

**STEPHENSON AND WARNER, INC.
REPORT GUIDE AND PROCESSING INSTRUCTIONS**

Index A

Client: Shared Harvest Foodbank

Balance Sheet Date: 12/31/07

Client #: 7980

Date Due: 5/6/08

Engagement Accountant: csk

Report:

In-charge Accountant (if applicable):

Audit: Review: Compilation:

Engagement Partner (if applicable):

Other report or documents (describe):

Review Partner: *Jacob*

[]

Instructions: This form should accompany the latest draft throughout processing. It should be filed in the A folder.

	Done by	Date
1. <i>Engagement accountant review.</i>	csk	5/5/08
2. <i>In-charge accountant review (if applicable).</i>		
3. <i>Engagement partner review (if applicable).</i>		
4. <i>Review partner review.</i>	<i>DJ</i>	<i>5/5/08</i>
5. <i>Proof reader review (if applicable)</i>		
6. <i>Sign the report – processor</i>	<i>EF</i>	<i>5/5/08</i>
7. <i>Processor review of published reports.</i> Check each report for pages; scan for style and format problems; verify the number of copies published; verify signature on reports.	<i>EF</i>	<i>5/5/08</i>
8. <i>Engagement accountant or partner approval for delivery (if applicable).</i>		
9. <i>Production.</i> Produce the number of reports as follows:	<i>EF</i>	<i>5/5/08</i>

	Original Issue Number of Copies	Subsequent Release Number of Copies
Client with covers	20	[]
Client without covers	[]	[]
Workpaper file		[]
Next year workpaper file		[]

	Done by	Date
10. <i>Report filed in clients folder A</i>	<i>EF</i>	<i>5-5-08</i>
11. <i>Delivery.</i> Document delivery of statements as follows:	<i>CK</i>	<i>5-6-08</i>
12. <i>Auditor scan final version of reports, statements and notes to engagement (after documenting delivery of reports)</i>	<i>CK</i>	<i>5-5-08</i>

DATE DELIVERED: [*5/6/08*]
 PERSON TO WHOM DELIVERED: [*Tina Orso*]
by Cecilia Kelly

SHARED HARVEST FOODBANK, INC.

**Financial Statements and
Supplemental Information
December 31, 2007 and 2006
Together with Auditor's Report**

Shared Harvest Foodbank, Inc.

Table Of Contents

Financial Statements

Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards for a Not-for-Profit Organization 1

Statements of Financial Position 3

Statement of Activities 4

Statement of Functional Expenses 5

Statements of Cash Flows 6

Notes to Financial Statements 7

Supplemental Schedule

Schedule of Expenditures of Federal Awards 12

Auditor's Reports

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* 13

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 15

Schedule of Findings and Questioned Costs 17

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, 2007 and 2006 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. 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, 2007 and 2006, 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 18, 2008, 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.

Stephenson and Warner, Inc.

Stephenson and Warner, Inc.

April 18, 2008

Shared Harvest Foodbank, Inc.
Statements of Financial Position
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current assets		
Cash	\$ 146,084	\$ 98,775
Accounts receivable	126,344	174,386
Inventory	671,516	1,006,848
Total current assets	943,944	1,280,009
Investments	109,465	101,855
Property and equipment, net	948,980	999,656
Restricted cash	20,965	19,435
Other assets	326	366
Total assets	2,023,680	2,401,321
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long term debt	29,694	27,623
Accounts payable	121,311	182,261
Accrued payroll and related taxes	22,611	19,996
Accrued expenses	26,325	23,868
Total current liabilities	199,941	253,748
Long term debt, net of current portion	320,323	349,576
Total liabilities	520,264	603,324
Net assets		
Unrestricted	1,272,949	1,600,330
Board designated	209,502	178,233
	1,482,451	1,778,563
Temporarily restricted	20,965	19,434
Total net assets	1,503,416	1,797,997
Total liabilities and net assets	\$ 2,023,680	\$ 2,401,321

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

Shared Harvest Foodbank, Inc.
Statement of Activities
For the Years Ended December 31, 2007 and 2006

	2007		Total	2006
	Unrestricted	Temporarily Restricted		
Public support and revenue				
Public support				
Received directly				
In kind food contributions	\$ 1,214,621	\$ -	\$ 1,214,621	\$ 1,637,009
Other contributions	138,454	-	138,454	143,015
Direct mail contributions	46,740	-	46,740	38,072
Received indirectly				
Foundation	24,200	-	24,200	79,639
United Way of Greater Cincinnati	35,846	-	35,846	31,178
Butler County United Way	60,339	-	60,339	53,589
Oxford United Way	5,000	-	5,000	3,864
Warren County United Way	38,661	-	38,661	40,234
United Way other	4,424	-	4,424	854
Total public support	<u>1,568,285</u>	<u>-</u>	<u>1,568,285</u>	<u>2,027,454</u>
Revenue				
Fees and grants by government agencies				
The Emergency Food Assistance Program (TEFAP)	5,507,790	-	5,507,790	5,206,189
Commodity Supplement Food Program (CSFP)	529,366	-	529,366	495,364
Food Stamp Outreach	48,758	-	48,758	74,165
Butler County Success Program	23,462	-	23,462	-
Emergency Food and Shelter	4,095	-	4,095	3,043
Other revenue				
Member agency support	326,918	-	326,918	398,923
Foodbank Alliance	38,454	-	38,454	27,430
Special events	58,974	27,791	86,765	100,874
Ohio Association of Second Harvest Foodbanks	1,090,819	-	1,090,819	1,425,672
Rental income	7,965	-	7,965	5,000
Interest and dividends	5,552	-	5,552	4,905
Net realized and unrealized gain (loss) on investments	3,842	-	3,842	5,671
Donor-imposed restrictions satisfied by payments	26,260	(26,260)	-	-
Total revenue	<u>7,672,255</u>	<u>1,531</u>	<u>7,673,786</u>	<u>7,747,236</u>
Total public support and unrestricted revenue	9,240,540	1,531	9,242,071	9,774,690
Expenses				
The Emergency Assistance Program (TEFAP)	5,709,540	-	5,709,540	5,342,993
Ohio Association of Second Harvest Foodbanks	1,187,370	-	1,187,370	1,407,725
Foodbank In kind and purchase program	1,528,681	-	1,528,681	1,868,115
Commodity Supplemental Food Program (CSFP)	488,555	-	488,555	473,507
Back Pack program	107,402	-	107,402	-
Food Stamp Outreach	54,316	-	54,316	60,067
Total program expenses	<u>9,075,864</u>	<u>-</u>	<u>9,075,864</u>	<u>9,152,407</u>
Management and general	338,704	-	338,704	336,239
Fund development	122,084	-	122,084	139,131
Total expenses	<u>9,536,652</u>	<u>-</u>	<u>9,536,652</u>	<u>9,627,777</u>
Increase (decrease) in unrestricted net assets	(296,112)	1,531	(294,581)	146,913
Net assets at beginning of year	<u>1,778,563</u>	<u>19,434</u>	<u>1,797,997</u>	<u>1,651,084</u>
Net assets at end of year	<u>\$ 1,482,451</u>	<u>\$ 20,965</u>	<u>\$ 1,503,416</u>	<u>\$ 1,797,997</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, 2007 with Comparable Totals for 2006

	TEFAP	Program						Supporting Services		Total 2007	2006	
		OASHF	In-kind Food Donations	Purchased Food	CSFP	Back Pack	Food Stamp Outreach	Total	Management and General			Fund Development
Salaries	\$ 165,039	\$ 34,486	\$ 44,340	\$ 2,464	\$ 50,132	\$ 18,334	\$ 33,006	\$ 347,801	\$ 107,748	\$ 69,164	\$ 524,713	\$ 494,949
Employee benefits	36,922	7,242	9,311	517	10,529	3,850	6,931	75,502	22,627	14,524	112,453	128,079
Payroll taxes	18,793	3,793	4,877	271	5,515	2,017	3,301	38,567	10,775	6,916	56,258	54,905
Total salaries and related expenses	220,754	45,521	58,528	3,252	66,176	24,201	43,238	461,670	141,150	90,604	693,424	677,933
Food distributions	5,083,261	1,109,788	1,214,722	100,393	391,441	57,114	-	7,956,719	-	-	7,956,719	8,077,814
USDA Contractor Reimbursement	325,840	-	-	-	-	-	-	325,840	-	-	325,840	200,335
Food purchases	-	-	-	85,866	-	26,087	-	111,953	-	-	111,953	203,623
Depreciation	-	-	-	-	-	-	-	-	79,932	-	79,932	85,002
Utilities	22,672	5,076	16,549	334	12,591	-	-	57,222	-	-	57,222	55,339
Materials and supplies	2,303	-	3,647	-	11,087	-	311	17,348	10,712	-	28,060	16,589
Interest	-	-	-	-	-	-	-	-	26,876	-	26,876	28,823
Special events	-	-	-	-	-	-	-	-	-	25,379	25,379	42,296
Professional and contract services	-	-	286	-	5,286	-	7,641	13,213	10,233	-	23,446	32,368
Gasoline	14,535	3,254	3,905	-	-	-	-	21,694	-	-	21,694	19,006
Real estate taxes	-	-	-	-	-	-	-	-	20,853	-	20,853	20,044
Rent - equipment	13,119	2,937	3,329	196	-	-	-	19,581	610	-	20,191	21,705
Food scrapped or wasted	-	10,092	6,990	-	99	-	-	17,181	-	-	17,181	11,435
Repair and maintenance - building	9,281	2,078	2,494	-	344	-	-	14,197	2,914	-	17,111	19,790
Insurance	-	-	-	-	-	-	-	-	16,651	-	16,651	18,323
Repair and maintenance - vehicle	11,086	2,482	3,010	-	-	-	-	16,578	-	-	16,578	8,508
Shipping	-	-	15,783	-	-	-	-	15,783	-	-	15,783	25,566
Dues	-	4,387	7,081	-	-	-	-	11,468	-	-	11,468	13,867
Technology and related	-	-	-	-	-	-	138	138	9,795	-	9,933	10,894
Telephone	4,616	1,033	1,708	69	537	-	634	8,597	-	-	8,597	8,093
Printing	-	-	-	-	195	-	248	443	6,888	-	7,331	6,132
Postage	-	-	-	-	799	-	205	1,004	5,950	-	6,954	5,521
Regional solicitor	-	-	-	-	-	-	-	-	-	6,101	6,101	4,876
Repair and maintenance - equipment	2,005	-	539	-	-	-	-	2,993	741	-	3,734	2,981
Miscellaneous	-	-	-	-	-	-	-	-	3,087	-	3,087	3,917
Travel	20	-	-	-	-	-	1,901	1,921	-	-	1,921	2,577
Employee development	-	273	-	-	-	-	-	273	1,082	-	1,355	1,733
License and titles	-	-	-	-	-	-	-	-	980	-	980	975
Subscriptions	-	-	-	-	-	-	-	-	250	-	250	1,548
Road use taxes	-	-	-	-	-	-	-	-	-	-	-	-
Advertising	48	-	-	-	-	-	-	48	-	-	48	-
Total expenses	\$ 5,709,540	\$ 1,187,370	\$ 1,338,571	\$ 190,110	\$ 488,555	\$ 107,402	\$ 54,316	\$ 9,075,864	\$ 338,704	\$ 122,084	\$ 9,536,652	\$ 9,627,777

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, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (294,581)	\$ 146,913
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	79,932	85,002
Realized/unrealized (gain) loss and return on investments	(7,611)	(8,327)
Increase (decrease) in cash from changes in operating assets and liabilities		
Accounts receivable	48,043	(164,314)
Inventories	335,331	(48,392)
Accounts payable	(60,950)	97,035
Accrued expenses	5,073	(4,145)
Restricted cash	(1,530)	(6,653)
Loan origination fees	41	1,313
Net cash provided (used) by operating activities	103,748	98,432
Cash flows from investing activities		
Payments related to the acquisition of capital asset	(29,256)	(53,280)
Cash flows from financing activities		
Payments on debt	(27,183)	(408,161)
Proceeds from the issuance of new debt	-	383,713
Net cash provided (used) from financing activities	(27,183)	(24,448)
Net increase (decrease) in cash and cash equivalents	47,309	20,704
Cash and cash equivalents at beginning of year	98,775	78,071
Cash and cash equivalents at end of year	\$ 146,084	\$ 98,775
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 26,876	\$ 28,823

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

Shared Harvest Foodbank, Inc.
Notes To Financial Statements
December 31, 2007 and 2006

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 over 100 member charities in five counties in Ohio and acts as a mixing center providing USDA commodities to five Foodbank's serving an additional 34 Ohio counties.

Note 1 - Summary of Significant Accounting Policies

Basis of Accounting - The financial statements are presented on the accrual basis of accounting.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) 117, Financial Statements of Not-for-Profit Organizations. Under SFAS 117, the Council is required 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 2006 comparative information. The Statement of Activities presents the 2006 in total rather than by net asset category. The Statement of Functional Expenses presents the 2006 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, 2006, 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. 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.

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. The accounts receivable balances past due are not interest bearing. Management has concluded that realized losses on balances outstanding at year-end will be immaterial to the financial statements. Accordingly, management did not provide an allowance for uncollectible accounts. 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. Account receivable balances are considered past due based on the terms of the contract.

Note 1 - Summary of Significant Accounting Policies – continued

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

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.

Property and Equipment - 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 are capitalized. Depreciation is provided using the straight-line method over the estimated useful life of the asset. The general 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 Statements 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 SFAS 116, *Accounting for Contributions Received and Contributions Made*. 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 activities. Accordingly, certain costs have been allocated among the programs benefited based upon usage by each program.

Advertising – Advertising costs are expensed as incurred.

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 business taxable 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).

Financial Instruments – The carrying value of the financial instruments approximates the fair value because of the short-term nature of these instruments.

Note 2 – Cash and Cash Equivalents

The balances were:	<u>2007</u>	<u>2006</u>
Petty cash funds	\$ -	\$600
First Financial Bank		
General account	33,386	12,175
Money market account	100,036	76,379
Savings accounts	9,275	3,610
Payroll account	235	145
FEED alliance checking	3,152	5,837
Lincoln Financial Advisors account	-	29
	<u>\$146,084</u>	<u>\$ 98,775</u>

Note 3 – Property and Equipment, net

The balances were:	<u>2007</u>	<u>2006</u>
Land	\$518,085	\$518,085
Equipment	565,624	566,409
Buildings	299,950	299,950
Building improvements	520,074	500,586
	<u>1,903,733</u>	<u>1,885,030</u>
Less accumulated depreciation	<u>954,753</u>	<u>885,374</u>
	<u>948,980</u>	<u>999,656</u>
Depreciation expense	<u>\$ 79,932</u>	<u>\$ 85,002</u>

Note 4 - Investments

The balances were:	<u>2007</u>	<u>2006</u>
Investments stated at cost	\$ 99,459	\$ 91,773
Unrealized gains and losses, net	10,006	10,082
Investments stated at market value	<u>\$ 109,465</u>	<u>\$ 101,855</u>

Note 4 – Investments, continued

The investments were:

	<u>2007</u> <u>Market Value</u>	<u>2007</u> <u>Cost</u>	<u>2006</u> <u>Market Value</u>	<u>2006</u> <u>Cost</u>
Equities	\$ 99,421	\$ 89,415	\$ 93,253	\$ 83,171
Stocks	10,044	10,044	8,602	8,602
	<u>\$ 109,465</u>	<u>\$ 99,459</u>	<u>\$ 101,855</u>	<u>\$ 91,773</u>

The investment activity was:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year, fair market value	\$ 101,855	\$ 93,527
Interest and dividends	3,768	2,660
Unrealized gains (losses)	(76)	1,543
Capital gains realized	3,998	4,221
Fees	(80)	(96)
Balance, end of year, fair market value	<u>\$ 109,465</u>	<u>\$ 101,855</u>

Note 5 - Long Term Debt, Net of Current Portion

The mortgage payable with First Financial Bank; due September 2016, was adjusted to the following terms beginning October 2006: required monthly payments of \$4,505 with a yearly interest rate of 7.25%. The note is collateralized by land and building.

The future principal payments for the years ending December 31:

2008	\$ 29,694
2009	31,920
2010	34,312
2011	36,884
2012	39,649
Remainder	<u>177,558</u>
	350,017
Less current amount	<u>29,694</u>
	<u>\$ 320,323</u>

Note 6 - Net Assets

The Board of Trustees designated specific unrestricted net assets for certain functions. The value of the First Financial Bank money market account, \$100,036 and \$76,379 for 2007 and 2006, respectively, was designated for future operating requirements. The value of the common stock and the Fidelity Advisor Funds, \$109,465 and \$101,855, for 2007 and 2006, respectively, was designated for long-term needs.

The Organization received in 2007 contributions as part of the Journal News Food Relief program. Contributions are restricted by the donor for food purchases. The amount collected and not spent was recorded as a temporarily restricted net asset.

The Organization received in 2007 contributions as part of the Dayton Daily News Miami Valley Food Relief program. Contributions are restricted by the donor for food purchases. The amount collected and not spent was recorded as a temporarily restricted net asset.

Note 7 - Retirement Benefits

The Organization maintains a noncontributory 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 \$15,331 and \$15,132, for the years 2007 and 2006, respectively.

Note 8 - Operating Leases

The Organization leases a truck from Miami Valley International Trucks. The lease is classified as an operating lease. The lease terms are: 84 months, with monthly payments of \$1,475, plus excess mileage if applicable. The future minimum annual lease payments are \$17,700 for 2008 thru the end of the lease term ending February 2014.

Note 9 - 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 commitment note payable and the mortgage note payable which are with one financial institution.

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 \$100,000 amount insured by the Federal Deposit Insurance Corporation (FDIC). The amount in excess of the insurance coverage was approximately \$74,063 for 2007. Cash balances did not exceed the FDIC coverage at the end of 2006. 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 10 - 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, 2007

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		
Emergency Food Assistance Program	10.568	\$ 590,404
Commodities	10.568	4,917,776
Commodity Supplemental Food Program	10.565	78,433
Commodities	10.565	460,666
U.S. Department of Health and Human Services		
Food Stamp Outreach Program	10.551	<u>4,436</u>
		<u>\$ 6,051,715</u>

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.

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, 2007 and 2006, and have issued our report thereon dated April 18, 2008. 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 the Organization'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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 18, 2008

**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 the compliance of Shared Harvest Foodbank, Inc. with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. 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 are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The 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 our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Stephenson and Warner, Inc.
STEPHENSON AND WARNER, INC.

April 18, 2008

Shared Harvest Foodbank, Inc.

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2007**

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*
- Reportable condition(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 # 10.568 and 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