



FOOD SHARE, INC.
FINANCIAL STATEMENTS
Years Ended
June 30, 2017 and 2016

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Soares, Sandall, Bernacchi & Petrovich, LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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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, 2017 and 2016, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 July 27, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FOOD Share, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FOOD Share, Inc.'s internal control over financial reporting and compliance.

Soares, Sandall, Bernacchi & Petrovich, LLC

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

July 27, 2018

FOOD SHARE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 139,123	\$ 585,684
Accounts receivable, net	283,000	296,011
Prepaid expense and other assets	45,969	67,674
Food inventory	1,415,491	1,327,998
Property and equipment, net	2,735,596	3,114,623
Beneficial interest in assets held by Ventura County Community Foundation	1,219,756	1,151,969
TOTAL ASSETS	<u><u>\$ 5,838,935</u></u>	<u><u>\$ 6,543,959</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 271,122	\$ 221,171
Accrued expenses	134,578	177,229
Deferred revenue	27,614	23,649
Line of credit	475,000	-
TOTAL LIABILITIES	<u>908,314</u>	<u>422,049</u>
NET ASSETS		
Unrestricted	3,188,195	4,640,497
Temporarily restricted	821,164	560,151
Permanently restricted	921,262	921,262
TOTAL NET ASSETS	<u>4,930,621</u>	<u>6,121,910</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,838,935</u></u>	<u><u>\$ 6,543,959</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, 2017 and 2016

Page One

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Grants and contracts	\$ 1,125,601	\$ -	\$ -	\$ 1,125,601
Donated food received	14,798,002	3,919,309	-	18,717,311
Contributions from public	2,316,343	-	-	2,316,343
Shared maintenance fees	211,965	-	-	211,965
Investment income	80,714	-	-	80,714
Special events, net of \$39,191 of expenses	51,220	-	-	51,220
Increase (decrease) in value of beneficial interest in assets held by Ventura County Community Foundation	67,787	-	-	67,787
Other	7,002	-	-	7,002
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	3,658,296	(3,658,296)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	22,316,930	261,013	-	22,577,943
EXPENSES				
Program Services:				
Agency Distribution	14,430,743	-	-	14,430,743
Senior Share	811,225	-	-	811,225
Education and Outreach	119,762	-	-	119,762
Senior Nutrition	152,661	-	-	152,661
CalFresh Outreach	532,679	-	-	532,679
Mobile Pantry	267,979	-	-	267,979
Community Distribution	956,841	-	-	956,841
Commodity Supplemental and Others	4,350,889	-	-	4,350,889
TOTAL PROGRAM SERVICES	21,622,779	-	-	21,622,779
Management and general	800,984	-	-	800,984
Fund-raising	1,345,469	-	-	1,345,469
TOTAL EXPENSES	23,769,232	-	-	23,769,232
INCREASE (DECREASE) IN NET ASSETS	(1,452,302)	261,013	-	(1,191,289)
NET ASSETS AT BEGINNING OF THE YEAR	4,640,497	560,151	921,262	6,121,910
NET ASSETS AT END OF THE YEAR	\$ 3,188,195	\$ 821,164	\$ 921,262	\$ 4,930,621

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, 2017 and 2016

Page Two

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Grants and contracts	\$ 877,346	\$ -	\$ -	\$ 877,346
Donated food received	15,160,235	4,040,301	-	19,200,536
Contributions from public	2,552,059	-	-	2,552,059
Shared maintenance fees	275,028	-	-	275,028
Investment income	78,535	-	-	78,535
Special events, net of \$16,537 of expenses	(3,793)	-	-	(3,793)
Increase (decrease) in value of beneficial interest in assets held by Ventura County Community Foundation	(112,456)	-	-	(112,456)
Other	6,726	-	-	6,726
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	4,041,113	(4,041,113)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	22,874,793	(812)	-	22,873,981
EXPENSES				
Program Services:				
Agency Distribution	18,850,985	-	-	18,850,985
Senior Share	972,715	-	-	972,715
Education and Outreach	91,828	-	-	91,828
Senior Nutrition	152,181	-	-	152,181
CalFresh Outreach	618,717	-	-	618,717
Mobile Pantry	185,774	-	-	185,774
Community Distribution	1,048,488	-	-	1,048,488
TOTAL PROGRAM SERVICES	21,920,688	-	-	21,920,688
Management and general	548,107	-	-	548,107
Fund-raising	1,054,394	-	-	1,054,394
TOTAL EXPENSES	23,523,189	-	-	23,523,189
INCREASE (DECREASE) IN NET ASSETS	(648,396)	(812)	-	(649,208)
NET ASSETS AT BEGINNING OF THE YEAR	5,288,893	560,963	921,262	6,771,118
NET ASSETS AT END OF THE YEAR	\$ 4,640,497	\$ 560,151	\$ 921,262	\$ 6,121,910

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

FOOD SHARE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2017 and 2016

Page One

2017

	Program											
	Senior Share	Education & Outreach	Senior Nutrition	Agency Distribution	CalFresh Outreach	Community Distribution	Mobile Pantry	CSFP & Others	Total Program Expenses	Management and General	Fund-raising	Total Expenses
Salaries	\$ 63,820	\$ 18,490	\$ 49,324	\$ 760,925	\$ 307,702	\$ 34,825	\$ 10,176	\$ 17,585	\$ 1,262,847	\$ 346,006	\$ 467,042	\$ 2,075,895
Payroll taxes and workers' compensation insurance	9,460	3,169	9,913	103,244	23,243	5,435	6,530	1,984	162,978	43,838	35,389	242,205
Employee benefits	13,648	4,573	14,302	181,312	33,534	7,841	9,421	2,862	267,493	63,246	51,057	381,796
Total salaries and employee related expenses	86,928	26,232	73,539	1,045,481	364,479	48,101	26,127	22,431	1,693,318	453,090	553,488	2,699,896
Food distribution	696,138	69,431	68,938	12,650,961	-	838,342	219,064	4,292,702	18,835,576	-	-	18,835,576
Professional fees	-	14,659	-	757	103,388	-	60	6,951	125,815	188,621	1,257	315,693
Office expense	214	2,172	21	8,803	1,980	257	11,292	6,510	31,249	18,571	15,766	65,586
Warehouse and program supplies	2,304	-	228	60,045	-	3,342	725	538	67,182	-	1,680	68,862
Postage	-	-	-	6	-	-	-	-	6	10,359	212,152	222,517
Freight	2,205	-	218	59,066	-	3,198	694	515	65,896	-	-	65,896
Insurance	2,556	-	253	61,993	-	3,708	804	597	69,911	4,240	2,238	76,389
Utilities	5,302	526	526	90,079	-	6,388	1,670	1,238	105,729	8,210	2,850	116,789
Payment to affiliates	-	-	-	-	-	-	-	-	-	3,995	-	3,995
Grants to others	-	-	-	4,287	-	-	-	-	4,287	265	-	4,552
Repairs and maintenance	109	140	11	2,632	-	132	836	326	4,186	37,499	-	41,685
Donor development	-	-	-	-	-	-	-	-	-	-	4,725	4,725
Vehicle expenses	4,962	863	7,834	119,539	-	5,968	4,241	13,803	157,210	3,224	3,323	163,757
Printing and mailing	103	-	-	109	775	1	-	152	1,140	4,972	2,046	8,158
Travel and conferences	968	1,405	11	6,287	34,203	127	1,316	2,129	46,446	3,118	8,363	57,927
Public information	-	-	-	30	17,350	-	-	2,678	20,058	975	508,302	529,335
Community events	-	-	-	300	-	-	-	-	300	505	20,501	21,306
VAP fees	68	8	7	155,181	-	81	21	16	155,382	-	-	155,382
Bank fees	-	-	-	572	-	-	-	-	572	30,385	591	31,548
Taxes, licenses, fees	1,308	130	130	22,217	-	1,576	412	303	26,076	2,025	703	28,804
Volunteer appreciation	-	-	-	-	-	-	-	-	-	5,931	-	5,931
Membership fees	-	-	-	30	-	-	-	-	30	7,657	3,849	11,536
Interest expense	-	-	-	-	-	-	-	-	-	9,824	-	9,824
Depreciation	8,060	4,196	945	142,368	10,504	45,620	717	-	212,410	7,518	3,635	223,563
TOTALS	\$ 811,225	\$ 119,762	\$ 152,661	\$ 14,430,743	\$ 532,679	\$ 956,841	\$ 267,979	\$ 4,350,889	\$ 21,622,779	\$ 800,984	\$ 1,345,469	\$ 23,769,232

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

FOOD SHARE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2017 and 2016

Page Two

2016

	Program										Total Expenses
	Senior Share	Education & Outreach	Senior Nutrition	Agency Distribution	CalFresh Outreach	Community Distribution	Mobile Pantry	Program Expenses	Management and General	Fund-raising	
Salaries	\$ 78,223	\$ 19,993	\$ 50,179	\$ 791,043	\$ 254,577	\$ 43,062	\$ 70,296	\$ 1,307,373	\$ 332,103	\$ 448,055	\$ 2,087,531
Payroll taxes and workers' compensation insurance	8,356	2,364	8,476	94,096	25,243	5,540	402	144,477	27,394	37,596	209,467
Employee benefits	12,929	1,767	6,486	81,171	33,751	8,178	4,486	148,768	35,490	18,838	203,096
Total salaries and employee related expenses	99,508	24,124	65,141	966,310	313,571	56,780	75,184	1,600,618	394,987	504,489	2,500,094
Food distribution	826,644	37,788	77,117	17,217,536	629	877,972	84,844	19,122,530	-	-	19,122,530
Professional fees	2,940	11,197	248	50,645	175,863	3,275	757	244,925	80,638	13,729	339,292
Office expense	244	133	3	11,239	121	58	42	11,840	3,251	2,568	17,659
Warehouse and program supplies	913	2,551	104	9,222	3,517	1,250	6,036	23,593	-	15,235	38,828
Postage	480	218	41	8,260	477	542	13	10,031	745	223,411	234,187
Freight	2,923	1,325	250	47,447	2,906	3,301	-	58,152	-	19	58,171
Insurance	3,890	1,764	333	63,085	3,866	4,392	-	77,330	5,930	2,480	85,740
Utilities	4,648	2,107	851	76,309	12,289	5,249	3,325	104,778	6,954	8,783	120,515
Payment to affiliates	-	-	-	-	-	-	-	-	6,171	-	6,171
Grants to others	-	-	-	3,003	-	-	-	3,003	-	-	3,003
Repairs and maintenance	8,070	3,658	690	132,180	8,022	9,113	1,947	163,680	3,463	1,370	168,513
Donor development	-	-	-	-	-	-	-	-	-	20,305	20,305
Vehicle expenses	2,176	986	186	36,189	2,163	2,457	985	45,142	-	-	45,142
Printing and mailing	193	88	17	3,212	1,199	218	168	5,095	627	630	6,352
Travel and conferences	1,776	842	36	10,223	31,702	480	1,830	46,889	1,220	15,205	63,314
Public information	-	-	-	-	23,170	-	-	23,170	1,158	192,116	216,444
Community events	-	-	-	-	-	-	-	-	-	34,608	34,608
VAP fees	6,114	2,771	523	99,157	6,077	6,904	-	121,546	-	-	121,546
Bank fees	-	-	-	-	-	-	-	-	25,814	6,227	32,041
Taxes, licenses, fees	954	340	74	12,158	745	846	10,593	25,710	1,153	796	27,659
Staff development	128	58	11	2,082	161	145	-	2,585	2,437	1,077	6,099
Bad debt expense	119	54	10	2,513	119	135	-	2,950	-	-	2,950
Volunteer appreciation	-	-	-	-	-	-	-	-	4,244	-	4,244
Membership fees	583	264	50	9,551	579	658	50	11,735	1,782	7,691	21,208
Depreciation	10,412	1,560	6,496	90,664	31,541	74,713	-	215,386	7,533	3,655	226,574
TOTALS	\$ 972,715	\$ 91,828	\$ 152,181	\$ 18,850,985	\$ 618,717	\$ 1,048,488	\$ 185,774	\$ 21,920,688	\$ 548,107	\$ 1,054,394	\$ 23,523,189

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

FOOD SHARE, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (1,191,289)	\$ (649,208)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	223,563	226,574
Decrease (increase) in value of beneficial interest in assets held by Ventura County Community Foundation	(67,787)	112,456
Loss (gain) on disposal of assets	1,857	(5,000)
Construction in-progress written off	352,402	-
(Increase) decrease in:		
Accounts receivable	13,011	319,363
Prepaid expense and other assets	21,705	(12,736)
Food inventory	(87,493)	(323,849)
Increase (decrease) in:		
Accounts payable	49,951	131,076
Accrued expenses	(42,651)	23,951
Deferred revenue	3,965	3,402
TOTAL ADJUSTMENTS	468,523	475,237
NET CASH USED BY OPERATING ACTIVITIES	(722,766)	(173,971)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	475,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	475,000	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(198,795)	(251,763)
Proceeds from disposal of assets	-	5,000
NET CASH USED BY INVESTING ACTIVITIES	(198,795)	(246,763)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(446,561)	(420,734)
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR	585,684	1,006,418
CASH AND CASH EQUIVALENT AT END OF YEAR	\$ 139,123	\$ 585,684
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 9,824	\$ -

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

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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.

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.

Mobile Pantry – FOOD Share & Friends Mobile Pantry is a 28-foot commercial kitchen trailer towed by a stake bed truck. It visits underserved and, or, low income neighborhoods across Ventura County providing nutrition education, recipe demonstrations and taste testing. Often the Mobile Pantry is accompanied by other service providers, creating a mobile community center with multiple services available.

The Commodity Supplemental Food Program (CSFP) – The Commodity Supplemental Food Program (CSFP) is a USDA-funded nutrition program that provides monthly food assistance to low-income seniors (aged 60-plus) through food banks.

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.

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounts and Grants Receivable. Accounts and grants receivable are presented at fair value. At June 30, 2017 and 2016, 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 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 effect 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, 2017, and 2016.

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, 2017 and 2016.

The Organization's prior three years tax returns 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

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

not been recorded. During the year ended June 30, 2017, the Organization received over 38,000 volunteer hours. For donated food, see Notes 4 and 5.

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, 2017 and 2016, 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, 2017 and 2016.

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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, square footage of space utilized by each function and on estimates made by the Organization's management.

Subsequent Events. Subsequent events have been evaluated through July 27, 2018, which is the date the financial statements were available to be issued. The Organization did not experience material subsequent events requiring financial statements disclosure except for contract termination on November, 2017 with software developer to design, produce and implement a media campaign to inform and inspire audience engagement with food insecurity actions. The project was deemed worthless in the fiscal year ended June 30, 2017 and the contract was formally terminated on November, 2017.

Reclassification. Certain information in the June 30, 2016, 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 \$529,335 and \$216,444 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the valuation used was approximately \$1.70 and \$1.72, respectively, per pound of food received from USDA.

The changes in the USDA donated food inventory for the year ended June 30, 2017 and 2016, in value and quantity are summarized as follows:

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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

	<u>2017</u>	
	<u>Dollars</u>	<u>Pounds</u>
Beginning inventory - July 1, 2016	\$ 560,151	325,669 lbs
Food received	3,919,309	2,305,476 lbs
Food distributed	<u>(3,658,296)</u>	<u>(2,148,108) lbs</u>
Ending Inventory - June 30, 2017	<u>\$ 821,164</u>	<u>483,037 lbs</u>

	<u>2016</u>	
	<u>Dollars</u>	<u>Pounds</u>
Beginning inventory - July 1, 2015	\$ 260,963	154,166 lbs
Food received	4,040,301	2,349,012 lbs
Food distributed	<u>(3,741,113)</u>	<u>(2,177,509) lbs</u>
Ending Inventory - June 30, 2016	<u>\$ 560,151</u>	<u>325,669 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, 2017 and 2016, in value and pounds are summarized as follows:

	<u>2017</u>	
	<u>Dollars</u>	<u>Pounds</u>
Beginning inventory - July 1, 2016	\$ 767,847	898,607 lbs
Food purchased and received	15,123,397	9,138,086 lbs
Food distributed	<u>(15,296,917)</u>	<u>(9,646,741) lbs</u>
Ending Inventory - June 30, 2017	<u>\$ 594,327</u>	<u>389,952 lbs</u>

	<u>2016</u>	
	<u>Dollars</u>	<u>Pounds</u>
Beginning inventory - July 1, 2015	\$ 743,186	521,760 lbs
Food purchased and received	15,395,900	9,287,093 lbs
Food distributed	<u>(15,371,239)</u>	<u>(8,910,246) lbs</u>
Ending Inventory - June 30, 2016	<u>\$ 767,847</u>	<u>898,607 lbs</u>

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 and 2016, are as follows:

	2017	2016
Land	\$ 706,193	\$ 706,193
Building and improvements	3,247,829	3,247,829
Equipment	862,896	881,316
Vehicles	680,529	725,012
Total property equipment	5,497,447	5,560,350
Construction in-progress	47,564	217,042
Accumulated depreciation	(2,809,415)	(2,662,769)
Net property equipment	<u>\$ 2,735,596</u>	<u>\$ 3,114,623</u>
Depreciation expense	<u>\$ 223,563</u>	<u>\$ 226,574</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:

	2017	2016
Transfer of permanently restricted contributions	\$ 921,262	\$ 921,262
Transfer of unrestricted contributions and appreciated value	298,494	230,707
Total assets	<u>\$ 1,219,756</u>	<u>\$ 1,151,969</u>

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

**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) 2017	Fair value measurement using significant unobservable inputs (Level 3) 2016
Beginning balances	\$ 1,151,969	\$ 1,264,425
Total gains (realized/unrealized) included in changes in net assets	131,397	(47,279)
Interest and Dividends	17,103	13,617
Advisory Fees	(19,004)	(18,845)
Distributions	(61,709)	(59,949)
Ending balances	<u>\$ 1,219,756</u>	<u>\$ 1,151,969</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Organization must hold either in perpetuity or for a donor-specified period of time. Under this policy, as approved by the Board, the asset are to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions to support the Organization.

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, 2017 and 2016, \$475,000 and \$- were outstanding respectively. The terms of the line of credit are valid through January 2019.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2017 and 2016, are restricted for the following purposes:

	2017	2016
Food Assistance Program	<u>\$ 821,164</u>	<u>\$ 560,151</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u><u>\$ 821,164</u></u>	<u><u>\$ 560,151</u></u>

FOOD SHARE, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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).

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 \$25,814 and \$35,253 to the plan during years ended June 30, 2017 and 2016, 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.

NOTE 14 – COMMITMENTS

During the year ended June 30, 2015, the Organization was awarded \$303,600 from Community Development Block Grant funds for the installation of solar panels. During the year ended June 30, 2017, the Organization was awarded additional \$267,712 for the installation of solar panels. This grant is conditional; the Organization must pay for the installation and then apply for reimbursement of the expenditures. As of June 30, 2017, the Organization has recognized income of \$47,564 and construction in-progress totaling \$47,564 related to this project.

SUPPLEMENTARY SCHEDULE

FOOD SHARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor Program Title	Contract Number	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	16-SUB-00965-14-3035	10.561	\$ 41,563
State of California, Department of Social Services			
Emergency Food Assistance Program (Food Commodities) MOU#10-6070 AND MOU#15-00152		10.569	1,915,664
Emergency Food Assistance Program (Administrative Costs) MOU#10-6070 AND MOU#15-00152		10.568	122,400
Commodity Supplemental Food Program (Food Commodities) #16-MOU-6012		10.565	68,915
Commodity Supplemental Food Program (Administrative Costs) #16-MOU-6012		10.568	188,137
Subtotal U. S. Department of Agriculture			<u>2,336,679</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
United Way of Ventura County			
Emergency Food and Shelter Program	#LRO ID 092800-020	97.024	40,195
Subtotal U. S. Department of Health and Human Services			<u>40,195</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
City of Oxnard			
Special Programs for the Aging_title III, Part C_Nutrition Services	#2008-004	93.045	42,907
Subtotal U. S. Department of Health and Human Services			<u>42,907</u>
<u>U.S. DEPT. OF HOUSING AND URBAN DEVELOPMENT</u>			
County of Ventura			
Community Development Block Grants/Entitlement grants	#B-14-UC-06-0507-NE02	14.218	24,324
Subtotal U. S. Department of Housing and Urban Development			<u>24,324</u>
Total Federal Awards			<u>\$ 2,444,105</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 the Uniform Guidance. Therefore, some amounts in this schedule may differ from amounts presented in the basic financial statements.

Note 2: The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Value of Food Distribution Program is based upon most recent information from the California Department of Social Services, Emergency Food Assistance Program. Nonmonetary assistance is reported in the accompanying schedule based on values per U.S.D.A. valuation. For financial statement purposes the Organization recognizes commodities inventory per Feeding America guidelines. At June 30, 2017 the Organization valued U.S.D.A. commodities inventory at \$821,164 for financial statements reporting purposes.

Soares, Sandall, Bernacchi & Petrovich, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, 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 July 27, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (Finding 2017-001 Internal Control over payroll in Schedule of Findings and Questioned Costs.)

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 July 27, 2018.

FOOD Share's Response to Findings

FOOD Share's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. FOOD Share's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FOOD Share, Inc.'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
Oxnard, CA

July 27, 2018

Soares, Sandall, Bernacchi & Petrovich, LLP

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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 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, 2017. FOOD Share, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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, 2017.

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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of FOOD Share, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Soares, Sandall, Bernacchi & Petrovich, LLP

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

July 27, 2018

FOOD SHARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

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	<u> X </u> yes	_____ 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 Section 2 CFR 200.516(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:	\$750,000
Auditee qualified as low-risk auditee?	_____ yes <u> X </u> no

FOOD SHARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section II – Financial Statement Findings:

There was following financial statements finding for the year ended June 30, 2017:

Finding 2017-001 Internal Control over payroll

Criteria: Food Share is responsible to maintain the effective controls over the payroll so that the control can be relied upon to prepare financial statements that are fairly presented in accordance with generally accepted accounting principles.

Condition: There were several instances where hours worked were not verified before processing the payroll.

Cause: FOOD Share failed to follow its internal control procedures to verify total hours worked before processing the payroll.

Effect: There were instances where total hours worked per time sheets did not agree with total hours paid to employees.

Recommendation: We recommend that management follow their policy of verifying hours worked by the employees before processing the payroll.

Management's Response: Food Share will verify the hours worked before processing the payroll going forward. Food Share will also review payroll process of different departments on a monthly basis to make sure controls in place are being followed.

Section III – Federal Award Findings and Questioned Costs:

There were no federal awards finding and question costs for the year ended June 30, 2017.

FOOD SHARE, INC.
SCHEDULE OF STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Financial Statement Findings:

There were no financial statements finding for the year ended June 30, 2016.

Federal Award Findings and Questioned Costs

There were no federal awards finding and question costs for the year ended June 30, 2016.

Soares, Sandall, Bernacchi & Petrovich, LLP

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July 27, 2018

Board of Directors
FOOD Share, Inc.
Oxnard, California

Auditors' Comments and Recommendations

In planning and performing our audit of the financial statements of FOOD Share, Inc. for the year ended June 30, 2017, we considered the Organization's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of matters that are opportunities for the strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated July 27, 2018, on the financial statements of FOOD Share, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with the appropriate personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Prior Year Observation – *Schedule of Expenditures of Federal Awards*

During our prior year audit, the schedule of expenditures of federal awards had instances where the expenditure of federal awards amount needed adjustments and corrections.

We recommended the schedule of expenditures of federal awards amounts listed be reconciled and verified before the schedule is provided for audit.

Current Year Observation

During our current year audit, the schedule of expenditures of federal awards had an instance where the expenditure of federal awards amount needed adjustments and corrections.

We continue to recommend the schedule of expenditures of federal awards amounts listed be reconciled and verified before the schedule is provided for audit.

Prior Year Observation – *Inventory Measurement*

During our prior year audit, we noted several instances of food receipts being entered into the inventory system at net weight which is not consistent with FOOD Share's inventory policies of entering receipts at gross weight. Each of the invoices contained both the net and gross weight of items received.

We recommended warehouse staff carefully review invoices in order to maintain FOOD Share's policy of entering all food receipts at gross weight.

Current Year Observation – *Inventory Measurement*

During our current year audit, we still noted few instances of food receipts being entered into the inventory system at net weight which is not consistent with FOOD Share's inventory policies of entering receipts at gross weight. Each of the invoices contained both the net and gross weight of items received.

We still recommend warehouse staff carefully review invoices in order to maintain FOOD Share's policy of entering all food receipts at gross weight.

Current Year Observation – *Cash Disbursement*

During our current year audit, we noted several instances where there was no proper authorization in "Request for reimbursement form". In some, there were no account numbers and in some instances, we noted there was no "Request for reimbursement form" at all.

We recommend properly completing the "request for reimbursement form" with proper authorizations and account numbers. We also recommend use of "request for reimbursement form" consistently as applicable.

During our current audit, we noted a check, over \$5,000 that was cashed, included only one signature. We also noted a check that was cashed which had no signatures at all.

We recommend FOOD Share, Inc. to contact the bank to notify that any checks over \$5,000 requires two signatures and also notify that checks without signatures should not be cashed. We also recommend following the controls internally by checking the disbursements for proper authorizations.

Current Year Observation – *Food Receipts*

During our current year audit, we noted several instances where food receipts were not recorded in proper category. Instead of recording in proper category, food receipts were lumped into one category.

We recommend FOOD Share, Inc. to properly record the food receipts in proper category instead of lumping all into one category.

Current Year Observation – *Food Distributions*

During our current year audit, we noted some instances where there was no shopping list and some where there was no signature of Agency Representative.

Board of Directors
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We recommend FOOD Share, Inc. to include shopping list consistently. We also recommend checking if the Agency Representative has signed off.

* * * * *

This report is intended solely for the information and the use of the Board of Directors, audit committee, management, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties

Soares, Sandall, Bernacchi & Petrovich, LLP

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

Soares, Sandall, Bernacchi & Petrovich, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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July 27, 2018

To the Board of Directors
FOOD Share, Inc.

We have audited the financial statements and schedule of expenditures of federal awards of FOOD Share, Inc. for the year ended June 30, 2017, and we will issue our report thereon dated July 27, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards and the Uniform Guidance*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 28, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by FOOD Share, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2017. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- 1) the depreciation and useful life of property and equipment which is based on management's prior experience with useful life of such property and equipment.
- 2) functional allocation of expense which is based on management's prior experience with allocating expenses based on the resources consumed by different programs, general and administrative and fundraising activities.
- 3) the valuation of the food assistance received from United States Department of Agriculture (USDA) and various other sources which is based on the valuation guidelines provided by Feeding America to value food inventory, food received and food distributed.

We evaluated the key factors and assumptions used to develop the depreciation expense and useful life of property and equipment, functional allocation of expenses, and valuation of food inventory, food received and food distributed in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 27, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Schedule of expenditures of federal awards accompanying the financial statements is supplementary information which is required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management is responsible for the information on this schedule and this information has been subjected to the auditing procedures applied in audit of basic financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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This information is intended solely for the use of the Board of Directors charged with governance and, if appropriate, management of FOOD Share, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Soares, Sandall, Bernacchi & Petrovich, LLP

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



FOOD Share, Inc.


Response to FY 16-17 Financial Statements

As reflected in FOOD Share's FY 2016-17 Financial Statements, the organization faced significant financial challenges due to a culmination of factors. After many years of fast-paced growth, FOOD Share was unable to sustain growing revenue demands. This resulted in the food bank utilizing its reserve funds, as well as borrowing against an established, but never-used, line of credit. Overly optimistic revenue projections, coupled with expenses from new programs and initiatives, led the organization to an unexpected deficit.

In response to this financial state, the Board of Directors and Executive Leadership reacted to improve the overall financial health and stability of FOOD Share. In the last 12 months, FOOD Share made changes in executive leadership and finance personnel, cut expenses, reorganized staff and built a more realistic, attainable budget with the goal of feeding "not one less person" which was accomplished.

To date and what will be evident in the FY 2017-18 Financial Statements, FOOD Share is a now a stronger, more sustainable organization with strong fiscal oversight through new executive leadership and a newly increased Board of Directors. The food bank successfully paid off the outstanding line of credit in February 2018 while distributing the most amount of food in the organization's 40-year history. Commitment to financial stewardship and continuing the mission are FOOD Share's top priorities while positioning the organization to be sustainable for the next 40 years.


Joseph Schroeder
FOOD Share, Inc.
Chairman of the Board


Monica White
FOOD Share, Inc.
President and CEO