recognition.

Agency Transactions

The Organization acts as an intermediary for donated materials, supplies and other nonfinancial assets and does not record the receipt and disbursement of these nonfinancial assets. The Organization distributed approximately \$6 million worth of surplus commodities received from TEFAP (See Note 1) in the year ended June 30, 2016 that are not recorded.

Income Taxes

The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3), and is classified as a publicly supported organization as described in Section 509(a)(2). Accordingly, no provision has been made for income taxes. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income however, there is no liability for the year ended June 30, 2016.

Subsequent Events

These financial statements were approved by management and available for issuance on January 20, 2017. Management has evaluated subsequent events through this date.

3 - ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable are comprised of the following as of June 30, 2016:

Federal subsidies (TEFAP)	\$ 89,702
State subsidies (State Food)	844,820
Other	11,129
	<hr/>
	\$ 945,651

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

3 - ACCOUNTS AND GRANTS RECEIVABLE (Continued)

State subsidies (State Food) include amounts due in connection with food purchase commitments totaling \$484,860 at June 30, 2016.

Federal, state and city subsidies receivable consist of receivables under various programs and grants. All amounts are expected to be collected within the next year.

4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due as follows:

Less than one year	\$ 30,000
One to five years	10,000
Net unconditional promises to give	\$ 40,000

	Donor 1	Donor 2	Donor 3	Donor 4	Total
Balance, beginning of year	\$ -	\$ 75,000	\$ 15,000	\$ 40,000	\$ 130,000
Unconditional promises to give	30,000	-	-	-	30,000
Received	(10,000)	(75,000)	(15,000)	(20,000)	(120,000)
Balance, end of year	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ 40,000

The remaining commitments of \$40,000 are reflected as temporarily restricted net assets (See Note 10).

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Building	\$ 1,356,693
Land	150,000
Furniture and fixtures	73,159
Machinery and equipment	1,064,997
Improvements	328,415
State food contract - capital expenditures	231,343
	<u>3,204,617</u>
Less - Accumulated depreciation and amortization	<u>(1,488,584)</u>
	1,716,033
Assets not yet in service	42,901
	<u>\$ 1,758,934</u>

Equitable interest in property and equipment (State Food Contract)

Capital expenditures were purchased with funding through the State of Pennsylvania food contract. The title to these assets vests with the City of Philadelphia; however, the Organization has exclusive use of these assets as long as the contract is in force. The depreciated basis of these assets is \$82,781 at June 30, 2016.

6 - LINE OF CREDIT

The Organization has a \$250,000 line of credit with a bank that expires December 23, 2017. The borrowings bear interest at 4.25%. There is no outstanding balance on the line of credit as of June 30, 2016. The line of credit was refinanced and increased to \$400,000 in the subsequent period (see Note 11).

7 - MORTGAGE PAYABLE

The Organization acquired the facility previously occupied as a tenant for \$1,450,000 on August 4, 2010. In connection with the acquisition, the Organization obtained a mortgage of \$1,300,000 collateralized by the facility at an annual interest rate of 5.75%. The mortgage had a balloon payment of \$837,343 due July 2020, which was subsequently refinanced (see Note 11).

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

7 - MORTGAGE PAYABLE (Continued)

Future maturities are as follows:

Year Ending June 30,	
2017	\$ 49,965
2018	52,891
2019	56,058
2020	60,337
2021	837,343
	<u>\$ 1,056,594</u>

8 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization leases two trucks and office equipment under operating leases that expire through June 2021. Equipment lease expense totaled approximately \$72,000 for the year ended June 30, 2016.

Future minimum lease payments due under existing lease agreements as of June 30, 2016 are as follows:

Year Ending June 30,	
2017	\$ 71,298
2018	71,298
2019	68,959
2020	65,842
2021	41,304
Thereafter	3,532
	<u>\$ 322,233</u>

Lease income

The Organization leases a portion of its building to unrelated tenants under renewable operating lease agreements with various terms. Rent income totaling approximately \$54,000 for the year ended June 30, 2016 is included in building revenue.

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

8 - COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum lease payments due under existing lease agreements as of June 30, 2016 are as follows:

Year Ending June 30,	
2017	\$ 51,000
2018	21,000
2019	9,000
	<u>\$ 71,000</u>

Contingencies

The Organization participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2016 may be impaired. Management feels there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

9 - CONCENTRATIONS

Support and Revenue

Support and revenue from a government grant was approximately 62% of total support and revenue for the year ended June 30, 2016. The amount due from this grant was approximately 88% of total receivables at June 30, 2016.

Purchases

A small group of vendors account for a very large percentage of food purchased by the Organization. Purchases from two vendors amounted to approximately 14% each of total purchases at June 30, 2016. Though the relationship is good with all vendors at present, a disruption in one vendor's current supply of food could be harmful to the Organization's operations in the short run. It is believed that all food could be purchased on substantially equivalent terms from other vendors, if necessary.

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

10 - TEMPORARILY RESTRICTED NET ASSETS

The following summarizes the changes in temporarily restricted net assets for the year ended June 30, 2016:

	Balance, Beginning of Year	Contributions	Satisfaction of Program Restrictions	Balance, End of Year
Sunday Suppers	\$ 115,662	\$ 154,716	\$ (95,210)	\$ 175,168
Undistributed inventory	345,738	519,830	(345,738)	519,830
The Emergency Food Assistance Program	110,850	-	(110,850)	-
Warehouse assessment and design	43,551	-	(43,551)	-
Food pantries refrigerator unit installation	-	15,000	-	15,000
Time restricted	286,582	168,878	(286,582)	168,878
Promises to give	130,000	30,000	(120,000)	40,000
	\$ 1,032,383	\$ 888,424	\$ (1,001,931)	\$ 918,876

11 - SUBSEQUENT EVENT

On December 20, 2016, the Organization executed several debt instruments including line(s) of credit, other loans and refinancing the existing mortgage totaling an aggregate of \$2,500,000 as follows:

Mortgage payable that bears a variable interest rate (4% initially) and commencing February 1, 2017 requires 24 monthly payments of interest only then future payments of interest and principal that vary over the 10 year term.	\$ 1,000,000
Mortgage payable that bears a variable interest rate (4% initially) and requires monthly payments of interest and principal of \$6,023 for ten years, maturing January 1, 2027.	600,000
Line(s) of credit for \$400,000 and \$500,000, that bear interest at a variable rate (3.5% initially) and requires monthly payments of interest only, expiring January 1, 2018.	900,000
	\$ 2,500,000

The debts are secured by substantially all assets of the Organization and are subject to a minimum debt coverage ratio covenant of 1.20.

SUPPLEMENTARY INFORMATION

SHARE FOOD PROGRAM, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND CITY AWARDS

YEAR ENDED JUNE 30, 2016

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Award period	Expenditures
U.S. Department of Agriculture Food Distribution Cluster				
Pennsylvania Department of Agriculture, Bureau of Food Distribution, The Emergency Food Assistance Program	10.568	5-08-51-374	10/1/09 - 9/30/16	\$ 256,394
Pennsylvania Department of Agriculture, Bureau of Food Distribution (In-kind), The Emergency Food Assistance Program	10.569	5-08-51-374	7/1/15 - 6/30/16	6,029,450
Pennsylvania Department of Agriculture, PA Association of Regional Food Banks, Commodity Supplemental Food Program, Food and Nutrition Service	10.565		4/1/15 - 9/30/15 10/1/15 - 9/30/16	65,783 203,654
Pennsylvania Department of Agriculture, City of Philadelphia Office of Supportive Housing, Emergency Food Program	10.569	09-20032	7/1/15 - 6/30/16	2,969,892
Total Food Distribution Cluster				9,525,173
Total Federal Financial Assistance				\$ 9,525,173

See independent auditors' report and notes to schedule of expenditures of federal, state, and city awards.

SHARE FOOD PROGRAM, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND CITY
AWARDS**

YEAR ENDED JUNE 30, 2016

1 - GENERAL INFORMATION

The accompanying schedule of expenditures of federal, state and city awards present the activities in all the federal, state and city financial award programs of Share Food Program, Inc. All financial assistance received directly from federal, state or city agencies, as well as financial assistance passed through other governmental agencies or not-for-profit organizations, are included on the schedule.

2 - BASIS OF ACCOUNTING

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

3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal, state and city financial awards are reported in the statement of activities as program grant revenue. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of federal, state and city awards due to program expenditures exceeding grant or contract budget limitations, which are not included as federal, state and city awards, or due to the schedule being presented on either a cash or modified cash basis of accounting.

4 - THE EMERGENCY FOOD ASSISTANCE PROGRAM

Amounts included on the schedule of expenditures of federal, state and city awards includes administrative funds of \$256,394 and an in-kind commodity value of \$6,029,450 accounted for as an agency transaction by the Organization.

5 - INDIRECT COST RATE

The Organization has not elected to use the 10 per cent *de minimus* indirect cost rate as allowed under the Uniform Guidance.

SHARE FOOD PROGRAM, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND CITY
AWARDS**

YEAR ENDED JUNE 30, 2016

6 - RECONCILIATION OF EXPENDITURES STATE FOOD PURCHASE PROGRAM

State Food Purchase Program budget expenditures	\$ 2,760,365
Plus: Capital expenditures	35,434
Plus: change in inventory and purchase commitments	174,093
<u>Per schedule of expenditures of Federal, state and city awards</u>	<u>\$ 2,969,892</u>

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ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' 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 Directors
of Share Food Program, Inc.

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 Share Food Program, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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.

A handwritten signature in black ink that reads "Friedman LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants

Marlton, New Jersey
January 20, 2017

FRIEDMAN LLP®

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE CITY OF PHILADELPHIA SUBRECIPIENT AUDIT GUIDE

To the Board of Directors
of Share Food Program, Inc.

Report on Compliance for Each Major Federal, State, and City Program

We have audited Share Food Program, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal, state and city programs ("major programs") for the year ended June 30, 2016. The Organization's major programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major 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"), and the City of Philadelphia Subrecipient Audit Guide. Those standards, the Uniform Guidance and the City of Philadelphia Subrecipient Audit Guide 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 program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal, State, and City Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a major 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 that material noncompliance with a type of compliance requirement of a major 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 major program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we 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 the Uniform Guidance and the City of Philadelphia Subrecipient Audit Guide. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Marlton, New Jersey
January 20, 2017

SHARE FOOD PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes √ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes √ No

Noncompliance material to financial statements noted Yes √ No

Federal Awards

Internal control over major programs:

- Material weakness(es)? Yes √ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es) reported? Yes √ No

Type of auditors' 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)? Yes √ No

Identification of major programs:

Name of Federal, State or City Program or Cluster	CFDA Number
U.S. Department of Agriculture, Food Distribution Cluster	10.565
	10.568
	10.569

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

Auditee qualified as low-risk auditee? √ Yes No

SHARE FOOD PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

II - FINANCIAL STATEMENT FINDINGS

None

III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

IV - STATUS OF PRIOR YEAR FINDING - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None