

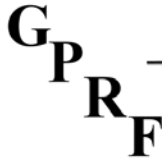
**Hunger Free America, Inc.**  
**(Formerly New York City Coalition Against Hunger, Inc.)**

**Financial Report**

**December 31, 2018**

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**GRUBER PALUMBERI RAFFAELE FRIED, P.C.**

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**Independent Auditors' Report**

To the Board of Directors of  
**Hunger Free America, Inc.**

***Report on the Financial Statements***

We have audited the accompanying financial statements of Hunger Free America, Inc. (formerly New York City Coalition Against Hunger, Inc.), a not-for-profit organization, which comprise the statements of financial position as of December 31, 2018 and 2017, and related statements of activities, 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 audits 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 auditors' 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.

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MEMBERS NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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 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 Hunger Free America, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years 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, state and local 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*, 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 related 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, and, in all material respects, in relation to the financial statements as a whole.

Hunger Free America adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities* as discussed in Note 2. Our opinion is not modified with respect to that matter.

***Other Reporting Required by "Government Auditing Standards"***

In accordance with *Government Auditing Standards*, we have also issued our reports, dated February 20, 2020, on our consideration of Hunger Free America's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hunger Free America's internal control over financial reporting and compliance.

New York, NY  
March 10, 2020

**Hunger Free America, Inc.**  
**Statements of Financial Position**  
**As Of December 31, 2018 And 2017**

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	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 897,914	\$ 1,267,380
Contracts receivable	306,047	341,630
Grants and contributions receivable	138,710	200,282
Prepaid expenses	28,970	33,421
Property and equipment , net	18,797	26,069
Website, net	-	10,143
Security deposit	50,002	50,002
Total assets	\$ 1,440,440	\$ 1,928,927
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 151,927	\$ 192,462
Capital lease payable	16,965	21,339
Contract advances	84,585	1,750
Unamortized lease incentives and deferred rent	84,489	77,257
Total liabilities	337,966	292,808
<b>NET ASSETS</b>		
Without donor restrictions	506,141	662,940
With donor restrictions	596,333	973,179
Total net assets	1,102,474	1,636,119
Total liabilities and net assets	\$ 1,440,440	\$ 1,928,927

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

**Hunger Free America, Inc.**

**Statements of Activities**

**For The Years Ended December 31, 2018 And 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>						
Contract services	\$ 1,567,559	\$ -	\$ 1,567,559	\$ 2,098,004	\$ 10,579	2,108,583
Grants and contributions	391,233	646,000	1,037,233	430,857	1,154,822	1,585,679
Special event:						
Event revenue	-	-	-	18,966	-	18,966
Donated services	11,440	-	11,440	-	-	-
Investment income	1,395	-	1,395	2,031	-	2,031
Other income	5,785	-	5,785	6,278	-	6,278
	<u>1,977,412</u>	<u>646,000</u>	<u>2,623,412</u>	<u>2,556,136</u>	<u>1,165,401</u>	<u>3,721,537</u>
Net assets released from restrictions:						
Satisfaction of program restrictions	<u>1,022,846</u>	<u>(1,022,846)</u>	<u>-</u>	<u>1,481,487</u>	<u>(1,481,487)</u>	<u>-</u>
Total revenues and support	<u>3,000,258</u>	<u>(376,846)</u>	<u>2,623,412</u>	<u>4,037,623</u>	<u>(316,086)</u>	<u>3,721,537</u>
<b>EXPENSES</b>						
Program services	2,658,199	-	2,658,199	3,492,205	-	3,492,205
Supporting services:						
Management and general	308,167	-	308,167	378,672	-	378,672
Fundraising	190,691	-	190,691	248,300	-	248,300
Total expenses	<u>3,157,057</u>	<u>-</u>	<u>3,157,057</u>	<u>4,119,177</u>	<u>-</u>	<u>4,119,177</u>
Change in net assets	(156,799)	(376,846)	(533,645)	(81,554)	(316,086)	(397,640)
Net assets, beginning of the year	<u>662,940</u>	<u>973,179</u>	<u>1,636,119</u>	<u>744,494</u>	<u>1,289,265</u>	<u>2,033,759</u>
Net assets, end of year	<u>\$ 506,141</u>	<u>\$ 596,333</u>	<u>\$ 1,102,474</u>	<u>\$ 662,940</u>	<u>\$ 973,179</u>	<u>\$ 1,636,119</u>

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

**Hunger Free America, Inc.**  
**Statements of Functional Expenses**  
**For The Years Ended December 31, 2018 And 2017**

	2018				2017			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,669,441	\$ 170,167	\$ 117,598	\$ 1,957,206	\$ 2,377,405	\$ 242,331	\$ 167,468	2,787,204
Payroll taxes and fringe benefits	278,562	48,209	33,316	360,087	304,549	52,707	36,424	393,680
Total salaries and related expenses	<u>1,948,003</u>	<u>218,376</u>	<u>150,914</u>	<u>2,317,293</u>	<u>2,681,954</u>	<u>295,038</u>	<u>203,892</u>	<u>3,180,884</u>
Other expenses:								
Rent and utilities	153,159	24,975	17,260	195,394	152,267	24,829	17,159	194,255
Travel	79,916	1,973	211	82,100	208,068	5,136	549	213,753
Subgrant	151,226	-	-	151,226	14,441	-	-	14,441
Printing and publications	61,567	2,656	4,637	68,860	69,375	2,993	5,225	77,593
Conferences	58,397	426	163	58,986	66,730	487	186	67,403
Consultants	50,073	2,219	1,726	54,018	103,052	4,566	3,552	111,170
Telephone and internet	52,128	9,026	6,238	67,392	51,108	8,849	6,116	66,073
Office and miscellaneous	20,151	4,098	2,410	26,659	25,563	5,199	3,057	33,819
CSA food payments to farmers	2,070	-	-	2,070	39,984	-	-	39,984
Computer software and supplies	6,699	1,450	1,327	9,476	13,060	2,826	2,587	18,473
Payroll service	13,559	1,168	807	15,534	16,019	1,380	954	18,353
Postage and messenger	6,877	6,601	69	13,547	11,122	10,676	112	21,910
Accounting and auditing	9,129	29,117	-	38,246	3,154	10,060	-	13,214
Legal fees	11,440	-	-	11,440	-	-	-	-
Insurance - property and liability	4,274	740	512	5,526	5,873	1,016	703	7,592
Outreach and promotion	4,307	1,810	1,398	7,515	2,763	1,161	897	4,821
Equipment rental	1,784	310	213	2,307	3,210	557	384	4,151
Dues, subscriptions, fees and permits	7,776	508	932	9,216	3,105	203	372	3,680
Training	-	-	-	-	3,686	636	441	4,763
Interest expense	2,195	380	262	2,837	2,601	450	311	3,362
Depreciation and amortization	13,470	2,333	1,612	17,415	15,070	2,610	1,803	19,483
Total other expenses	<u>710,196</u>	<u>89,791</u>	<u>39,777</u>	<u>839,764</u>	<u>810,251</u>	<u>83,634</u>	<u>44,408</u>	<u>938,293</u>
Total expenses	<u>\$ 2,658,199</u>	<u>\$ 308,167</u>	<u>\$ 190,691</u>	<u>\$ 3,157,057</u>	<u>\$ 3,492,205</u>	<u>\$ 378,672</u>	<u>\$ 248,300</u>	<u>\$ 4,119,177</u>

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



**Hunger Free America, Inc.**  
**Statements of Cash Flows**  
**For The Years Ended December 31, 2018 And 2017**

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	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (533,645)	\$ (397,640)
Adjustments to reconcile changes in net assets to net cash (used in) operating activities:		
Depreciation and amortization expenses	17,415	19,483
Amortization of lease incentives	7,232	12,553
Changes in operating assets and liabilities:		
Decrease in contracts receivable	35,583	295,444
Decrease in grants and contributions receivable	61,572	8,758
Decrease (Increase) in prepaid expenses	4,451	(12,772)
(Increase) in security deposit	-	(2,725)
(Decrease) increase in accounts payable and accrued expenses	(40,535)	(10,724)
Increase in contract advances	<u>82,835</u>	<u>-</u>
Net cash (used in) operating activities	<u>(365,092)</u>	<u>(87,623)</u>
Cash flows from financing activities:		
Payments on equipment lease	<u>(4,374)</u>	<u>(4,163)</u>
Net cash (used in) by financing activities	<u>(4,374)</u>	<u>(4,163)</u>
Net (decrease) in cash and cash equivalents	(369,466)	(91,786)
Cash and cash equivalents, beginning of year	<u>1,267,380</u>	<u>1,359,166</u>
Cash and cash equivalents, end of year	<u>\$ 897,914</u>	<u>\$ 1,267,380</u>
Supplementary Information:		
Net cash paid for interest	<u>\$ 2,837</u>	<u>\$ 3,362</u>

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

# **HUNGER FREE AMERICA, INC.**

## **Notes to Financial Statements**

### **December 31, 2018 and 2017**

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#### **1. ORGANIZATION**

Hunger Free America, Inc. (“Hunger Free America”), (formerly New York City Coalition Against Hunger, Inc.), is a national nonprofit group building a nonpartisan, grassroots membership movement to enact the policies and programs needed to end domestic hunger and ensure that all Americans have sufficient access to nutritious food.

For Federal income tax purposes, Hunger Free America is classified as a 501(c)(3) organization and is exempt under section 509(a)(1) of the Internal Revenue Code and a similar provision of the New York State income tax laws.

The main programs of Hunger Free America in 2018 and 2017 are as follows:

- Advocacy, Research, and Policy
- AmeriCorps VISTA
- Volunteer Generation Fund
- Benefits Access
- Child Nutrition Program
- Farm Fresh Program Community Supported Agriculture Initiative
- Food Action Board
- Strategic Volunteerism Program
- USDA National Hunger Clearinghouse

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Accounting**

The financial statements of Hunger Free America have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America. The significant accounting policies are described below.

##### **Basis of Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

**HUNGER FREE AMERICA, INC.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Net Assets with Donor Restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

**Cash and Cash Equivalents**

Hunger Free America considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Grants and Contributions**

Hunger Free America records contributions and grants, both cash and in-kind, when an unconditional promise to give such assets is received from a donor. Contributions and grants are recorded at the fair market value of the assets received and are classified as either net assets without donor restriction, or net assets with donor restriction, depending on whether the donor has imposed a restriction on the use of such assets.

When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions and grants receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using a risk-free interest rate determined in the year in which the contribution originates. Amortization of the discount is included in contribution revenue.

Hunger Free America uses the allowance method to determine uncollectible grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific grants and contributions made. Management has deemed all receivables fully collectible; therefore, no allowance has been provided as of December 31, 2018 and 2017.

**Contract Revenue**

Revenue from government and other contracts is recognized when reimbursable expenses are incurred under the terms of the respective contracts. Contract payments in excess of qualified expenses are accounted for as contract advances.

**HUNGER FREE AMERICA, INC.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**In-kind Contributions**

In-kind contributions are reflected in the accompanying financial statements at their estimated fair market value at the time of donation.

**Property and Equipment**

Hunger Free America capitalizes property and equipment with a cost or fair value exceeding \$1,000 and a useful life of more than one year. Depreciation is recorded using the straight line method over the estimated useful lives of the assets as follows:

Computer equipment	3-5 years
Office equipment	5-7 years

**Website**

Website costs related to data consulting services, site configuration, and conceptual design are capitalized. Costs related to planning the project are expensed as incurred. Capitalized costs are amortized over a three-year expected life using the straight-line method.

**Functional Expense Allocations**

The costs of providing the various programs and other activities of Hunger Free America have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting service benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable bases.

**Income Taxes**

Generally accepted accounting principles require that a tax position be recognized or derecognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. The adoption of this guidance did not have an impact on Hunger Free America's financial statements, as management believes that there are no uncertain tax positions within its financial statements. Hunger Free America has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions.

**HUNGER FREE AMERICA, INC.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Hunger Free America's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended December 31, 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

**Concentrations of Credit Risk**

Financial instruments that potentially subject Hunger Free America to concentrations of credit risk consist primarily of cash and cash equivalents. Hunger Free America maintains cash and cash equivalent balances in various bank accounts that, at times, may exceed federally insured limits. Hunger Free America's cash accounts were placed with high credit quality financial institutions. Hunger Free America has not experienced, nor does it anticipate, any losses in such accounts. Hunger Free America exceeded federally insured limits by approximately \$458,754 and \$909,376 as of December 31, 2018 and 2017, respectively.

**Concentrations of Receivables and Revenue**

Hunger Free America received approximately 62% and 67% of total revenues and support from two federal agencies and two private foundations during the years ended December 31, 2018 and 2017.

Approximately 53% and 54% of Hunger Free America's total receivables as of December 31, 2018 and 2017, respectively, consisted of amounts due from government sources.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**HUNGER FREE AMERICA, INC.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**3. PROPERTY AND EQUIPMENT, NET**

The components of property and equipment are as follows at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 28,438	\$ 28,438
Office equipment	51,525	51,525
Computer	<u>9,503</u>	<u>9,503</u>
	89,466	89,466
Less: Accumulated depreciation	<u>(70,669)</u>	<u>(63,397)</u>
	<u>\$ 18,797</u>	<u>\$ 26,069</u>

Depreciation expense for the years ended December 31, 2018 and 2017 amounted to \$7,272 and \$9,341, respectively.

**4. WEBSITE DEVELOPMENT COSTS**

In 2015, Hunger Free America began to revitalize its website. The new Hunger Free America website as of December 31, 2015 was not online and as a result no amortization was taken on the \$30,427 cost capitalized as of December 31, 2015. At December 31, 2018, the website was fully capitalized. Amortization expense for the years ended December 31, 2018 and 2017 amounted to \$10,143 and \$10,142, respectively.

**5. GRANTS AND CONTRIBUTIONS RECEIVABLE**

Grants and contributions receivable at December 31, 2018 and 2017 consisted of current and multiyear promises to give which are collectible as follows:

	<u>2018</u>	<u>2017</u>
One year or less - Net of present value discount	<u>\$ 138,710</u>	<u>\$ 200,282</u>
	<u>\$ 138,710</u>	<u>\$ 200,282</u>

**HUNGER FREE AMERICA, INC.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**6. CONTRACT SERVICES**

Contract services consisted of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
U.S. Government:		
Corporation for National and Community Service	\$ 628,453	\$ 1,233,705
Department of Agriculture	249,889	250,000
New York State:		
Office of Children and Family Services	57,676	-
New York State's OCFS Volunteer Generation Fund	59,000	-
Office of Temporary and Disability Assistance	73,791	53,915
City of New York:		
Human Resources Administration	116,045	99,474
Department of Youth and Community Development	34,250	44,502
Mayor's Fund to Advance NYC	17,644	18,336
United Way of New York City	148,377	264,777
Hunger Solutions New York	72,019	65,086
Robin Hood/Single Stop USA Inc. - NYC	110,415	70,991
CSA Participant Shares	-	7,797
Total	<u>\$ 1,567,559</u>	<u>\$ 2,108,583</u>

**7. CAPITAL LEASE**

Hunger Free America leases a copier#1 under a non-cancelable capital lease, entered into in January 2012, requiring monthly payments of \$475, including maintenance fees, through January 2017. The economic substance of the lease is that Hunger Free America is financing acquisition of the asset through the lease, and accordingly, it has been recorded in the respective asset and liability. The following is an analysis of the leased asset included in property and equipment at December 31, 2018:

Cost of capitalized equipment	\$ 16,000
Accumulated depreciation	<u>(16,000)</u>
Net book value	<u>\$ -</u>

**HUNGER FREE AMERICA, INC.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**7. CAPITAL LEASE – continued**

No interest expense recorded at December 31, 2018. Interest expense related to the lease amounted to approximately \$4 during the year ended December 31, 2017.

In September 2016, Hunger Free America leases a new copier#2 under a non-cancelable capital lease, requiring monthly payments of \$596 through December 2021. The economic substance of the lease is that Hunger Free America is financing acquisition of the asset through the lease, and accordingly, it has been recorded in the respective asset and liability. The following is an analysis of the new leased asset included in property and equipment at December 31, 2018:

Cost of capitalized equipment	\$ 26,280
Accumulated depreciation	<u>(12,264)</u>
Net book value	<u>\$ 14,016</u>

Future minimum lease payments pursuant to the capital lease as of December 31, 2018 amounted to:

Year ending December 31,	2019	\$ 7,150
	2020	7,150
	2021	<u>6,555</u>
		20,855
Less interest portion		<u>(3,890)</u>
Net obligation		<u>\$ 16,965</u>



**HUNGER FREE AMERICA, INC.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**8. NET ASSETS WITH DONOR RESTRICTIONS**

Hunger Free America's net assets with donor restrictions are subject to the following purpose restrictions:

	2018	2017
Restricted for a specified purpose:		
Outreach	\$ -	\$ 25,000
Child Nutrition	-	14,358
Snap/Food Access	-	-
Anti-Hunger and Opportunity Corps	-	-
Nationwide Hunger Reduction	596,000	844,601
Anti-Hunger Capacity Building	50,000	89,220
"Food Secure 2018 Campaign"	-	-
	\$ 646,000	\$ 973,179

Assets released from donor restrictions for the years ended December 31, 2018 and 2017 are reflected below:

	2018	2017
Released for purposes:		
Outreach	\$ 25,000	\$ 32,888
Child Nutrition	14,358	78,313
Snap/Food Access	-	200,000
Anti-Hunger and Opportunity Corps	-	2,459
Nationwide Hunger Reduction	844,601	837,489
Anti-Hunger Capacity Building	89,220	305,338
"Food Secure 2018 Campaign"	-	25,000
	\$ 973,179	\$ 1,481,487

**9. COMMITMENTS**

In March 2010, Hunger Free America entered into a non-cancelable lease in New York City. The lease ran for sixty-three months, ending June 2015, and included 2.75% increases annually. The lease also included an incentive for three months of free rent. The value of this incentive was amortized over the life of the lease. The unamortized balances at December 31, 2015 amounted to \$0. Rent expense under the non-cancelable lease is recognized on a straight-line basis over the life of the lease.

**HUNGER FREE AMERICA, INC.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**9. COMMITMENTS – continued**

Any expense recognized in excess of scheduled payments will be reflected as deferred rent liability. The deferred rent liability amounted to \$0 as of December 31, 2015.

In April 2015, Hunger Free America signed a new lease under similar provisions for a different floor in the same location, and the lease runs for ninety-four months. The lease commenced on December 1, 2015 and will run through September 30, 2023, it also included an incentive for four months of free rent. The value of this incentive will be amortized over the life of the lease. As of December 31, 2018 and 2017, the deferred rent liability amounted to \$84,489 and \$77,257, respectively.

Minimum future rental payments pursuant to the lease amounted to the following as of December 31, 2018:

Year ending December 31,	2019	\$	164,898
	2020		169,845
	2021		174,940
	2022		180,189
	Thereafter		<u>138,849</u>
	Total	\$	<u>828,721</u>

Rent expense under the lease for the years ended December 31, 2018 and 2017 amounted to \$162,055 and \$158,954, respectively.

**10. LIQUIDITY AND AVAILABILITY**

The below reflects Hunger Free America's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date.

**HUNGER FREE AMERICA, INC.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**10. LIQUIDITY AND AVAILABILITY – Continued**

	<u>2018</u>	<u>2017</u>
Financial assets, at year-end		
Cash and cash equivalents	\$ 837,112	\$ 1,267,380
Contract receivable	306,047	341,630
Grants and contributions receivable	<u>138,710</u>	<u>200,282</u>
	<u>1,281,869</u>	<u>1,809,292</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	<u>(596,333)</u>	<u>(973,179)</u>
	<u>(596,333)</u>	<u>(973,179)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 685,536</u>	<u>\$ 836,113</u>

In total, Hunger Free America has financial assets on hand at December 31, 2018 to cover approximated three months of operating expenses based on the 2019 monthly budgeted run rate for all program and support services expenses.

**11. SUBSEQUENT EVENTS**

Hunger Free America evaluated its December 31, 2018 financial statements for subsequent events through February 20, 2020, the date the financial statements were available to be issued. Hunger Free America is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

**HUNGER FREE AMERICA, INC.**  
**Notes to Schedule of Federal, State, and Local Awards**  
**December 31, 2018 and 2017**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures includes the federal awards of the Hunger Free America, Inc. for the year ended December 31, 2018. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Hunger Free America, it is not intended to and does not present the financial position, statement of activities, or cash flows of Hunger Free America.

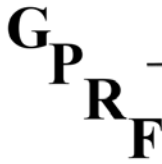
**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**3. INDIRECT COST RATES**

Hunger Free America did not routinely allocate costs to Federal Awards and State Financial Assistance programs. Cost charged to such programs were direct costs unless specifically incurred for the program and allowed and indicted as such.

Hunger Free America has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for its federal programs for the year ended December 31, 2018. The indirect cost rates on the Organization's federal programs are determined by the relevant federal, state or city agency.



**GRUBER PALUMBERI RAFFAELE FRIED, P.C.**

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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*

To the Board of Directors of  
**Hunger Free America, Inc.**

We have audited, in accordance with the 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, the financial statements of the Hunger Free America, Inc. ("Hunger Free America"), a non-profit organization, which comprise the statements of financial position as of December 31, 2018 and 2017 the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report dated February 20, 2020.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Hunger Free America'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 Hunger Free America's internal control. Accordingly, we do not express an opinion on the effectiveness of Hunger Free America'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 that might be or material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies, as Findings 2018-001 and 2018-004.

### **Hunger Free America Inc.'s Response to Findings**

Hunger Free America Inc.'s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. Hunger Free America Inc.'s response was not subjected to auditing procedures applied in the audit the financial statements and, accordingly, we express no opinion on it.

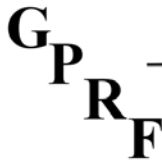
### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Hunger Free America's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, 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*.

### ***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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

New York, NY  
March 10, 2020



**GRUBER PALUMBERI RAFFAELE FRIED, P.C.**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL,  
STATE, AND LOCAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
**Hunger Free America, Inc.**

***Report on Compliance for Each Major Federal Program***

We have audited of Hunger Free America, Inc.'s ("Hunger Free America'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 Hunger Free America's major federal programs for the year ended December 31, 2018. Hunger Free America's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and **responses** questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Hunger Free America'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 the 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 Hunger Free America'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 Hunger Free America's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Hunger Free America complied, in all material respects, with the types of compliance 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, 2018.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above that is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2018-A - Period of Performance. Our opinion on each major federal program is not modified with respect to this matter.

Hunger Free America's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Hunger Free America's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control over Compliance***

Management of Hunger Free America 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 Hunger Free America'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 audit 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 the 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 Hunger Free America'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 a 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 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 weaknesses. Material weaknesses may exist that have been not been identified. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-A Period of Performance, that we consider to be significant deficiencies.

Hunger Free America's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Hunger Free America's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

New York, NY  
March 10, 2020

**HUNGER FREE AMERICA, INC.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2018**

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Section I - Summary of Auditor's Results

Financial Statements

- |    |  |            |
|----|--|------------|
| 1) | Type of Auditor's Report Issued:   | Unmodified |
| 2) | Internal Control Over Financial Reporting:                                 |            |
|    | a) Reportable conditions identified as material weaknesses:                | No         |
|    | b) Reportable conditions identified as significant deficiencies:           | Yes        |
| 3) | Noncompliance material to the financial statements noted during the audit: | Yes        |

Federal Programs

- |    |   |            |
|----|---|------------|
| 1) | Internal Control Over Major Federal Programs:   |            |
|    | a) Reportable conditions identified as material weaknesses:   | None       |
|    | b) Reportable conditions identified as significant deficiencies:  | Yes        |
| 2) | Type of Auditor's Report issued on compliance for major federal programs:   | Unmodified |
| 3) | Findings disclosed, that are required to be reported in accordance with 2 CFR 200.516 (a) and listed in Section III of this schedule: | No         |
| 4) | Dollar threshold used to distinguish Between type A and type B programs:  | \$750,000  |
| 5) | Auditee qualified as a low-risk auditee under 2 CFR 200.516 (a):  | No         |

**HUNGER FREE AMERICA, INC.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2018**

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Finding 2018-01	<b>Preparation of financial statements, preparation of Schedule of Federal Award.</b>
Criteria:	Hunger Free America is responsible for maintaining policies and procedures, and hiring qualified staff and having adequate resources, necessary for preparing the Schedule of Expenditures of Federal Awards (SEFA) free of material misstatement.
Condition:	Hunger Free America did not have policies and procedures implemented for SEFA preparation, or adequate internal control system designed to provide for the preparation of the full financial statements and schedule of expenditures of federal awards being audited as required under Title 2 CFR Part 200, Subpart F.
Cause:	Hunger Free America did not have qualified staff and adequate resources available to prepare policies and procedures or to ensure adequate independent review of the SEFE preparation due to limited qualified staff.
Effect:	Lack of policies and procedures, and qualified staff with adequate resources, lead to the untimely filing of the SEFA.
Questioned Costs:	None noted.
Recommendation:	We recommend that Hunger Free America evaluate and document its control processes to ensure timely and adequate preparation and review of the SEFA, including in the event any individual preparing the SEFA becomes incapacitated or leaves. Furthermore, we recommend that the SEFA be reviewed and approved by an individual with proper training in SEFA preparation.
Views of Responsible Officials and Planned Corrective Actions:	We agree. Management has reviewed this recommendation and intends to implement this recommendation to the best of its ability. For example, during 2019 management has been working to implement policies and procedures to ensure SEFA reconciles to the general ledger. The President of the organization will be the person responsible for corrective action, and correction is anticipated by next audit at December 31, 2019.

**HUNGER FREE AMERICA, INC.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2018**

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Finding 2018-02

Section II - Financial Statement Audit Findings

Condition: Expenses incurred in December 2018 for the VGF grant and the related revenue were recorded in the subsequent period of performance.

Criteria: Expenses and revenue should be timely reported during the contract period in which the expenses are incurred and revenue is earned.

Cause: Lack of controls related to the review of month end accruals, proper reporting over grant expenditures leading to December 2018 expenses and corresponding revenue based in December 2018 not being recorded until the subsequent period of performance.

Effect: 2018 expenses totaling \$49,667 and \$46,000, respectively, were not timely recorded in the year ended December 31, 2018 for the financial statement reporting.

Recommendation: We recommend all expenses and revenue reviewed and recorded in a timely manner and during the period of performance. We recommend that the individuals responsible to oversee the grant prepare monthly expense and revenue report no less than fifteen days before the month end close.

View of responsible official: We agree. Management has reviewed this recommendation and proposes to ensure that all grant expenses and revenue reports are reviewed no later two than weeks before the month end general ledger close. In addition, we will review the budget to actual report of each grant during the two weeks period before the month end close. These changes will occur during the second and second quarter of 2020.

**HUNGER FREE AMERICA, INC.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2018**

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Finding 2018-03

Section II - Financial Statement Audit Findings

Criteria: Segregation of duties is critical to effective internal control because it reduces the risk of misstatements and inappropriate actions.

Condition: Several of the financial staff have access to post journal entries.

Cause: Ineffective control design due to limited staffing.

Effect: The lack of segregation provides the opportunity for misstatements by error or fraud that would not be detected in a timely manner.

Recommendation: We recommend all journal entries be created/posted and reviewed by independent individuals. We recommend that the individuals with access to post journal entries be monitored, and that the number of individuals with this access level be limited.

View of responsible official: We agree. Management has reviewed this recommendation and proposes to ensure that all journal entries greater than an established materiality will be reviewed by a qualified, independent member of the organization before the entries are posted to the general ledger. In addition, we will review the team members who have access to post journal entries and if practical, limit the number of individuals with this access level; however, a mitigating circumstance will be the independent review of material journal entries. These changes will occur during the second and third quarter of 2020.

**HUNGER FREE AMERICA, INC.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2018**

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Finding 2018-04

Section II - Financial Statement Audit Findings

**Criteria:** Reconciliations, if effectively carried out, constitute an internal check of receipts, disbursements, as well as revenue and expenses, and proper record keeping over federal grants.

**Condition:** We were unable to corroborate independent review of reconciliations. Additionally, we noted that several accounts had not been properly and consistently reconciled throughout the year.

**Cause:** Reconciliations were not independently reviewed, due to working through transition responsibilities within the finance and grant department; and development of specific account reconciliation procedures.

**Effect:** The reconciliations, if effectively carried out, constitute an internal check of receipts, disbursements, as well as revenue and expense, and therefore, because there were not properly documents as having been reviewed, could result in missed reviews, resulting in error or potential undetected fraud.

**Recommendation:** Accounting staff, with the ability to devote the time and who possess the necessary experience and knowledge, should be recruited to ensure that accurate financial statements are prepared within a reasonable time after month-end. Internal controls should be in place to ensure all balance sheet and income statement accounts are reconciled within a reasonable time after month-end. Reconciliations should be prepared on a monthly basis, and should be agreed to the general ledger. Preparation and review responsibilities should be segregated. The policies and procedures for account reconciliations should be formally documented to ensure consistency in application of the controls in the event of turnover. Proper monitoring will assist with identification and correction will reduce the opportunity for misappropriation of assets and the likelihood of misstatements caused by error.

**HUNGER FREE AMERICA, INC.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2018**

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Section II - Financial Statement Audit Findings (Continued)

Finding 2018-04 (Continued)

View of responsible official: We agree. Management will implement during 2020 processes and controls such as standardized monthly financial reporting to the President and Board of Directors, improvement in the timeliness of the monthly close process and hiring of an experience contract, grant and budget manager. Also, in 2020, a standardized monthly close package which includes all recurring journal entries will be finalized, and additional experience accounting staff will be added to meet the needs of the organization.

Section III - Federal Award Findings and Questioned Costs

Finding 2018-A

Significant Deficiency

Criteria: Hunger Free America must establish and maintain effective internal control over federal grants. All account balances including government grants should be analyzed by management on a timely basis. Federal and all other grants clearly reflect activity on a grant-by-grant source.

Condition: Hunger Free America provided several versions of grant documentation and analysis to perform our financial audit and Uniform Guidance compliance testing. In addition, as a result of the audit testing performed on the government grants, we noted other challenges to complete the testing to ensure financial reporting was accurate and compliance requirements met. Management provided expenditure reports that listed the total amount of expense allowed in accordance with the grants to support the expenses incurred per the grant analysis, and submitted for reimbursement. However, we noted exceptions based on selections, where by the expense reimbursement submitted and charged to the grant differed than that of what Hunger Free America would have maximized/minimized for reimbursements.

**HUNGER FREE AMERICA, INC.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2018**

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Section III - Federal Award Findings and Questioned Costs

Finding 2018-A (Continued)

Expenditure reports for several of the grants selected for testing excluded allocated administrative expenses. Management confirmed that the administrative expenditures are captured elsewhere in the trial balance.

We also noted that a federal grant receivable balance was unadjusted from the prior year. Adjustments were proposed to adjust the grants receivable balance at December 31, 2018

Cause: Lack of grant review processes over grant compliance and internal control over federal grants; whereby a single general ledger cost center utilized for numerous sources of the federal funding.

Effect: This practice makes it difficult to determine accurately and properly federal funding expended for each separate grants and contracts; and facilitate the reporting requirements, restrictions and other pertinent information.

Questioned Costs: None reported.

Recommendation: We recommend that Hunger Free America establish adequate federal grant review processes and documentation to efficiently monitor status of federal grant expenditures submitted for reimbursements. Implement internal controls over financial statements and general ledger reporting.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding.



**HUNGER FREE AMERICA, INC.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2018**

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Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2017

**Finding 2017-01**

Condition: Net assets released from restriction and restricted contributions are recorded directly to net asset accounts.

Recommendation: We recommend management work with an IT consultant for the general ledger system to see if the limitation can be overcome. In the absence of a system fix, we recommend management design and implement a manual reconciliation control to correctly account for restricted contribution, net assets released from restriction and net assets at a recurring interval that is at least quarterly but not less than on an annual basis. The Organization should consider the time and effort with the benefit during periods where there is lower or higher volume of restricted transaction activity.

Current Status: This condition still existed during 2018.

**Finding 2017-02**

Condition: The Organization is not capable of preparing financial statements and accompanying notes in accordance with generally accepted accounting principles, and lacks the skill and competency to prevent, detect and correct a misstatement.

Recommendation: The Organization should consider implementing controls to facilitate the financial reporting process and the preparation of the financial statements in accordance with GAAP.

Current Status: This condition still existed during 2018.

**HUNGER FREE AMERICA, INC.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2018**

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Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2017

**Finding 2017-03**

Significant Deficiency

Condition: The Organization did not submit Form SF-SAC (Data Collection Form) and the Single Audit reporting package in accordance with the Single Audit Act Amendments of 1996, and the Uniform Guidance within nine months of the end of the Organization's fiscal year end.

Recommendation: The Organization should implement controls to ensure that the SF-SAC (Data Collection Form) and the Single Audit reporting package are filed within nine months of the end of the fiscal year in accordance with the Single Audit Act Amendments of 1996, and the Uniform Guidance.

Current Status: For 2017, corrective action was taken and management has implemented procedures to timely file the SF-SAC (Data Collection Form).

**Finding 2017-04**

Condition: The Organization did not timely submit the quarterly program report in accordance with the requirements set forth by the grantor Agency.

Recommendation: The Organization should implement controls over the timely submission of the monthly program reporting packages to ensure the Organization is in compliance with all guidelines set forth by the grantor agency.

Current Status: Conditions still existed during 2018.