

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, 2018

AND

INDEPENDENT AUDITORS' REPORT

SHARE FOOD PROGRAM, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7
Supplementary Information	
Schedule of Expenditures of Federal, State, and Local Awards	17
Notes to Schedule of Expenditures of Federal, State, and Local Awards	19
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 <i>Government Auditing Standards</i>	21
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	23
Schedule of Findings and Questioned Costs	25

FRIEDMAN LLP[®]

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, 2018, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 local 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*, 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 February 11, 2019, 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 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

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

February 11, 2019

SHARE FOOD PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

ASSETS

Current assets

Cash and cash equivalents	\$ 647,582
Restricted cash	291,641
Accounts and grants receivable	2,790,557
Unconditional promises to give	160,000
Inventories	617,856
Total current assets	4,507,636
Property and equipment - at cost, less accumulated depreciation and amortization	3,111,461
Long-term unconditional promises to give	10,000
Other asset	42,340
	\$ 7,671,437

LIABILITIES AND NET ASSETS

Current liabilities

Line of credit	\$ 165,212
Accounts payable and accrued expenses	1,889,813
Refundable advance	134,805
Current maturities of mortgage payable	62,035
Total current liabilities	2,251,865
Mortgage payable, less current maturities	1,512,017
	3,763,882

Commitments and contingencies

Net assets

Unrestricted	2,514,907
Temporarily restricted	1,392,648
	3,907,555
	\$ 7,671,437

See notes to financial statements.

SHARE FOOD PROGRAM, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Grant revenue	\$ 4,551,522	\$ 608,642	\$ 5,160,164
Program service revenue	698,732	-	698,732
Contributions	84,611	783,180	867,791
Building and other revenue	105,271	-	105,271
Special events	162,983	-	162,983
	5,603,119	1,391,822	6,994,941
Net assets released from restrictions			
Satisfaction of program restrictions	1,970,243	(1,970,243)	-
	7,573,362	(578,421)	6,994,941
Expenses			
Program services			
Emergency food relief	4,078,454	-	4,078,454
Community food program	1,423,839	-	1,423,839
Total program services	5,502,293	-	5,502,293
Supporting services			
General and administrative	424,991	-	424,991
Fundraising	100,005	-	100,005
Total supporting services	524,996	-	524,996
	6,027,289	-	6,027,289
Changes in net assets	1,546,073	(578,421)	967,652
Net assets, beginning of year	968,834	1,971,069	2,939,903
Net assets, end of year	\$ 2,514,907	\$ 1,392,648	\$ 3,907,555

See notes to financial statements.

SHARE FOOD PROGRAM, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

Cash flows from operating activities

Changes in net assets	\$ 967,652
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation and amortization	106,658
Amortization of debt issuance costs included in interest expense	835
Changes in assets and liabilities	
Restricted cash	(42,908)
Accounts and grants receivable	(995,220)
Unconditional promises to give	105,000
Inventories	477,736
Other asset	1,150
Accounts payable and accrued expenses	(79,854)
Refundable advance	134,805
Net cash provided by operating activities	675,854

Cash flows from investing activities

Acquisition of property and equipment	(1,180,910)
---------------------------------------	-------------

Cash flows from financing activities

Advances on lines of credit	265,212
Repayments of lines of credit	(100,000)
Repayment of mortgage payable	(14,115)
Proceeds from mortgage payable	600,000
Net cash provided by financing activities	751,097

Net increase in cash and cash equivalents	246,041
Cash and cash equivalents, beginning of year	401,541
Cash and cash equivalents, end of year	\$ 647,582

Supplemental cash flow disclosures

Interest paid	\$ 45,396
---------------	-----------

Supplemental non-cash disclosures

Acquisition of property and equipment included in accrued expenses	\$ 300,599
--	------------

See notes to financial statements.

SHARE FOOD PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Expenses		Total Program Services	Supporting Services		Total Supporting Services	Total Functional Expenses
	Emergency Food Relief	Community Food Programs		General and Administrative	Fundraising		
Food	\$ 3,573,566	\$ 412,387	\$ 3,985,953	\$ -	\$ -	\$ -	\$ 3,985,953
Salaries	196,220	412,641	608,861	158,146	23,722	181,868	790,729
Payroll taxes and employee benefits	53,748	73,993	127,741	33,179	4,977	38,156	165,897
Packaging and distribution	19,612	72,916	92,528	-	-	-	92,528
Trucking	2,770	70,398	73,168	-	-	-	73,168
Warehouse	17,008	41,699	58,707	-	-	-	58,707
Building occupancy	100,030	123,762	223,792	58,128	8,719	66,847	290,639
Program supplies	-	12,854	12,854	-	-	-	12,854
Professional fees	-	-	-	35,425	-	35,425	35,425
Dues and fees	3,584	19,220	22,804	5,923	888	6,811	29,615
Fiscal services	-	-	-	48,100	-	48,100	48,100
Legal	-	-	-	2,750	-	2,750	2,750
Merchant fees	-	-	-	6,486	-	6,486	6,486
Advertising and promotion	1,264	33,475	34,739	9,023	1,353	10,376	45,115
Consultant	-	16,431	16,431	4,268	640	4,908	21,339
Office	26,633	71,330	97,963	25,445	3,817	29,262	127,225
Interest	24,469	10,486	34,955	9,079	1,362	10,441	45,396
Depreciation and amortization	57,489	24,638	82,127	21,332	3,200	24,532	106,659
Special events	-	-	-	-	50,171	50,171	50,171
Other	2,061	27,609	29,670	7,707	1,156	8,863	38,533
	\$ 4,078,454	\$ 1,423,839	\$ 5,502,293	\$ 424,991	\$ 100,005	\$ 524,996	\$ 6,027,289

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, engaged in food distribution, education and advocacy to reduce regional hunger. The Organization works to expand access to nutritious, affordable food for families and individuals, serving thousands of families each month in the Philadelphia area while at the same time encouraging volunteer service in the community. 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 Emergency Food Assistance Program (TEFAP) to distribute surplus commodities to community based food cupboards that support low-income households.

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

The Organization also receives government funding through the Commodity Supplemental Food Program (CSFP) to distribute United States Department of Agriculture donated food to low-income senior citizens through local community based organizations.

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.

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Presentation (Continued)

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.

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 11).

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, 2018.

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.

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at cost, which approximates fair value, and consists of purchased food. Purchased food reflects inventory in the warehouse and purchase commitments in-transit at year-end.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation, 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, 2018.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the effective interest method.

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 satisfied, 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.

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

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 services are recognized as in-kind donations if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donated non-cash assets including services and materials are reflected as in-kind donation revenue and expense at their estimated fair values upon the date of receipt.

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 surplus commodities received from TEFAP (See Note 1) valued at approximately \$4 million in the year ended June 30, 2018 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, 2018.

Subsequent Events

These financial statements were approved by management and available for issuance on February 11, 2019. Management has evaluated subsequent events through this date.

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

3 - ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable are comprised of the following as of June 30, 2018:

Federal subsidies (TEFAP & CSFP)	\$ 298,625
State subsidies (State Food & RACP)	2,432,867
Local	11,258
Other	47,807
	<hr/>
	\$ 2,790,557

State subsidies (State Food) include amounts due in connection with food purchase commitments totaling \$591,600 at June 30, 2018.

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	\$ 160,000
One to five years	10,000
Net unconditional promises to give	<hr/>
	\$ 170,000
Balance, beginning of year	\$ 275,000
Unconditional promises to give	30,000
Received	(135,000)
Balance, end of year	<hr/>
	\$ 170,000

There was one (1) donor who gave a total of \$30,000 for the year ended June 30, 2018.

The remaining commitments of \$170,000 are reflected as temporarily restricted net assets (See Note 11).

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	89,530
Machinery and equipment	1,091,578
Improvements	1,314,933
State food contract - capital expenditures	351,729
	<hr/> 4,354,463
Less - Accumulated depreciation and amortization	(1,692,333)
	<hr/> 2,662,130
Construction in progress	449,331
	<hr/> \$ 3,111,461

Equitable interest in property and equipment (State food contract)

Capital expenditures were purchased with funding through the State of Pennsylvania, Office of Supportive Housing, Emergency Food Program (See Note 1). 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 \$141,152 at June 30, 2018.

6 - LINES OF CREDIT

The Organization has lines of credit of \$400,000 and \$1,000,000 with Tompkins VIST Bank. The renewal date of January 1, 2019 has been extended to April 30, 2019. The borrowings bear interest at a variable rate (5% as of June 30, 2018). The outstanding balance on the lines of credit is \$165,212 as of June 30, 2018.

7 - REFUNDABLE ADVANCE

During October 2017, the Organization entered into an agreement with the Montgomery County (Pennsylvania) Office of Aging and Adult Services Office (“MCAAS”) to manage its State Food, TEFAP, and Aging Nutrition Services contracts from October 1, 2017 through September 30, 2020. MCAAS advanced the Organization \$123,090 in County funds and \$384,559 of State Food Funds. The Organization applied \$15,161 of Aging Nutrition Services expenses and \$357,683 of State Food expenses against the advances resulting in a refundable advance balance of \$134,805 as of June 30, 2018.

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

8 - MORTGAGE PAYABLE

Mortgage payable consist of the following:

Mortgage payable to Tompkins VIST Bank. The mortgage is payable in monthly installments of interest only February 1, 2017 to January 1, 2019 at a variable interest rate (4% initially). Beginning February 1, 2019 monthly payments of interest (at 4.25%) and principal are required for ten (10) years. The mortgage matures January 1, 2027 and is collateralized by a security interest in the building.	\$ 995,200
Mortgage payable to Tompkins VIST Bank. The mortgage bears a variable interest rate (4% initially) and requires monthly payments of interest and principal of \$6,098 for five (5) years. Beginning February 1, 2022 payments of interest and principal of \$6,022 are required. The mortgage matures February 1, 2027 and is collateralized by a security interest in the building.	585,885
Less: Unamortized debt issuance costs	(7,033)
	1,574,052
Less: Current portion	(62,035)
	\$ 1,512,017

Future maturities are as follows:

Year Ending June 30,	
2019	\$ 62,035
2020	76,738
2021	79,978
2022	81,888
2023	84,018
Thereafter	1,189,395
	\$ 1,574,052

Interest expense related to the amortization of the debt issuance costs for the year ended June 30, 2018 was \$835.

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

8 - MORTGAGE PAYABLE (Continued)

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

9 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization leases three trucks and various office equipment under operating leases that expire through August 2021. Equipment lease expense totaled approximately \$84,000 for the year ended June 30, 2018.

Future minimum lease payments due under existing lease agreements as of June 30, 2018 are as follows:

Year Ending June 30,	
2019	\$ 76,826
2020	46,104
2021	44,104
2022	3,532
	\$ 170,566

The Organization leases office space for Montgomery County services for \$400 per month beginning March 2018 through January 2021. Total rent paid was \$1,600 for the year ended June 30, 2018.

Future rental payments due under the agreement are as follows:

Year Ending June 30,	
2019	\$ 4,800
2020	4,800
2021	2,800
	\$ 12,400

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

9 - COMMITMENTS AND CONTINGENCIES (Continued)

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 \$99,000 for the year ended June 30, 2018 is included in building and other revenue.

Future minimum lease payments due under existing lease agreements as of June 30, 2018 are as follows:

Year Ending June 30,	
2019	\$ 82,592
2020	83,237
2021	28,653
2022	20,775
2023	5,250
	<u>\$ 220,507</u>

Contingencies

The Organization participates in federal, state, and local 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, 2018 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.

10 - CONCENTRATIONS

Support and Revenue

Support and revenue from two government grants were approximately 48% and 14% of total support and revenue for the year ended June 30, 2018. The amounts due from the grants were approximately 52% and 36% of total receivables at June 30, 2018.

SHARE FOOD PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

10 - CONCENTRATIONS (Continued)

Purchases

A small group of vendors account for a large percentage of food purchased by the Organization. Purchases from two vendors amounted to approximately 10% and 14% of total purchases at June 30, 2018. Though the Organization's 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.

11 - TEMPORARILY RESTRICTED NET ASSETS

The following summarizes the changes in temporarily restricted net assets for the year ended June 30, 2018:

	Balance, Beginning of Year	Contributions	Satisfaction of Program Restrictions	Balance, End of Year
Sunday Suppers	\$ 217,147	\$ 219,676	\$ (198,387)	\$ 238,436
Undistributed inventory	1,088,543	608,642	(1,088,543)	608,642
The Emergency Food Assistance Program	265,699	-	(265,699)	-
Commodity Supplemental Food Program	11,436	-	(11,436)	-
Time restricted	113,244	533,504	(271,178)	375,570
Promises to give	275,000	30,000	(135,000)	170,000
	<u>\$ 1,971,069</u>	<u>\$ 1,391,822</u>	<u>\$ (1,970,243)</u>	<u>\$ 1,392,648</u>

12 - IN-KIND DONATIONS

The fair value of donated services and materials recognized as contributions in the financial statements includes professional services for technology applications totaling \$52,825, included in advertising expense.

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 those services don't meet the criteria for recognition.

SUPPLEMENTARY INFORMATION

SHARE FOOD PROGRAM, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND LOCAL AWARDS

YEAR ENDED JUNE 30, 2018

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 - 9/30/18	\$ 347,090
Pennsylvania Department of Agriculture, Bureau of Food Distribution, Montgomery County, The Emergency Food Assistance Program	10.568	1101-652030	10/1/17 - 9/30/20	39,422
Pennsylvania Department of Agriculture, Bureau of Food Distribution (In-kind), The Emergency Food Assistance Program	10.569	5-08-51-374	7/1/17 - 6/30/18	4,345,720
Pennsylvania Department of Agriculture, City of Philadelphia Office of Supportive Housing, Emergency Food Program	10.569	09-20032	7/1/17 - 6/30/18	3,002,646
Pennsylvania Department of Agriculture, Montgomery County, Emergency Food Program	10.569	1101-652070	10/1/17 - 9/30/20	357,683
Pennsylvania Department of Agriculture, PA Association of Regional Food Banks, Commodity Supplemental Food Program, Food and Nutrition Service			10/1/16 - 9/30/17	83,163
	10.565		10/1/17 - 9/30/18	296,951
Total Federal Financial Assistance				8,472,675

(Continued)

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

SHARE FOOD PROGRAM, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND LOCAL AWARDS

YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Award period	Expenditures
State of Pennsylvania				
State of Pennsylvania, Governor's Budget Office, Redevelopment Assistance Capital Program, passed through the Philadelphia Authority for Industrial Development	N/A	ME-300-1553	2/23/28 - 11/30/22	\$ 1,000,000
Total State Financial Assistance				\$ 1,000,000
County of Montgomery, State of Pennsylvania				
Montgomery County Office of Aging and Adult Services, Aging Nutrition Services	N/A	1101-652070	10/1/17 - 9/30/20	\$ 33,209
Total Local Financial Assistance				33,209
Total Federal, State, and Local Financial Assistance				\$ 9,505,884

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

SHARE FOOD PROGRAM, INC.

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

YEAR ENDED JUNE 30, 2018

1 - GENERAL INFORMATION

The accompanying schedule of expenditures of federal, state, and local awards present the activities in all the federal, state, and local financial award programs of Share Food Program, Inc. All financial assistance received directly from federal, state, or local 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 local 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 local awards due to program expenditures exceeding grant or contract budget limitations, which are not included as federal, state, and local 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 local awards includes administrative funds of \$386,512 and an in-kind commodity value of \$4,345,720 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 LOCAL
AWARDS**

YEAR ENDED JUNE 30, 2018

6 - RECONCILIATION OF EXPENDITURES STATE FOOD PURCHASE PROGRAM

Philadelphia County

State Food Purchase Program budget expenditures	\$ 3,410,256
Plus: Capital expenditures	72,291
Less: change in inventory and purchase commitments	(479,901)
<u>Per schedule of expenditures of Federal, state and local awards</u>	<u>\$ 3,002,646</u>

Montgomery County

State Food Purchase Program budget expenditures	\$ 344,537
Plus: Capital expenditures	13,146
<u>Per schedule of expenditures of Federal, state and local awards</u>	<u>\$ 357,683</u>

**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, 2018, 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 February 11, 2019.

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
February 11, 2019

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 Local 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 local programs (“major programs”) for the year ended June 30, 2018. 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 local statutes, regulations and the terms and conditions of its federal, state, and local awards applicable to its 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 Local 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, 2018.

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 of 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
February 11, 2019

SHARE FOOD PROGRAM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Noncompliance material to financial statements noted	_____ Yes	_____ <input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:		
• Material weakness(es)?	_____ Yes	_____ <input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified that are not considered to be material weakness(es) reported?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR § 200.516(a)?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Identification of major programs:

<u>Name of Federal, State or Local Program or Cluster</u>	<u>CFDA Number</u>
U.S. Department of Agriculture, Food Distribution Cluster	10.565 10.568 10.569
State of Pennsylvania Redevelopment Assistance Capital Program (RACP)	N/A

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, 2018

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