



**FOOD SHARE, INC.**  
**FINANCIAL STATEMENTS**  
**Years Ended**  
**June 30, 2013 and 2012**

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# Soares, Sandall, Bernacchi & Petrovich, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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THOMAS W. PETROVICH (1937-2013)

## CONSULTANTS

KENNETH R. MERIDETH, C.P.A.      BERNARD D. BERNACCHI  
GEORGE E. SANDALL, C.P.A.

Board of Directors  
FOOD Share, Inc.  
Oxnard, California

## Independent Auditors' Report

### Report on the Financial Statements

We have audited the accompanying financial statements of FOOD Share, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FOOD Share, Inc. as of June 30, 2013 and 2012, 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 awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 November 25, 2013, on our consideration of FOOD Share, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 FOOD Share, Inc.'s internal control over financial reporting and compliance.

*Soares, Sandall, Bernacchi & Petrovich, LLP*

SOARES, SANDALL, BERNACCHI & PETROVICH, LLP  
Certified Public Accountant

November 25, 2013

FOOD SHARE, INC.  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2013 and 2012

	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,738,570	\$ 1,233,890
Accounts receivable, net	210,029	122,318
Pledges receivable	-	193,500
Prepaid and other assets	78,079	66,119
Food inventory	1,872,067	893,198
Fixed assets	3,160,962	3,170,573
Beneficial interest in assets held by Ventura County Community Foundation	1,207,507	1,185,065
<b>TOTAL ASSETS</b>	<b>\$ 8,267,214</b>	<b>\$ 6,864,663</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 95,907	\$ 57,526
Accrued expenses	138,464	124,162
Deferred revenue	612,080	413,357
<b>TOTAL LIABILITIES</b>	<b>846,451</b>	<b>595,045</b>
 <b>NET ASSETS</b>		
Unrestricted	5,304,816	4,911,805
Temporarily restricted	1,194,685	436,551
Permanently restricted	921,262	921,262
<b>TOTAL NET ASSETS</b>	<b>7,420,763</b>	<b>6,269,618</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,267,214</b>	<b>\$ 6,864,663</b>

See accompanying notes to financial statements and independent auditors' report.

**FOOD SHARE, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
Years Ended June 30, 2013 and 2012

Page One

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Grants and contracts	\$ 953,614	\$ -	\$ -	\$ 953,614
Donated food received	12,923,222	4,121,551	-	17,044,773
Contributions from public	2,463,784	-	-	2,463,784
Shared maintenance fees	344,152	-	-	344,152
Investment income	121,784	-	-	121,784
Special events, net of \$775 of expenses	655	-	-	655
Increase (decrease) in value of beneficial interest in assets				
held by Ventura County Community Foundation	22,442	-	-	22,442
Other	17,973	-	-	17,973
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	3,363,417	(3,363,417)	-	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>20,211,043</b>	<b>758,134</b>	<b>-</b>	<b>20,969,177</b>
<b>EXPENSES</b>				
Programs:				
Agency Distribution	15,548,483	-	-	15,548,483
Senior Share/(Brown Bag)	966,581	-	-	966,581
Kid's Farmers Market	290,773	-	-	290,773
Education and outreach	30,481	-	-	30,481
Senior Nutrition	89,726	-	-	89,726
Community Distribution	1,081,992	-	-	1,081,992
CalFresh Outreach	548,982	-	-	548,982
<b>TOTAL PROGRAM EXPENSES</b>	<b>18,557,018</b>	<b>-</b>	<b>-</b>	<b>18,557,018</b>
Management and General	445,888	-	-	445,888
Fund-raising	815,126	-	-	815,126
<b>TOTAL EXPENSES</b>	<b>19,818,032</b>	<b>-</b>	<b>-</b>	<b>19,818,032</b>
<b>CHANGES IN NET ASSETS</b>	<b>393,011</b>	<b>758,134</b>	<b>-</b>	<b>1,151,145</b>
<b>NET ASSETS AT BEGINNING OF THE YEAR</b>	<b>4,911,805</b>	<b>436,551</b>	<b>921,262</b>	<b>6,269,618</b>
<b>NET ASSETS AT END OF THE YEAR</b>	<b>\$ 5,304,816</b>	<b>\$ 1,194,685</b>	<b>\$ 921,262</b>	<b>\$ 7,420,763</b>

See accompanying notes to financial statements and independent auditors' report.

**FOOD SHARE, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
Years Ended June 30, 2013 and 2012

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	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Grants and contracts	\$ 919,886	\$ -	\$ -	\$ 919,886
Donated food received	13,089,415	2,482,996	-	15,572,411
Contributions from public	2,246,515	193,500	-	2,440,015
Shared maintenance fees	330,733	-	-	330,733
Investment income	14,330	-	-	14,330
Special events, net of \$3,333 of expenses	(1,589)			(1,589)
Increase (decrease) in value of beneficial interest in assets held by Ventura County Community Foundation	(22,690)	-	-	(22,690)
Other	2,835	-	-	2,835
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	2,971,485	(2,971,485)	-	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>19,550,920</b>	<b>(294,989)</b>	<b>-</b>	<b>19,255,931</b>
<b>EXPENSES</b>				
Programs:				
Agency Distribution	15,338,359	-	-	15,338,359
Senior Share/(Brown Bag)	1,087,924	-	-	1,087,924
Kid's Farmers Market	336,343	-	-	336,343
Education and outreach	49,548	-	-	49,548
Senior Nutrition	162,121	-	-	162,121
Community Distribution	1,161,151	-	-	1,161,151
CalFresh Outreach	570,522	-	-	570,522
<b>TOTAL PROGRAM EXPENSES</b>	<b>18,705,968</b>	<b>-</b>	<b>-</b>	<b>18,705,968</b>
Management and General	409,080	-	-	409,080
Fund-raising	667,126	-	-	667,126
<b>TOTAL EXPENSES</b>	<b>19,782,174</b>	<b>-</b>	<b>-</b>	<b>19,782,174</b>
<b>CHANGES IN NET ASSETS</b>	<b>(231,254)</b>	<b>(294,989)</b>	<b>-</b>	<b>(526,243)</b>
<b>NET ASSETS AT BEGINNING OF THE YEAR</b>	<b>5,143,059</b>	<b>731,540</b>	<b>921,262</b>	<b>6,795,861</b>
<b>NET ASSETS AT END OF THE YEAR</b>	<b>\$ 4,911,805</b>	<b>\$ 436,551</b>	<b>\$ 921,262</b>	<b>\$ 6,269,618</b>

See accompanying notes to financial statements and independent auditors' report.

**FOOD SHARE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended June 30, 2013 and 2012**

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	2013										
	Program							Total		Management and General	
	Senior Share	Kid's Farmers Market	Nutrition Education	Senior Nutrition	Agency Distribution	CalFresh Outreach	Community Distribution	Program Expenses		Fund-raising	Total Expenses
Salaries	\$ 66,107	\$ 5,897	\$ 1,977	\$ -	\$ 571,195	\$ 221,577	\$ 38,245	\$ 904,998	\$ 216,904	\$ 298,854	\$ 1,420,756
Payroll taxes and workers' compensation insurance	7,474	740	153	2,662	64,338	19,789	3,097	98,253	34,336	25,736	158,325
Employee Benefits	15,135	1,368	372	9,039	94,013	19,681	5,028	144,636	34,614	37,728	216,978
Total salaries and employee related expenses	88,716	8,005	2,502	11,701	729,546	261,047	46,370	1,147,887	285,854	362,318	1,796,059
Food distribution	803,214	258,700	-	71,213	14,333,354	-	928,440	16,394,921	-	-	16,394,921
Professional fees	8,721	5,096	22,671	826	59,022	200,093	1,709	298,138	62,199	11,727	372,064
Office expense	2,666	1,205	1,688	258	17,598	1,458	535	25,408	1,933	4,138	31,479
Postage	-	-	-	-	2,638	-	-	2,638	1,603	233,544	237,785
Freight	4,811	1,678	-	465	28,393	-	966	36,313	-	-	36,313
Insurance	3,456	92	562	266	35,710	2,151	23,088	65,325	2,667	1,287	69,279
Utilities	10,728	3,736	-	1,040	64,352	10,124	2,150	92,130	6,547	2,190	100,867
Payment to affiliates	-	-	-	-	-	-	-	-	13,895	-	13,895
Repairs and maintenance	17,136	5,975	-	1,656	100,788	108	3,440	129,103	4,281	2,760	136,144
Vehicle expenses	8,203	2,860	-	793	48,426	-	1,647	61,929	212	100	62,241
Printing and mailing	278	97	-	27	1,913	377	56	2,748	885	9,050	12,683
Travel and conferences	1,262	398	1,228	31	4,988	21,958	63	29,928	8,770	20,566	59,264
Public information	3	1	-	-	15	46,160	1	46,180	7,501	99,667	153,348
Community Events	110	-	-	-	-	-	-	110	275	25,326	25,711
VAP fees	7,135	2,488	-	689	42,106	-	1,432	53,850	-	-	53,850
Bank fees	-	-	-	-	-	-	-	-	23,692	582	24,274
Other expenses	-	-	-	-	-	-	-	-	7,270	33,675	40,945
Taxes, licenses, fees	411	143	40	40	3,000	-	82	3,716	1,508	64	5,288
Staff training	155	54	-	15	987	-	31	1,242	223	534	1,999
Membership fees	-	-	-	-	-	-	-	-	9,922	4,372	14,294
Depreciation	9,576	245	1,790	706	75,647	5,506	71,982	165,452	6,651	3,226	175,329
Total expenses - June 30, 2013	\$ 966,581	\$ 290,773	\$ 30,481	\$ 89,726	\$ 15,548,483	\$ 548,982	\$ 1,081,992	\$ 18,557,018	\$ 445,888	\$ 815,126	\$ 19,818,032

See accompanying notes to financial statements and independent auditors' report.

**FOOD SHARE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years Ended June 30, 2013 and 2012

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2012

	Program										
	Senior Share/ Brown Bag	Kid's Farmers Market	Education & Outreach	Senior Nutrition	Agency Distribution	CalFresh Outreach	Community Distribution	Total Program Expenses	Management and General	Fund-raising	Total Expenses
Salaries	\$ 144,239	\$ 35,480	\$ 4,989	\$ 57,172	\$ 470,920	\$ 204,631	\$ 30,371	\$ 947,802	\$ 201,740	\$ 249,707	\$ 1,399,249
Payroll taxes and workers' compensation insurance	13,606	3,081	426	6,861	55,907	18,071	2,612	100,564	34,705	20,951	156,220
Employee Benefits	15,991	3,401	966	10,120	85,945	6,534	5,790	128,747	35,751	43,447	207,945
Total salaries and employee related expenses	173,836	41,962	6,381	74,153	612,772	229,236	38,773	1,177,113	272,196	314,105	1,763,414
Food distribution	842,746	273,368	-	81,403	14,251,521	-	1,014,997	16,464,035	-	-	16,464,035
Professional fees	2,203	844	27,268	214	36,461	200,489	442	267,921	54,281	16,348	338,550
Office expense	2,543	1,530	2,719	235	14,965	2,162	487	24,641	1,730	2,844	29,215
Postage	-	-	3	-	2,576	-	-	2,579	943	179,400	182,922
Freight	5,449	1,900	-	526	34,230	-	1,094	43,199	-	-	43,199
Insurance	4,201	370	9	359	35,859	1,616	20,626	63,040	4,579	1,482	69,101
Utilities	10,783	3,757	-	1,045	64,713	10,051	2,162	92,511	5,942	4,163	102,616
Payment to affiliates	-	-	-	-	-	-	-	-	13,704	13	13,717
Grants to others	-	-	10,000	-	-	-	-	10,000	-	5,500	15,500
Repairs and maintenance	13,823	4,839	332	1,338	82,932	183	2,777	106,224	1,754	1,025	109,003
Vehicle expenses	8,682	3,027	-	839	51,256	-	1,743	65,547	228	113	65,888
Printing and mailing	581	328	50	56	3,448	639	116	5,218	1,706	10,397	17,321
Travel and conferences	1,156	61	2,686	17	1,087	17,660	35	22,702	4,105	7,423	34,230
Public information	-	-	100	-	-	108,239	-	108,339	-	70,310	178,649
Community Events	100	-	-	-	-	25	-	125	250	42,214	42,589
VAP fees	9,705	3,384	-	938	57,269	-	1,948	73,244	-	-	73,244
Truck Wrap	-	-	-	-	-	-	-	-	-	5,003	5,003
Bank fees	-	-	-	-	-	-	-	-	21,509	431	21,940
Bad debt	-	-	-	-	322	-	-	322	-	-	322
Other expenses	-	-	-	-	-	-	-	-	4,521	-	4,521
Taxes, licenses, fees	716	250	-	69	4,356	-	144	5,535	3,743	(20)	9,258
Staff training	61	21	-	6	360	-	12	463	655	371	1,489
Membership fees	-	-	-	-	-	-	-	-	9,673	2,843	12,516
Depreciation	11,339	702	-	923	84,232	222	75,795	173,210	7,561	3,161	183,932
Total expenses - June 30, 2012	\$ 1,087,924	\$ 336,343	\$ 49,548	\$ 162,121	\$ 15,338,359	\$ 570,522	\$ 1,161,151	\$ 18,705,968	\$ 409,080	\$667,126	\$ 19,782,174

See accompanying notes to financial statements and independent auditors' report.

FOOD SHARE, INC.  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 1,151,145	\$ (526,243)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	175,329	183,932
(Increase) decrease in value of beneficial interest in assets held by Ventura County Community Foundation	(22,442)	22,690
(Increase) decrease in:		
Accounts receivable	(87,711)	86,040
Pledges receivable	193,500	(193,500)
Prepaid and other assets	(11,960)	(13,520)
Value of food inventory	(978,869)	448,190
Increase (decrease) in:		
Accounts payable	38,381	(8,720)
Accrued expenses	14,302	11,906
Deferred revenue	198,723	181,294
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>670,398</u>	<u>192,069</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(165,718)</u>	<u>(75,448)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(165,718)</u>	<u>(75,448)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	504,680	116,621
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR</b>	<u>1,233,890</u>	<u>1,117,269</u>
<b>CASH AND CASH EQUIVALENT AT END OF YEAR</b>	<u><u>\$ 1,738,570</u></u>	<u><u>\$ 1,233,890</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for taxes	\$ -	\$ -

See accompanying notes to financial statements and independent auditors' report.

FOOD SHARE, INC  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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**NOTE 1 – GENERAL**

FOOD Share, Inc., (the Organization) is a California nonprofit corporation which obtains surplus food from the food industry and other sources, and distributes it to the low income population of Ventura County through a network of various supportive agencies and its own Senior Share, Kid's Farmers Market and Senior Nutrition Program. The Organization also provides Nutrition Education and outreach programs to school aged children and families in the County. Incorporated in 1984, the Organization is supported by federal, state, and local grants on an annual basis, as well as support from the general public. Food Share provides the following programs:

***Senior Share*** – this program works with volunteers in over 40 locations across the county to provide low income seniors with a bag of nutritious food every other week.

***Kid's Farmers Market*** – provides nutrition education to children at after school programs. Fresh produce and recipes are given to the children to take home; lessons on preparation and tasting provide children with delicious ways to enjoy fresh food.

***Education and Outreach*** – Nutrition education is conducted by nutritionists at senior centers, agencies partners and after school sites. This helps combat obesity and teaches ways to eat healthily and more affordably.

***Senior Nutrition*** – provides weekly home deliveries of healthy meals to homebound seniors in partnership with the cities of Ventura and Oxnard.

***Agency Distribution*** – Over 150 partner nonprofit agencies in the county obtain food to distribute to the County's hungry through food pantries, congregate feeding sites and shelters.

***CalFresh Outreach*** – Known in California as CalFresh, this program assists people in the community determine eligibility for benefits and facilitates the application process in partnership with Ventura County HSA.

***Community Distribution*** – Produce and other food items are distributed throughout the County at monthly giveaways in underserved areas.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Accounting Method.*** The Organization prepares its financial statements on the accrual basis.

***Cash and Cash Equivalent.*** For the purpose of the statement of cash flows the Organization includes all highly liquid investments with an initial maturity date of three months or less to be cash equivalent.

***Property and Equipment.*** Property and equipment purchased is recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. Donated property and equipment is recorded at the estimated fair market value at the date of the donation, and are similarly depreciated. The Organization capitalizes all fixed asset purchases greater than \$1,000 with life greater than one year.

FOOD SHARE, INC  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Net Assets.** Unrestricted net assets consist of funds free of any donor-imposed restrictions. Temporarily and permanently restricted net assets consist of contributions and other inflows of funds subject to donor-imposed restrictions. The restrictions are temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions and expenditures of the Organization that fulfill donor stipulations. Permanently restricted net assets are those net assets restricted in perpetuity by the donor, such as an endowment.

**Recognition of Donor and Grant Restrictions.** All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All restricted support is recorded as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets.

**Income Taxes.** The Organization has been classified as an other-than private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The Organization is subject to a tax on income from any unrelated business.

**Accounting for uncertain tax positions.** The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and State of California. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2013.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to June 30, 2010.

The Organization's policy is to classify income tax related interest and penalties as interest expense on the financial statements.

**Donated Materials and Services.** A substantial number of volunteers have donated their time to the Organization by serving as Board members and/or by helping with Senior Share distribution, food-drives, and fundraising. Only specific services requiring specialized skills may be recorded in the financial statements. Total donated professional services during the year were not material and have not been recorded. During the year, the Organization received over 38,000 volunteer hours. For donated food, see Notes 4 and 5.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Fair Value Measurements.*** The Organization has adopted Financial Accounting Standards Board (FASB) Codification Section 820-20 on "*Fair Value Measurements*", which provides a framework for measuring fair value under U.S. Generally Accepted Accounting Principles. This standard applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in the Standard, fair value is the exchange 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. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the fair value standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. For the years ended June 30, 2013 and 2012, the application of valuation techniques applied to similar assets and liabilities have been consistent.

The carrying amount of financial instruments including cash, accounts receivable, and accounts payable approximated fair value as of June 30, 2013 and 2012.

FOOD SHARE, INC  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. Significant estimates used in preparing these financial statements include:

- Allocation of certain expenses by function
- Value of donated and distributed food
- Depreciable lives and estimated residual value of property and equipment
- Allowance for doubtful receivable

**Subsequent events.** Subsequent events have been evaluated through November 22, 2013, which is the date the financial statements were available to be issued. The Organization did not experience material subsequent events requiring financial statements disclosure.

**Reclassification.** Certain information in the June 30, 2012, financial statements have been reclassified for comparison purposes to conform to the current year presentation.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable are primarily from governmental sources and are considered fully collectible.

**NOTE 4 – FOOD ASSISTANCE FROM UNITED STATES DEPARTMENT OF AGRICULTURE**

The Organization receives food assistance from United States Department of Agriculture (USDA). Food received from this source is considered restricted for the purpose of distribution to eligible persons/organizations. The Organization uses valuation guidelines provided by Feeding America (formerly known as America's Second Harvest) to value food assistance received from this source for financial reporting purposes. For year ended June 30, 2013 and 2012, the valuation used was approximately \$1.66 and \$1.60, respectively per pound of food received from USDA.

The changes in the USDA donated food inventory for the year ended June 30, 2013 and 2012, in value and quantity are summarized as follows:

	<u>2013</u>	
	<u>Dollars</u>	<u>Pounds</u>
Beginning inventory - July 1, 2012	\$ 243,051	151,907 lbs
Food received	4,121,551	2,482,862 lbs
Food distributed	(3,169,917)	(1,915,079) lbs
Ending Inventory - June 30, 2013	<u>\$ 1,194,685</u>	<u>719,690 lbs</u>

FOOD SHARE, INC  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

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**NOTE 4 – FOOD ASSISTANCE FROM UNITED STATES DEPARTMENT OF AGRICULTURE - Continued**

	<u>2012</u>	
	<u>Dollars</u>	<u>Pounds</u>
Beginning inventory - July 1, 2011	\$ 731,540	463,000 lbs
Food received	2,473,610	1,546,006 lbs
Food distributed	<u>(2,962,099)</u>	<u>(1,857,099) lbs</u>
Ending Inventory - June 30, 2012	<u>\$ 243,051</u>	<u>151,907 lbs</u>

**NOTE 5 – FOOD PURCHASED AND DONATED FROM OTHER SOURCES**

The Organization receives food from various other sources and uses a combination of actual cost, estimated market value and Feeding America (formerly known as Second Harvest) guidelines to value food inventory, food received and food distributed. The changes in purchased food and the other donated food inventory for the year ended June 30, 2013 and 2012, in value and pounds are summarized as follows:

	<u>2013</u>	
	<u>Dollars</u>	<u>Pounds</u>
Beginning inventory - July 1, 2012	\$ 650,147	580,742 lbs
Food purchased and received	13,695,945	8,624,601 lbs
Food distributed	<u>(13,668,710)</u>	<u>(8,714,524) lbs</u>
Ending Inventory - June 30, 2013	<u>\$ 677,382</u>	<u>490,819 lbs</u>

	<u>2012</u>	
	<u>Dollars</u>	<u>Pounds</u>
Beginning inventory - July 1, 2011	\$ 609,849	386,802 lbs
Food purchased and received	13,494,554	8,953,480 lbs
Food distributed	<u>(13,454,256)</u>	<u>(8,759,540) lbs</u>
Ending Inventory - June 30, 2012	<u>\$ 650,147</u>	<u>580,742 lbs</u>

**FOOD SHARE, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

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**NOTE 6 – FIXED ASSETS**

Fixed assets at June 30, 2013 and 2012, are as follows:

	2013	2012
Land	\$ 706,193	\$ 706,193
Building and improvements	3,245,574	3,245,574
Equipment	888,925	809,393
Vehicles	541,707	455,521
Total fixed assets	5,382,399	5,216,681
Accumulated Depreciation	(2,221,437)	(2,046,108)
Net fixed assets	<u>\$ 3,160,962</u>	<u>\$ 3,170,573</u>
Depreciation expense for the year	<u>\$ 175,329</u>	<u>\$ 183,932</u>

**NOTE 7 – BENEFICIAL INTEREST IN ASSETS HELD BY VENTURA COUNTY  
COMMUNITY FOUNDATION**

Starting 1993, the Organization has been transferring selected restricted and other unrestricted funds to the Ventura County Community Foundation (Foundation) to establish an endowment fund. Under the terms of the agreement the Organization can request an annual payout from the Foundation up to a limit set forth by the Board of Directors of the Foundation (currently it is 5% of a 12 quarter rolling average balance of the fund). These funds are held by the Foundation as the Foundation's component fund and the Foundation has the variance power to these funds. That power gives the Foundation the right to distribute the investment income to another not-for-profit organization of its choice if the Organization ceases to exist or if the governing board of the Foundation votes that support of the Organization (a) is no longer necessary or (b) is inconsistent with the needs of the Ventura County Community. While the Foundation is the legal owner of all assets held in the component fund and the Organization cannot withdraw any portion of the amount transferred and any appreciation on those transferred assets, however for reporting purposes, this fund has been reported as an asset of the Organization in conformity with accounting principles generally accepted in the United States of America. In the statement of financial position, the portion of the assets transferred to the Foundation with the donor restrictions is presented under the permanently restricted category and the portion of the assets transferred by the decision of Board of trustees of the Organization is presented as unrestricted funds. The beneficial interest in assets held by the Foundation is valued Level 3 measurements. This asset is comprised of the following transfers as of June 30:

	2013	2012
Transfer of permanently restricted contributions	\$ 921,262	\$ 921,262
Transfer of unrestricted contributions and appreciated value	286,245	263,803
Total assets	<u>\$ 1,207,507</u>	<u>\$ 1,185,065</u>

FOOD SHARE, INC  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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**NOTE 7 – BENEFICIAL INTEREST IN ASSETS HELD BY VENTURA COUNTY  
COMMUNITY FOUNDATION - Continued**

The following table presents a roll-forward of activity for assets held at Foundation at fair value using significant unobservable inputs (Level 3) for the year ended June 30:

	Fair value measurement using significant unobservable inputs (Level 3) 2013	Fair value measurement using significant unobservable inputs (Level 3) 2012
Beginning balances	\$ 1,185,065	\$ 1,207,755
Total gains or losses (realized/unrealized) included in changes in net assets	129,627	(22,690)
Total transfer out (distributions)	(107,185)	-
Ending balances	<u>\$ 1,207,507</u>	<u>\$ 1,185,065</u>

**NOTE 8 – LINE OF CREDIT**

The Organization has a line of credit with City National Bank. This line has a principal borrowing limit of \$500,000 and is secured by real estate owned by the Organization. This line carries an interest rate of prime rate plus 0.50% and expires on January 1, 2013. At June 30, 2013 and 2012, no balance was outstanding. The Organization is in the process of renewing this line of credit with the same bank for another 5 year term expiring January 1, 2018 under similar terms.

**NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of June 30, 2013 and 2012, are restricted for the following purposes:

	2013	2012
Food Assistance Program	\$ 1,194,685	\$ 243,051
Program Related	-	193,500
Total Temporarily Restricted Net Assets	<u>\$ 1,194,685</u>	<u>\$ 436,551</u>

**NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of contributions to create an endowment fund, the income from which is unrestricted.

FOOD SHARE, INC  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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**NOTE 11 – RETIREMENT PLAN**

The Organization has a tax deferred 403(b) annuity plan. Full time employees are eligible to participate in the plan and may contribute up to the maximum allowable by the Internal Revenue Code. The Organization contributes up to 3% of salary for the eligible employees. The Organization contributed \$19,589 and \$19,564 to the plan during years ended June 30, 2013 and 2012, respectively.

**NOTE 12 – DEFERRED REVENUE**

As of June 30, 2013, the Organization has received a total of \$600,000 from Esper A. Peterson Foundation, an Illinois not-for-profit corporation. Of this total, \$200,000 was received in the year ended June 30, 2013; the remainder \$400,000 was received in accordance with the agreement executed on December 22, 2011, between the Organization and Esper A. Peterson Foundation. The terms of the agreement designate the funds must be used to purchase land within three hundred thirty days after the agreement execution date. If the designated purpose is not fulfilled, the Organization promises to repay the four hundred thousand dollars to Esper A. Peterson Foundation together with interest at 8% per year from the maturity date of the agreement through the date of repayment to the Esper A. Peterson Foundation. The Organization is in the process of negotiating an alternative use of these funds and also changes in terms of the agreement with Esper A. Peterson Foundation.

**NOTE 13 – CONTINGENT LIABILITIES**

The Organization received a number of grants from various governmental agencies. These grants are subject to audit by the granting agencies as to allowable costs paid with governmental funds. The Organization would be liable for up to the full amount of government funds expended should costs charged to the grants be disallowed.

**NOTE 14 – CONCENTRATION OF CREDIT RISK**

The Organization regularly maintains a balance in excess of federally insured limits with its financial institutions. A significant portion of the Organization's revenues comes from federal, state, and local grants and contracts. Individual donors are primarily from Ventura County, as are the clients of the Organization.

***SUPPLEMENTARY SCHEDULE***

**FOOD SHARE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements/ Expenditures</u>
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>		
California Association of Food Banks State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 10,376
State of California, Department of Social Services Emergency Food Assistance Program (Food Commodities)	10.569	1,515,207
Emergency Food Assistance Program (Administrative Costs)	10.568	105,187
Subtotal U. S. Department of Agriculture		<u>1,630,770</u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>		
United Way of America Emergency Food and Shelter National Board Program	97.024	92,184
Subtotal U.S. Department of Homeland Security		<u>92,184</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
City of San Buenaventura Special Programs for the Aging_title III, Part C_Nutrition Services	93.045	14,934
Subtotal U. S. Department of Health and Human Services		<u>14,934</u>
<b><u>U.S. DEPT. OF HOUSING AND URBAN DEVELOPMENT</u></b>		
County of Ventura Community Development Block Grants/Entitlement grants	14.218	19,157
City of Simi Valley Community Development Block Grants/Entitlement grants	14.218	16,320
City of Camarillo Community Development Block Grants/Entitlement grants	14.218	8,318
Subtotal U. S. Department of Housing and Urban Development		<u>43,795</u>
Total Federal Awards		<u>\$ 1,781,683</u>

Note 1: This schedule is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133 "Audits of States, Local Governments, and Nonprofit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in the basic financial statements.

Note 2: Valuation of food commodities received from U.S. Department of Agriculture is provided by State of California Department of Social Services.

# Soares, Sandall, Bernacchi & Petrovich, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

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BILLIE JO RODRIGUEZ, C.P.A.  
DEBRA N. DETTENMAYER, C.P.A.\*

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SHARON I. ROBERTS, C.P.A.

\*A PROFESSIONAL CORPORATION

FRANK J. SOARES (1908-1991)  
THOMAS W. PETROVICH (1937-2013)

## CONSULTANTS

KENNETH R. MERIDETH, C.P.A.      BERNARD D. BERNACCHI  
GEORGE E. SANDALL, C.P.A.

Board of Directors  
FOOD Share, Inc.  
Oxnard, California

## 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*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of FOOD Share, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered FOOD Share, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FOOD Share'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 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 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 weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FOOD Share, Inc.'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*.

We noted certain matters that we reported to management of FOOD Share, Inc. in a separate letter dated November 25, 2013.

Purpose of this Report

This 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 Governmental Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Soares, Sandall, Bernacchi & Petrovich, LLP*

SOARES, SANDALL, BERNACCHI & PETROVICH, LLP  
Certified Public Accountants

November 25, 2013

# Soares, Sandall, Bernacchi & Petrovich, LLP

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GEORGE E. SANDALL, C.P.A.

Board of Directors  
FOOD Share, Inc.  
Oxnard, California

## Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

### Report on Compliance for Each Major Federal Program

We have audited FOOD Share, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of FOOD Share, Inc.'s major federal programs for the year ended June 30, 2013. FOOD Share, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management of FOOD Share, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of FOOD Share, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about FOOD Share's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### Opinion on Each Major Federal Program

In our opinion, FOOD Share, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of FOOD Share, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered FOOD Share, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Soares, Sandall, Bernacchi & Petrovich, LLP*

SOARES, SANDALL, BERNACCHI & PETROVICH, LLP  
Certified Public Accountants

November 25, 2013

FOOD SHARE, INC.  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2013

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified	
<u>Internal control over financial reporting:</u>		
Material weakness(es) identified?	_____ yes	<u>  X  </u> no
Significant deficiency(s) not considered to be material weaknesses reported	_____ yes	<u>  X  </u> none
Noncompliance material to financial statements noted?	_____ yes	<u>  X  </u> no

**Federal Awards**

**Internal Control over programs:**

Material weakness(es) identified?	_____ yes	<u>  X  </u> no
Significant deficiency(s) not considered to be material weaknesses reported?	_____ yes	<u>  X  </u> none
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	_____ yes	<u>  X  </u> no

**Identification of major programs:**

U.S. Department of Agriculture	
Emergency Food Assistance Program (Food Commodities)	10.569
Emergency Food Assistance Program (Administrative costs)	10.568

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	_____ yes <u>  X  </u> no

FOOD SHARE, INC.  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2013

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**Section II – Financial Statement Findings:**

There were no financial statements finding for the year ended June 30, 2013.

**Section III – Federal Award Findings and Questioned Costs:**

There were no federal awards finding and question costs for the year ended June 30, 2013.

FOOD SHARE, INC.  
**SCHEDULE OF PRIOR YEARS FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2013

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**Financial Statement Findings:**

There were no financial statements finding for the year ended June 30, 2012.

**Federal Award Findings and Questioned Costs**

There were no federal awards finding and question costs for the year ended June 30, 2012.