



FOOD SHARE, INC.
FINANCIAL STATEMENTS

Years Ended
June 30, 2014 and 2013

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Soares, Sandall, Bernacchi & Petrovich, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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CONSULTANTS

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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, 2014 and 2013, 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, 2014 and 2013, 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 January 26, 2015, 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

January 26, 2015

FOOD SHARE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 1,302,140	\$ 1,738,570
Accounts receivable, net	240,603	210,029
Prepaid expense and other assets	63,697	78,079
Food inventory	1,446,957	1,872,067
Property and Equipment, net	3,116,682	3,160,962
Beneficial interest in assets held by Ventura County Community Foundation	<u>1,305,840</u>	<u>1,207,507</u>
TOTAL ASSETS	<u><u>\$ 7,475,919</u></u>	<u><u>\$ 8,267,214</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 104,801	\$ 95,907
Accrued expenses	149,611	138,464
Deferred revenue	<u>16,564</u>	<u>612,080</u>
TOTAL LIABILITIES	<u>270,976</u>	<u>846,451</u>
NET ASSETS		
Unrestricted	5,577,535	5,304,816
Temporarily restricted	706,146	1,194,685
Permanently restricted	<u>921,262</u>	<u>921,262</u>
TOTAL NET ASSETS	<u>7,204,943</u>	<u>7,420,763</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,475,919</u></u>	<u><u>\$ 8,267,214</u></u>

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, 2014 and 2013

Page One

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Grants and contracts	\$ 945,824	\$ 50,000	\$ -	\$ 995,824
Donated food received	14,398,704	2,712,551	-	17,111,255
Contributions from public	3,047,189	-	-	3,047,189
Shared maintenance fees	329,822	-	-	329,822
Investment income	71,995	-	-	71,995
Special events, net of \$15,867 of expenses	39,385	-	-	39,385
Increase in value of beneficial interest in assets held by Ventura County Community Foundation	98,333	-	-	98,333
Other	2,782	-	-	2,782
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	3,251,090	(3,251,090)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	22,185,124	(488,539)	-	21,696,585
EXPENSES				
Program Services:				
Agency Distribution	17,370,882	-	-	17,370,882
Senior Share	959,432	-	-	959,432
Kid's Farmers Market	118,439	-	-	118,439
Education and outreach	41,710	-	-	41,710
Senior Nutrition	138,866	-	-	138,866
Community Distribution	1,274,529	-	-	1,274,529
CalFresh Outreach	620,307	-	-	620,307
TOTAL PROGRAM SERVICES	20,524,165	-	-	20,524,165
Management and general	477,895	-	-	477,895
Fund-raising	\$910,345	-	-	910,345
TOTAL EXPENSES	21,912,405	-	-	21,912,405
INCREASE (DECREASE) IN NET ASSETS	272,719	(488,539)	-	(215,820)
NET ASSETS AT BEGINNING OF THE YEAR	5,304,816	1,194,685	921,262	7,420,763
NET ASSETS AT END OF THE YEAR	\$ 5,577,535	\$ 706,146	\$ 921,262	\$ 7,204,943

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, 2014 and 2013

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	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
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 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)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	20,211,043	758,134	-	20,969,177
EXPENSES				
Program Services:				
Agency Distribution	15,548,483	-	-	15,548,483
Senior Share	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
TOTAL PROGRAM SERVICES	18,557,018	-	-	18,557,018
Management and general	445,888	-	-	445,888
Fund-raising	815,126	-	-	815,126
TOTAL EXPENSES	19,818,032	-	-	19,818,032
INCREASE IN NET ASSETS	393,011	758,134	-	1,151,145
NET ASSETS AT BEGINNING OF THE YEAR	4,911,805	436,551	921,262	6,269,618
NET ASSETS AT END OF THE YEAR	\$ 5,304,816	\$ 1,194,685	\$ 921,262	\$ 7,420,763

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

FOOD SHARE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2014 and 2013

Page One

	2014										
	Program							Management and General	Fund-raising	Total	
	Senior Share	Kid's Farmers Market	Education & Outreach	Senior Nutrition	Agency Distribution	CalFresh Outreach	Community Distribution			Program Expenses	Expenses
Salaries	\$ 85,918	\$ 13,131	\$ 16,333	\$ 46,156	\$ 679,772	\$ 220,733	\$ 40,876	\$ 1,102,919	\$ 289,633	\$ 318,508	\$ 1,711,060
Payroll taxes and workers' compensation insurance	7,007	1,145	1,942	6,631	84,112	21,491	5,000	127,328	24,938	28,789	181,055
Employee Benefits	8,715	589	1,117	3,504	97,196	20,534	6,275	137,930	19,406	7,490	164,826
Total salaries and employee related expenses	101,640	14,865	19,392	56,291	861,080	262,758	52,151	1,368,177	333,977	354,787	2,056,941
Food distribution	817,348	70,144	-	73,595	15,952,654	-	1,103,981	18,017,722	-	-	18,017,722
Professional fees	2,768	23,698	9,198	236	44,903	214,318	10,626	305,747	55,727	12,031	373,505
Office expense	1,007	2,053	594	82	16,252	2,810	1,773	24,571	3,568	14,138	42,277
Postage	229	13	91	20	4,925	228	259	5,765	1,073	79,312	86,150
Freight	2,391	133	951	204	38,778	2,377	3,707	48,541	168	-	48,709
Insurance	4,030	2,513	1,603	345	55,846	1,001	4,553	69,891	6,947	2,507	79,345
Utilities	4,095	228	1,388	350	67,610	15,443	4,624	93,738	6,875	3,728	104,341
Payment to affiliates	871	48	346	74	14,129	866	984	17,318	(1,569)	557	16,306
Grants to others	-	-	-	-	21,166	-	-	21,166	-	-	21,166
Repairs and maintenance	6,245	348	2,484	567	106,269	6,331	7,076	129,320	1,921	3,241	134,482
Vehicle expenses	3,052	170	1,213	261	49,493	3,033	3,446	60,668	-	244	60,912
Printing and mailing	105	6	246	9	1,907	531	119	2,923	361	159,721	163,005
Travel and conferences	1,173	3,417	887	15	6,825	19,852	201	32,370	11,039	17,714	61,123
Public information	-	1	-	-	-	36,616	-	36,617	600	177,777	214,994
Community Events	-	-	-	-	-	25	-	25	60	70,681	70,766
VAP fees	3,660	204	1,455	313	59,367	3,639	4,133	72,771	-	-	72,771
Bank fees	2	-	1	-	37	2	3	45	27,607	4,844	32,496
Other expenses	-	-	-	-	-	-	-	-	7,784	361	8,145
Taxes, licenses, fees	412	23	404	36	6,682	385	466	8,408	1,286	199	9,893
Staff training	15	1	6	1	245	33	17	318	322	326	966
Membership fees	-	-	-	-	-	-	-	-	12,555	4,496	17,051
Depreciation	10,389	574	1,451	6,467	62,714	50,059	76,410	208,064	7,594	3,681	219,339
TOTALS	\$ 959,432	\$ 118,439	\$ 41,710	\$ 138,866	\$ 17,370,882	\$ 620,307	\$ 1,274,529	\$ 20,524,165	\$ 477,895	\$910,345	\$ 21,912,405

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

FOOD SHARE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2014 and 2013

Page Two

	2013										
	Program							Total Program Expenses	Management and General	Fund-raising	Total Expenses
	Senior Share	Kid's Farmers Market	Nutrition Education	Senior Nutrition	Agency Distribution	CalFresh Outreach	Community Distribution				
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
TOTALS	\$ 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 CASH FLOWS
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	<u>\$ (215,820)</u>	<u>\$ 1,151,145</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	219,339	175,329
(Increase) in value of beneficial interest in assets held by Ventura County Community Foundation	(98,333)	(22,442)
(Increase) decrease in:		
Accounts receivable	(30,574)	(87,711)
Pledges receivable	-	193,500
Prepaid and other assets	14,382	(11,960)
Value of food inventory	425,110	(978,869)
Increase (decrease) in:		
Accounts payable	8,895	38,381
Accrued expenses	11,147	14,302
Deferred revenue	(595,516)	198,723
TOTAL ADJUSTMENTS	<u>(45,550)</u>	<u>(480,747)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(261,370)</u>	<u>670,398</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(175,060)</u>	<u>(165,718)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(175,060)</u>	<u>(165,718)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(436,430)	504,680
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR	<u>1,738,570</u>	<u>1,233,890</u>
CASH AND CASH EQUIVALENT AT END OF YEAR	<u><u>\$ 1,302,140</u></u>	<u><u>\$ 1,738,570</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	\$ -	\$ -
Taxes	\$ -	\$ -

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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. The Organization 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.

Accounts and Grants Receivable. Accounts and grants receivable are presented at fair value. At June 30, 2014 and 2013, management considered all accounts and grants receivable to be collectible and, therefore, did not establish a provision for uncollectible grants.

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

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

depreciated. The Organization capitalizes all fixed asset purchases greater than \$1,000 with a useful life greater than one year.

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. 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, 2014, and 2013.

The Organization's policy is to classify income tax related interest and penalties as interest expense on the financial statements. The Organization did not pay income tax related interest and penalties for the years ended June 30, 2014 and 2013.

The Organization's 2013, 2012, and 2011 tax years remain subject to examination by the Internal Revenue Service and the California Franchise Tax Board.

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 ended June 30, 2014, the Organization received over 38,000 volunteer hours. For donated food, see Notes 4 and 5.

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013.

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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

Allocated Expenses. Expenses by function have been allocated among program and supporting services classifications on the basis of time records and on estimates made by the Organization's management.

Subsequent events. Subsequent events have been evaluated through January 26, 2015, 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, 2013, financial statements have been reclassified for comparison purposes to conform to the current year presentation.

Advertising. The Organization expenses advertising costs as incurred. Advertising expense was \$214,994 and \$153,348 for the years ended June 30, 2014 and 2013, respectively.

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 the 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, 2014 and 2013, the valuation used was approximately \$1.66 per pound of food received from USDA.

The changes in the USDA donated food inventory for the year ended June 30, 2014 and 2013, in value and quantity are summarized as follows:

	<u>2014</u>	
	Dollars	Pounds
Beginning inventory - July 1, 2013	\$ 1,194,685	719,690 lbs
Food received	2,712,551	1,634,067 lbs
Food distributed	(3,208,231)	(1,958,478) lbs
Ending Inventory - June 30, 2014	<u>\$ 699,005</u>	<u>395,279 lbs</u>

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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

	<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	<u>(3,169,917)</u>	<u>(1,915,079) lbs</u>
Ending Inventory - June 30, 2013	<u>\$ 1,194,685</u>	<u>719,690 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, 2014 and 2013, in value and pounds are summarized as follows:

	<u>2014</u>	
	<u>Dollars</u>	<u>Pounds</u>
Beginning inventory - July 1, 2013	\$ 677,382	490,819 lbs
Food purchased and received	14,059,347	9,335,601 lbs
Food distributed	<u>(13,988,777)</u>	<u>(9,220,175) lbs</u>
Ending Inventory - June 30, 2014	<u>\$ 747,952</u>	<u>606,245 lbs</u>

	<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>

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2014 and 2013, are as follows:

	2014	2013
Land	\$ 706,193	\$ 706,193
Building and improvements	3,247,829	3,245,574
Equipment	999,209	888,925
Vehicles	565,358	541,707
Total property equipment	5,518,589	5,382,399
Accumulated Depreciation	(2,401,907)	(2,221,437)
Net property equipment	<u>\$ 3,116,682</u>	<u>\$ 3,160,962</u>
Depreciation expense	<u>\$ 219,339</u>	<u>\$ 175,329</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:

	2014	2013
Transfer of permanently restricted contributions	\$ 921,262	\$ 921,262
Transfer of unrestricted contributions and appreciated value	384,578	286,245
Total assets	<u>\$ 1,305,840</u>	<u>\$ 1,207,507</u>

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

**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) 2014	Fair value measurement using significant unobservable inputs (Level 3) 2013
Beginning balances	\$ 1,207,507	\$ 1,185,065
Total gains (realized/unrealized) included in changes in net assets	154,211	129,627
Distributions	<u>(55,878)</u>	<u>(107,185)</u>
Ending balances	<u>\$ 1,305,840</u>	<u>\$ 1,207,507</u>

NOTE 8 – LINE OF CREDIT

The Organization has a line of credit with City National Bank. This line of credit 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%. At June 30, 2014 and 2013, no balance was outstanding. The Organization renewed the line of credit with the bank for another five year term expiring January 1, 2019, under similar terms.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2014 and 2013, are restricted for the following purposes:

	2014	2013
Food Assistance Program	\$ 656,146	\$ 1,194,685
Farmers Insurance Grant	<u>50,000</u>	<u>-</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 706,146</u>	<u>\$ 1,194,685</u>

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of funds transferred to the Ventura Community Foundation to establish an endowment fund (see Note 7).

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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 \$17,938 and \$19,589 to the plan during years ended June 30, 2014 and 2013, respectively.

NOTE 12 – 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 13 – CONCENTRATIONS OF CREDIT RISK

The Organization regularly maintains a balance in excess of federally insured limits with its financial institutions. The organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash.

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, 2014

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Disbursements/ Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
California Association of Food Banks		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 4,007
State of California, Department of Social Services		
Emergency Food Assistance Program (Food Commodities)	10.569	1,105,775
Emergency Food Assistance Program (Administrative Costs)	10.568	109,073
Subtotal U. S. Department of Agriculture		<u>1,218,855</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>		
United Way of America		
Emergency Food and Shelter National Board Program	97.024	70,000
Subtotal U.S. Department of Homeland Security		<u>70,000</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
City of San Buenaventura		
Special Programs for the Aging_title III, Part C_Nutrition Services	93.045	19,000
Subtotal U. S. Department of Health and Human Services		<u>19,000</u>
<u>U.S. DEPT. OF HOUSING AND URBAN DEVELOPMENT</u>		
County of Ventura		
Community Development Block Grants/Entitlement grants	14.218	20,510
City of Simi Valley		
Community Development Block Grants/Entitlement grants	14.218	25,598
City of Camarillo		
Community Development Block Grants/Entitlement grants	14.218	8,561
Subtotal U. S. Department of Housing and Urban Development		<u>54,669</u>
Total Federal Awards		<u>\$ 1,362,524</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

RICK B. SMITH, C.P.A. RICK C. HELDWEIN, C.P.A.
BILLIE JO RODRIGUEZ, C.P.A. SHARON I. ROBERTS, C.P.A.
JUAN M. SOTO, C.P.A. PRAJESH (RAJ) ACHARYA, C.P.A.

FRANK J. SOARES (1908-1991)
THOMAS W. PETROVICH (1937-2013)
DEBRA N. DETTENMAYER (1955-2014)

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, 2014, 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 January 26, 2015.

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 January 26, 2015.

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

January 26, 2015

Soares, Sandall, Bernacchi & Petrovich, LLP

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CONSULTANTS

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

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, 2014. 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, 2014.

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

January 26, 2015

FOOD SHARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

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, 2014

Section II – Financial Statement Findings:

There were no financial statements finding for the year ended June 30, 2014.

Section III – Federal Award Findings and Questioned Costs:

There were no federal awards finding and question costs for the year ended June 30, 2014.

FOOD SHARE, INC.
SCHEDULE OF PRIOR YEARS FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Financial Statement Findings:

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

Federal Award Findings and Questioned Costs

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