

SHARED HARVEST FOODBANK, INC.

**Financial Statements and
Supplemental Information
December 31, 2010 and 2009
Together with Auditor's Report**

Shared Harvest Foodbank, Inc.

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**STEPHENSON
& WARNER, INC.**
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Financial Statements and Supplementary
Schedule of Expenditures of Federal Awards for a Not-for-Profit Organization**

To the Board of Trustees of
Shared Harvest Foodbank, Inc.
Fairfield, Ohio

We have audited the accompanying statements of financial position of Shared Harvest Foodbank, Inc. as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shared Harvest Foodbank, Inc., as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2011, on our consideration of Shared Harvest Foodbank, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Shared Harvest Foodbank, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Stephen A. Warner, Inc.", written in dark ink.

STEPHENSON AND WARNER, INC.

April 25, 2011

Shared Harvest Foodbank, Inc.
Statements of Financial Position
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 352,825	\$ 221,868
Accounts receivable	133,826	179,770
Inventory	1,080,861	921,272
Prepaid	-	7,471
Total current assets	1,567,512	1,330,381
Investments	109,179	98,452
Property and equipment, net	993,536	971,615
Restricted cash	68,359	34,879
Other assets	400	450
Total assets	2,738,986	2,435,777

LIABILITIES AND NET ASSETS

Current liabilities		
Current portion of mortgage note payable	19,766	18,571
Accounts payable	86,350	131,941
Accrued payroll and related taxes	15,510	12,801
Accrued expenses	25,796	30,608
Total current liabilities	147,422	193,921
Mortgage note payable, net of current portion	369,192	388,600
Total liabilities	516,614	582,521
Net assets		
Unrestricted	2,044,834	1,719,925
Board designated	109,179	98,452
	2,154,013	1,818,377
Temporarily restricted	68,359	34,879
Total net assets	2,222,372	1,853,256
Total liabilities and net assets	\$ 2,738,986	\$ 2,435,777

The accompanying notes to financial statements
are an integral part of these statements.

Shared Harvest Foodbank, Inc.
Statement of Activities
For the Year Ended December 31, 2010, with Comparative Totals for 2009

	2010		Total	2009
	Unrestricted	Temporarily Restricted		
Public support and revenue				
Public support				
Received directly				
In-kind food contributions	\$ 2,493,363	\$ -	\$ 2,493,363	\$ 1,678,953
Other contributions	194,937	33,568	228,505	180,526
Direct mail contributions	44,662	-	44,662	47,172
Received indirectly				
Foundation	181,555	89,500	271,055	167,980
United Way of Greater Cincinnati	44,405	-	44,405	29,918
Butler County United Way	47,538	26,900	74,438	66,542
Oxford United Way	4,551	-	4,551	5,115
Warren County United Way	43,850	-	43,850	46,162
United Way other	5,291	-	5,291	649
Total public support	3,060,152	149,968	3,210,120	2,223,017
Revenue				
Fees and grants by government agencies				
The Emergency Food Assistance Program (TEFAP)	13,686,831	-	13,686,831	12,795,802
Commodity Supplement Food Program (CSFP)	604,525	-	604,525	492,011
Butler County Job & Family Services SWEP	3,330	-	3,330	2,500
Butler County Success Program	-	50,918	50,918	40,000
Emergency Food and Shelter	-	2,470	2,470	3,209
Other revenue				
Member agency support	342,286	-	342,286	352,755
Foodbank Alliance	4,252	-	4,252	9,807
Special events	71,077	45,192	116,269	94,741
Ohio Association of Second Harvest Foodbanks	1,366,697	-	1,366,697	1,019,041
Rental income	14,090	-	14,090	12,110
Interest and dividends	4,575	82	4,657	5,406
Net realized and unrealized gain (loss) on investments	7,794	-	7,794	15,427
Donor imposed restrictions satisfied by payments	215,150	(215,150)	-	-
Total revenue	16,320,607	(116,488)	16,204,119	14,842,809
Total public support and unrestricted revenue	19,380,759	33,480	19,414,239	17,065,826
Expenses				
The Emergency Assistance Program (TEFAP)	13,708,034	-	13,708,034	12,666,784
Ohio Association of Second Harvest Foodbanks	1,367,284	-	1,367,284	967,835
Foodbank in-kind and purchase program	2,563,859	-	2,563,859	1,850,548
Commodity Supplemental Food Program (CSFP)	571,112	-	571,112	506,167
Back Pack Program	408,600	-	408,600	378,908
SNAP Outreach	137,221	-	137,221	110,404
Total program expenses	18,756,110	-	18,756,110	16,480,646
Management and general	242,960	-	242,960	353,476
Fund development	46,053	-	46,053	87,649
Total expenses	19,045,123	-	19,045,123	16,921,771
Increase in net assets	335,636	33,480	369,116	144,055
Net assets at beginning of year	1,818,377	34,879	1,853,256	1,709,201
Net assets at end of year	<u>\$ 2,154,013</u>	<u>\$ 68,359</u>	<u>\$ 2,222,372</u>	<u>\$ 1,853,256</u>

The accompanying notes to financial statements
are an integral part of these statements.

Shared Harvest Foodbank, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2010 with Comparative Totals for 2009

	Program							Supporting Services		Total 2010	2009	
	TEFAP	OASHF	In-kind Food Donations	Purchased Food	CSFP	Back Pack	SNAP Outreach	Total	Management and General			Fund Development
Salaries	\$ 354,839	\$ 37,056	\$ 59,863	\$ 4,152	\$ 49,495	\$ 21,525	\$ 97,323	\$ 624,253	\$ 28,596	\$ 10,075	\$ 662,924	\$ 569,356
Employee benefits	67,374	7,033	11,362	788	9,394	4,085	18,472	118,508	5,428	1,912	125,848	127,196
Payroll taxes	39,907	4,165	6,729	467	5,563	2,419	10,939	70,189	3,214	1,132	74,535	76,208
Total salaries and related expenses	462,120	48,254	77,954	5,407	64,452	28,029	126,734	812,950	37,238	13,119	863,307	772,760
Food distributions	12,321,669	1,286,755	2,078,735	144,174	465,888	222,603	-	16,519,824	-	-	16,519,824	14,713,233
USDA Contractor Reimbursement	823,707	-	-	-	-	-	-	823,707	-	-	823,707	640,299
Food purchases	-	-	-	178,890	-	157,968	-	336,858	-	-	336,858	311,928
Utilities	34,397	7,701	8,732	509	12,886	-	-	64,225	-	-	64,225	61,720
Depreciation	-	-	-	-	-	-	-	-	58,876	-	58,876	62,499
Materials and supplies	4,772	-	4,772	-	16,424	-	1,247	27,215	27,569	539	55,323	46,980
Gasoline	19,840	4,442	5,330	-	-	-	-	29,612	-	-	29,612	19,283
Professional and contract services	-	-	4,992	-	5,578	-	-	10,570	16,692	-	27,262	25,918
Special events	-	-	-	-	-	-	-	-	-	26,180	26,180	23,183
Interest	-	-	-	-	-	-	-	-	25,258	-	25,258	26,512
Repair and maintenance - building	13,042	2,920	3,504	-	4,703	-	-	24,169	1,066	-	25,235	20,960
Dues	-	10,761	10,159	-	-	-	-	20,920	-	-	20,920	12,809
Rent - equipment	13,953	3,124	3,540	208	-	-	-	20,825	-	-	20,825	19,646
Real estate taxes	-	-	-	-	-	-	-	-	18,916	-	18,916	18,203
Repair and maintenance - equipment	10,562	2,365	2,838	-	-	-	-	15,765	1,044	-	16,809	18,230
Shipping	-	-	16,546	-	-	-	-	16,546	-	-	16,546	10,463
Food scrapped or wasted	-	-	16,257	-	-	-	-	16,257	-	-	16,257	36,239
Technology and related	-	-	-	-	-	-	164	164	14,062	1,007	15,233	11,334
Insurance	-	-	-	-	-	-	-	-	14,277	-	14,277	18,324
Travel	-	-	-	-	-	-	8,023	8,023	-	3,400	11,423	9,435
Telephone	3,846	861	976	57	427	-	670	6,837	-	1,808	8,645	8,367
Printing	-	-	-	-	-	-	383	383	7,333	-	7,716	8,771
Postage	-	-	-	-	704	-	-	704	6,631	-	7,335	8,242
Miscellaneous	-	-	-	-	-	-	-	-	3,959	-	3,959	3,299
Employee development	-	101	-	-	50	-	-	151	3,185	-	3,336	2,716
Capacity building grants	-	-	-	-	-	-	-	-	2,991	-	2,991	2,939
License and titles	-	-	-	-	-	-	-	-	2,655	-	2,655	1,104
Subscriptions	-	-	-	-	-	-	-	-	1,208	-	1,208	655
Equipment purchases	-	-	279	-	-	-	-	279	-	-	279	4,180
Road use taxes	126	-	-	-	-	-	-	126	-	-	126	-
Loss on sale of capital equipment	-	-	-	-	-	-	-	-	-	-	-	1,540
Total expenses	<u>\$13,708,034</u>	<u>\$1,367,284</u>	<u>\$ 2,234,614</u>	<u>\$ 329,245</u>	<u>\$ 571,112</u>	<u>\$ 408,600</u>	<u>\$ 137,221</u>	<u>\$18,756,110</u>	<u>\$ 242,960</u>	<u>\$ 46,053</u>	<u>\$19,045,123</u>	<u>\$ 16,921,771</u>

The accompanying notes to financial statements
are an integral part of these statements.

Shared Harvest Foodbank, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Increase in net assets	\$ 369,116	\$ 144,055
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	58,876	62,499
Realized/unrealized (gain) and return on investments	(10,727)	(19,197)
Loss on retirement of property and equipment	-	1,540
Increase (decrease) in cash from changes in operating assets and liabilities		
Accounts receivable	45,944	(105,729)
Inventory	(159,589)	(72,971)
Prepaid items	7,471	(7,471)
Accounts payable	(45,591)	61,126
Accrued expenses	(2,103)	(10,861)
Restricted cash	(33,480)	18,850
Other assets	50	(189)
Net cash provided by operating activities	229,967	71,651
Cash flows from investing activities		
Payments related to the acquisition of property and equipment	(80,797)	(126,774)
Net cash (used) by investing activities	(80,797)	(126,774)
Cash flows from financing activities		
Payments on debt	(18,213)	(20,556)
Proceeds of borrowings for capital purposes	-	106,881
Net cash provided (used) by financing activities	(18,213)	86,325
Net increase in cash and cash equivalents	130,957	31,202
Cash and cash equivalents at beginning of year	221,868	190,666
Cash and cash equivalents at end of year	\$ 352,825	\$ 221,868
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 25,258	\$ 26,512

**The accompanying notes to financial statements
are an integral part of these statements.**

Shared Harvest Foodbank, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

Nature of Operations

The Shared Harvest Foodbank, Inc., (the Organization), was incorporated under the laws of the State of Ohio in 1984 as a not-for-profit corporation. The Organization's purpose is to meet the emergency food needs of people experiencing food insecurity. The Organization solicits the food industry for contributions of usable but unmarketable products and participates in federal and state funded hunger relief programs. The Organization distributes grocery products to needy people through a network of 90 member charities in five counties in Ohio and acts as a mixing center providing USDA commodities to five foodbanks serving an additional 34 Ohio counties.

Note 1 - Summary of Significant Accounting Policies

Basis of Accounting - The financial statements are presented by accounting principles generally accepted in the United States of America.

Basis of Presentation - The Organization follows the provisions of Financial Accounting Standards Board *Accounting Standards Codification* (the Codification) for not-for-profit organizations. The Codification requires the Organization to report information regarding its financial position and activities to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Comparative Data - The financial statements include certain 2009 comparative information. The Statement of Activities presents the 2009 data in total rather than by net asset category. The Statement of Functional Expenses presents the 2009 expenses by object rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and related disclosures. The more significant estimates include valuation of the allowances for accounts receivable, valuation of inventory, the useful lives for depreciable assets, and the fair market value of financial instruments. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the Statements of Financial Position and Cash Flows, cash and cash equivalents are defined as all monies in petty cash, checking and savings accounts excluding restricted cash.

Accounts Receivable - Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management has evaluated the credit history of customers having outstanding balances and current relationships with them. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation account and a credit to trade accounts receivable. The accounts receivable balances past due are not interest bearing. Accounts receivable balances consist primarily of unpaid amounts due from contractual obligations at year end by the Ohio Department of Job and Family Services. Therefore, management believes that an allowance for uncollectible accounts is not required and has not been provided.

Note 1 - Summary of Significant Accounting Policies, continued

Inventory – Inventory consists of food, supplies, and commodities available for distribution. The inventory is valued at \$1.00 per pound. This value is based on management's review and analysis of inventory items in comparison to current retail costs for substantially similar items, using a retail market basket survey.

Investments – Investments in marketable equity securities with readily determined fair values are stated at quoted fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities.

Property and Equipment, net - Property and equipment are stated at cost if purchased or at fair market value at the date of donation less accumulated depreciation. Assets costing \$5,000 or more and with a useful life greater than one year are capitalized. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Useful lives of the assets for financial reporting are 3 to 15 years for equipment, 5 to 20 years for improvements, and 31 years for buildings. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the change in net assets for the period. The Organization assesses the recoverability of the carrying amount of property and equipment if events or changes occur, such as a significant decrease in market value of the assets or a significant change in operation conditions. The Organization uses the direct expensing method to account for major maintenance activities.

Net Assets - Unrestricted net assets are available for the purposes of the Organization. Temporarily restricted net assets represent assets which have donor imposed restrictions on their use. Assets received with donor imposed temporary restrictions that are both received and fulfilled in the same period are reported as unrestricted.

Contributions – Unrestricted contributions received by the Organization are recognized as support when received. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated Assets – Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of the donation.

Contributions In-kind - Food contributions are recorded in the financial statements as in-kind contribution revenue and inventory and are valued at \$1.00 per pound. When food is distributed to member charities at the discretion of the Organization, the inventory recorded value is recorded as a direct service expenditure.

Donated Services – Although many individuals volunteer their time and talents to perform a variety of tasks without which the Organization could not conduct its programs as successfully, these services do not meet the criteria for recognition under the provisions of Financial Accounting Standards Board *Accounting Standards Codification* (the Codification) for not-for-profit organizations. Accordingly, the value of these services has not been recognized in the financial statements.

Note 1 - Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses – The costs of providing the various programs have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs benefited based upon usage by each program.

Advertising – Advertising costs are expensed as incurred. There were no advertising costs for 2010 or 2009.

Income Taxes - The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. A provision for income taxes was not provided since there was not a tax liability for the unrelated taxable business income. The Organization is classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Organization's information returns are subject to examination by the Internal Revenue Service for three years following the date of filing.

Fair Value of Financial Instruments - Accounting principles generally accepted in the United States of America define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. The hierarchy requires organizations to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of input are:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement.

These standards apply to all financial assets and liabilities, as well as nonfinancial assets and liabilities that are recognized or disclosed at fair value in our financial statements on a recurring basis (at least annually).

The Organization's financial instruments include cash and cash equivalents, accounts receivable, investments, accounts payable and accrued expenses. The carrying values of cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair values due to their short-term duration. Investments are recognized at fair value as determined by quoted market prices on a traded market (level 1 input). Notes payable recognized at \$388,958 is estimated to have a present value of approximately \$298,519 if discounted at 6.25% over the maturity of the note. There are no fair value measurements with respect to nonfinancial assets or liabilities that are recognized or disclosed at fair value in our financial statements on a recurring basis.

Note 2 – Date of Management’s Review – In preparing the financial statements, management has evaluated events and transactions subsequent to December 31, 2010 through April 25, 2011, which represents the date the financial statements were available to be issued.

Note 3 – Cash and Cash Equivalents

The balances were:

General account	<u>2010</u>	<u>2009</u>
Money market account	\$ 30,887	\$ 20,463
Savings accounts	127,489	74,658
Payroll account	186,539	124,600
FEED alliance checking	961	439
	6,949	1,708
	<u>\$ 352,825</u>	<u>\$ 221,868</u>

Note 4 - Investments

The balances were:

Investments, beginning balance	<u>2010</u>	<u>2009</u>
Realized and unrealized gains and (losses), net	\$ 98,452	\$ 79,255
Investments, ending balance	<u>10,727</u>	<u>19,197</u>
	<u>\$ 109,179</u>	<u>\$ 98,452</u>

The investments balances were:

	2010 Tier 1	2009 Tier 1
Equities	<u>Market Value</u>	<u>Market Value</u>
	\$ 99,440	\$ 89,405
Stocks	<u>9,739</u>	<u>9,047</u>
	<u>\$ 109,179</u>	<u>\$ 98,452</u>

The investment activity was:

Balance, beginning of year, fair market value	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 98,452	\$ 79,255
Unrealized gains (losses)	2,933	2,058
Capital gains (losses) realized	8,578	19,870
Fees	(784)	(2,001)
	<u>-</u>	<u>(730)</u>
Balance, end of year, fair market value	<u>\$ 109,179</u>	<u>\$ 98,452</u>

Note 5 – Property and Equipment, net

The balances were:

Land	<u>2010</u>	<u>2009</u>
Equipment	\$ 518,085	\$ 518,085
Buildings	539,377	539,377
Building improvements	299,950	299,950
	<u>710,045</u>	<u>628,247</u>
	2,067,457	1,958,659
	<u>1,073,921</u>	<u>1,014,044</u>
Less accumulated depreciation	<u>\$ 993,536</u>	<u>\$ 971,615</u>
Depreciation expense	<u>\$ 58,876</u>	<u>\$ 62,499</u>

Note 6 – Mortgage Note Payable

The mortgage payable with First Financial Bank, due March 2019, was refinanced beginning March 2009, requiring monthly payments of \$3,623 with an annual interest rate of 6.25% until March 2014. The future rate will be 2.75% above the five year US Treasury Security as made available by the Federal Reserve. The note is collateralized by the land and building.

The future principal payments for the years ending December 31:

2011	\$ 19,766
2012	21,037
2013	22,390
2014	23,830
2015	25,363
Thereafter	<u>276,572</u>
	388,958
Less current amount	19,766
	<u>\$ 369,192</u>

Note 7 – Net Assets

The Board of Trustees designated specific unrestricted net assets for certain functions. The value of the common stock and the Fidelity Advisor Funds, \$109,179 and \$98,452 for 2010 and 2009, respectively, was designated for long-term needs.

The Organization received in 2010 and 2009, contributions as part of the Hamilton Journal News Food Relief Campaign. Contributions are restricted by the donor for food purchases. The amount collected and not spent, \$44,906 and \$33,643 for 2010 and 2009, respectively, was recorded as a temporarily restricted net asset.

The Organization also received in 2010 and 2009 contributions as part of the Backpack program. Contributions are restricted by the donor for backpack program food purchases. The amount collected and not spent, \$23,453 and \$1,236 for 2010 and 2009, respectively, was recorded as a temporarily restricted net asset.

Note 8 - Retirement Benefits

The Organization maintains a noncontributory defined contribution pension plan that covers virtually all employees. Under the plan, the Organization is required to contribute up to 5% of each participant's compensation to the plan. The pension costs were \$12,379 and \$16,853, for the years 2010 and 2009, respectively.

Note 9 - Operating Leases

The Organization leases a tractor from Miami Valley International Trucks. The lease is classified as an operating lease. The lease term is 84 months, with monthly payments of \$1,475, plus excess mileage if applicable. The future minimum annual lease payments are \$17,700 for 2011 thru the end of the lease term ending February 2014.

Note 10 – Risks, Uncertainties, and Concentrations

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of accounts receivable, investments, and amounts borrowed. The Organization obtains substantial funding and support through the United States Department of Agriculture.

The concentration of credit risk with respect to investments consists of significant amounts invested with Fidelity Financial Advisor funds that are not insured and are subject to market fluctuations.

The concentration of credit risk with respect to the amount borrowed consists of the mortgage note payable with First Financial Bank.

The Organization grants credit without collateral to its customers; the customer balances are closely monitored. The Organization has not experienced significant losses from accounts receivable.

The Organization occasionally maintains cash balances in financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). The amount in excess of the insurance coverage was approximately \$23,150 for 2010 and \$0 for 2009. Management believes the risk of the amount in excess of the insurance is insignificant.

Under the terms of government grants/contracts, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Management expects such amounts, if any, of expenditures that may be disallowed by the grantor to be immaterial.

Note 11 – Related Party

The Organization may engage in immaterial financial transactions with members of its Board of Trustees. One member of the Board is employed by the bank that holds the Organization's mortgage.

Shared Harvest Foodbank, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA or Other Number	Federal Expenditures
U.S. Department of Agriculture		
Passed through the Ohio Department of Job and Family Services		
ARRA - Emergency Food Assistance Program	10.568	\$ 635,555
Emergency Food Assistance Program	10.568	592,240
Commodities	10.569	12,463,314
Commodity Supplemental Food Program	10.565	100,352
Commodities	10.565	<u>507,249</u>

\$ 14,298,710

Notes for the preparation of the Schedule of Expenditures of Federal Awards

1. The schedule of expenditures of federal awards includes the federal grant activity of Shared Harvest Foodbank, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
2. The estimated value for food and related commodities was \$1.00 per pound based on the retail market basket survey.

See Independent Auditor's Report.



**STEPHENSON
& WARNER, INC.**
CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees of
Shared Harvest Foodbank, Inc.
Fairfield, Ohio

We have audited the financial statements of Shared Harvest Foodbank, Inc. as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 25, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shared Harvest Foodbank, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shared Harvest Foodbank, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shared Harvest Foodbank, Inc.'s financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Trustees, management, the Ohio Department of Job and Family Services, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson and Warner, Inc.

STEPHENSON AND WARNER, INC.

April 25, 2011



**STEPHENSON
& WARNER, INC.**
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees of
Shared Harvest Foodbank, Inc.
Fairfield, Ohio

Compliance

We have audited Shared Harvest Foodbank, Inc. compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Shared Harvest Foodbank, Inc.'s major federal programs for the year ended December 31, 2010. Shared Harvest Foodbank, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Shared Harvest Foodbank, Inc.'s management. Our responsibility is to express an opinion on Shared Harvest Foodbank, Inc.'s compliance based on our audit.

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 Shared Harvest Foodbank, Inc.'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. Our audit does not provide a legal determination on Shared Harvest Foodbank, Inc.'s compliance with those requirements.

In our opinion, Shared Harvest Foodbank, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

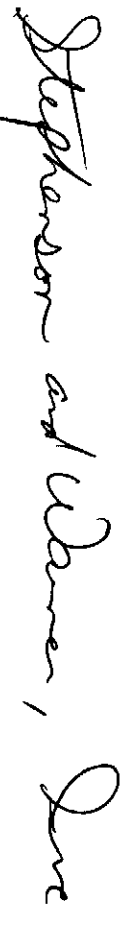
Management of Shared Harvest Foodbank, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Shared Harvest Foodbank, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance 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. Accordingly, we do not express an

opinion on the effectiveness of the Shared Harvest Foodbank, 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees; management; the Ohio Job and Family Services; federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Stephenson and Warner, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

STEPHENSON AND WARNER, INC.

April 25, 2011

Shared Harvest Foodbank, Inc.

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010**

Section I - Summary of auditor's results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? *NO*
- Significant deficiency(s) identified that are not considered to be material weaknesses?
NO

Noncompliance material to financial statements? *NO*

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? *NO*
- Reportable condition(s) identified that are not considered to be material weakness(es)?
NO

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 510(a) of OMB Circular A-133? *NO*

Identification of major programs:

CFDA # 10.569, CFDA # 10.568, CFDA # 10.565

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee? *YES*

Section II – Financial Statement Findings

NONE

Section III – Federal Award Findings and Questioned Costs

NONE