

Financial Statements and Report of Independent  
Certified Public Accountants in Accordance with  
OMB Circular A-133

**Nutritional Development Services of  
the Archdiocese of Philadelphia**

June 30, 2015 and 2014

# Contents

|  | <b>Page</b> |
|--|-------------|
| Report of Independent Certified Public Accountants   | 3           |
| Financial statements   |             |
| Statements of financial position   | 5           |
| Statements of activities and changes in net assets   | 6           |
| Statements of cash flows   | 8           |
| Notes to financial statements  | 9           |
| Supplemental information   |             |
| Statements of activities and changes in net assets by program  | 15          |
| Schedule of Expenditures of Federal and State Awards   | 17          |
| Notes to Schedule of Expenditures of Federal and State Awards  | 18          |
| Schedule of Cash Receipts  | 19          |
| Report of Independent Certified Public Accountants on Internal Control<br>Over Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> | 20          |
| Report of Independent Certified Public Accountants on Compliance for<br>Each Major Federal Program and on Internal Control Over Compliance<br>Required by OMB Circular A-133               | 22          |
| Schedule of Findings and Questioned Costs  | 24          |
| Summary of Prior Year Audit Findings   | 26          |



Grant Thornton LLP  
Two Commerce Square  
2001 Market St., Suite 700  
Philadelphia, PA 19103  
T 215.561.4200  
F 215.561.1066  
[GrantThornton.com](http://GrantThornton.com)  
[linkd.in/GrantThorntonUS](http://linkd.in/GrantThorntonUS)  
[twitter.com/GrantThorntonUS](http://twitter.com/GrantThorntonUS)

## Report of Independent Certified Public Accountants

The Board of Directors  
Nutritional Development Services of the Archdiocese of Philadelphia

### **Report on the financial statements**

We have audited the accompanying financial statements of Nutritional Development Services of the Archdiocese of Philadelphia (“Nutritional Development Services” or “NDS”), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### **Management’s responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor’s responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to NDS’ 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 NDS’ internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nutritional Development Services of the Archdiocese of Philadelphia as of June 30, 2015 and 2014, 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.

**Supplementary information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental statements of activities and changes in net assets by program and schedule of cash receipts are presented for the purpose of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures of Federal and State Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 16, 2015, on our consideration of NDS' 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 effectiveness of 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 NDS' internal control over financial reporting and compliance.

GRANT THORNTON LLP

Philadelphia, Pennsylvania

November 16, 2015

Nutritional Development Services of the Archdiocese of Philadelphia

**STATEMENTS OF FINANCIAL POSITION**

June 30,

|   | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|
| Assets                                    |                     |                     |
| Current assets                            |                     |                     |
| Cash - government funded programs         | \$ 2,424,590        | \$ 2,005,477        |
| Cash                                      | 808,174             | 527,355             |
| Grants receivable - government programs   | 3,225,139           | 3,797,542           |
| Other receivables                         | 272,141             | 469,042             |
| Inventory                                 | 427,324             | 374,547             |
| Prepaid expenses                          | <u>60,985</u>       | <u>60,987</u>       |
| Total current assets                      | 7,218,353           | 7,234,950           |
| Equipment, net                            | <u>1,047,323</u>    | <u>1,108,839</u>    |
| Total assets                              | <u>\$ 8,265,676</u> | <u>\$ 8,343,789</u> |
| Liabilities and net assets                |                     |                     |
| Current liabilities                       |                     |                     |
| Accounts payable and accrued expenses     | <u>\$ 1,254,507</u> | <u>\$ 2,003,667</u> |
| Total liabilities                         | <u>1,254,507</u>    | <u>2,003,667</u>    |
| Net assets                                |                     |                     |
| Unrestricted                              | 532,263             | 429,908             |
| Unrestricted - government funded programs | 6,284,213           | 5,735,771           |
| Temporarily restricted                    | <u>194,693</u>      | <u>174,443</u>      |
| Total net assets                          | <u>7,011,169</u>    | <u>6,340,122</u>    |
| Total liabilities and net assets          | <u>\$ 8,265,676</u> | <u>\$ 8,343,789</u> |

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year ended June 30, 2015

|   | <u>Unrestricted</u> | Unrestricted -<br>government<br>funded<br>programs | Temporarily<br>restricted | <u>Total</u>        |
|---|---------------------|--|---------------------------|---------------------|
| Revenue                                     |                     |  |                           |                     |
| Grants                                      |                     |  |                           |                     |
| Federal and state governments               | \$ -                | \$ 17,470,599                                      | \$ -                      | \$ 17,470,599       |
| City of Philadelphia                        | 1,600               | -  | 23,543                    | 25,143              |
| Nongovernment meal receipts                 | -                   | 1,415,325  | -                         | 1,415,325           |
| Contributions from Operation Rice Bowl      | -                   | -  | 102,402                   | 102,402             |
| Contributions - other                       | 26,588              | -  | 5,721                     | 32,309              |
| Subsidy from Catholic Charities Appeal Fund | 125,000             | -  | -                         | 125,000             |
| Interest income                             | 691                 | 7,509  | -                         | 8,200               |
| Other income                                | 383,255             | 65,859   | 28,835                    | 477,949             |
| Satisfaction of program restrictions        | <u>140,251</u>      | <u>-</u>   | <u>(140,251)</u>          | <u>-</u>            |
| Total revenue                               | <u>677,385</u>      | <u>18,959,292</u>                                  | <u>20,250</u>             | <u>19,656,927</u>   |
| Expenses                                    |                     |  |                           |                     |
| Food costs                                  | 325,973             | 12,891,284   | -                         | 13,217,257          |
| Compensation                                | 174,897             | 2,402,302  | -                         | 2,577,199           |
| Office                                      | 7,983               | 110,590  | -                         | 118,573             |
| Transportation                              | 14,435              | 89,697   | -                         | 104,132             |
| Fixed charges                               | 1,216               | 120,380  | -                         | 121,596             |
| Program administration                      | 47,998              | 2,536,199  | -                         | 2,584,197           |
| Depreciation                                | 2,087               | 260,044  | -                         | 262,131             |
| Miscellaneous expenses                      | <u>441</u>          | <u>354</u>   | <u>-</u>                  | <u>795</u>          |
| Total expenses                              | <u>575,030</u>      | <u>18,410,850</u>                                  | <u>-</u>                  | <u>18,985,880</u>   |
| Change in net assets                        | 102,355             | 548,442  | 20,250                    | 671,047             |
| Net assets                                  |                     |  |                           |                     |
| Beginning of year                           | <u>429,908</u>      | <u>5,735,771</u>                                   | <u>174,443</u>            | <u>6,340,122</u>    |
| End of year                                 | <u>\$ 532,263</u>   | <u>\$ 6,284,213</u>                                | <u>\$ 194,693</u>         | <u>\$ 7,011,169</u> |

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year ended June 30, 2014

|   | <u>Unrestricted</u> | Unrestricted -<br>government<br>funded<br>programs | Temporarily<br>restricted | <u>Total</u>        |
|---|---------------------|--|---------------------------|---------------------|
| Revenue                                     |                     |  |                           |                     |
| Grants                                      |                     |  |                           |                     |
| Federal and state governments               | \$ -                | \$ 15,276,001                                      | \$ -                      | \$ 15,276,001       |
| City of Philadelphia                        | 1,600               | -  | 25,497                    | 27,097              |
| Nongovernment meal receipts                 | -                   | 2,104,833  | -                         | 2,104,833           |
| Contributions from Operation Rice Bowl      | -                   | -  | 108,906                   | 108,906             |
| Contributions - other                       | 24,805              | 5,028  | 2,130                     | 31,963              |
| Subsidy from Catholic Charities Appeal Fund | 131,250             | -  | -                         | 131,250             |
| Interest income                             | 88                  | 8,726  | -                         | 8,814               |
| Other income                                | 556,898             | 12,660   | 102,857                   | 672,415             |
| Satisfaction of program restrictions        | <u>205,915</u>      | <u>23,250</u>                                      | <u>(229,165)</u>          | <u>-</u>            |
| Total revenue                               | <u>920,556</u>      | <u>17,430,498</u>                                  | <u>10,225</u>             | <u>18,361,279</u>   |
| Expenses                                    |                     |  |                           |                     |
| Food costs                                  | 189,307             | 11,821,830   | -                         | 12,011,137          |
| Compensation                                | 162,696             | 2,279,713  | -                         | 2,442,409           |
| Office                                      | 7,007               | 172,647  | -                         | 179,654             |
| Transportation                              | 15,737              | 79,850   | -                         | 95,587              |
| Fixed charges                               | 1,327               | 119,521  | -                         | 120,848             |
| Program administration                      | 29,985              | 2,486,842  | -                         | 2,516,827           |
| Depreciation                                | 2,852               | 232,042  | -                         | 234,894             |
| Miscellaneous expenses                      | <u>354</u>          | <u>139</u>   | <u>-</u>                  | <u>493</u>          |
| Total expenses                              | <u>409,265</u>      | <u>17,192,584</u>                                  | <u>-</u>                  | <u>17,601,849</u>   |
| Change in net assets                        | 511,291             | 237,914  | 10,225                    | 759,430             |
| Net assets (deficiency)                     |                     |  |                           |                     |
| Beginning of year                           | <u>(81,383)</u>     | <u>5,497,857</u>                                   | <u>164,218</u>            | <u>5,580,692</u>    |
| End of year                                 | <u>\$ 429,908</u>   | <u>\$ 5,735,771</u>                                | <u>\$ 174,443</u>         | <u>\$ 6,340,122</u> |

The accompanying notes are an integral part of this financial statement.

**STATEMENTS OF CASH FLOWS**

Year ended June 30,

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| Cash flows from operating activities   |                     |                     |
| Change in net assets   | \$ 671,047          | \$ 759,430          |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                     |                     |
| Depreciation   | 262,131             | 234,894             |
| Loss on disposition of equipment   | 5,581               | 3,154               |
| Changes in net assets and liabilities  |                     |                     |
| Grants receivable  | 572,403             | 134,244             |
| Other receivables  | 196,901             | 45,365              |
| Inventory  | (52,777)            | (19,846)            |
| Prepaid expenses   | 2                   | (20,022)            |
| Accounts payable, accrued expenses, and other liabilities                                  | <u>(749,160)</u>    | <u>(314,170)</u>    |
| Net cash provided by operating activities  | 906,128             | 823,049             |
| Cash flows from investing activities   |                     |                     |
| Capital expenditures   | <u>(206,196)</u>    | <u>(213,047)</u>    |
| Net cash used in investing activities  | <u>(206,196)</u>    | <u>(213,047)</u>    |
| Net increase in cash   | 699,932             | 610,002             |
| Cash   |                     |                     |
| Beginning of year  | <u>2,532,832</u>    | <u>1,922,830</u>    |
| End of year  | <u>\$ 3,232,764</u> | <u>\$ 2,532,832</u> |

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



**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015 and 2014

NOTE A - ORGANIZATION AND PURPOSE

Nutritional Development Services (“NDS”) is a corporation of the Archdiocese of Philadelphia whose purpose is to obtain and distribute nutritious foods at a minimum cost to those attending or residing in educational or charitable institutions, or to those whose physical or financial circumstances require a specialized delivery of food; to provide food procurement and delivery services contemplated by governmental agencies; to conduct nutrition awareness programs in conjunction with these activities and to cooperate with and render technical assistance and advice to others working in this field.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The financial statements of NDS have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The significant accounting policies followed are described below.

Net assets and revenues, expenses, gains and losses are categorized into two categories, based on the existence or absence of donor-imposed restrictions.

Temporarily restricted net assets include contributions, which can be expended but for which restrictions have not yet been met.

Unrestricted net assets are free of donor-imposed restrictions and are all the remaining net assets of NDS.

2. Funding

NDS receives the majority of its revenues from performance-based contracts with various governmental agencies. These revenues are subject to audit, which could result in repayment or reversal of revenues.

The various school, childcare, and summer meals programs are funded by the U.S. Department of Agriculture through the Pennsylvania Department of Education. The State Food Purchase Program is funded by the Commonwealth of Pennsylvania. Programs listed as part of the Child Nutrition Cluster in this report are governed by the United States Department of Agriculture regulations including 7 CFR 210, 220, 215, and 226 and FNS Instruction 796-2, in addition to guidance from the Pennsylvania Department of Education. Surpluses within these programs that are not required to be returned or spent are to be retained for that particular program exclusively. These funds are to be used to improve operations or be set aside against possible future losses within that program. These net assets are recorded as unrestricted; however, the government regulations for these programs place restrictions for their use.

3. Contributions

Gifts of long-lived assets are reported at fair value as unrestricted revenue. Gifts specified for the acquisition or construction of long-lived assets are reported as unrestricted net assets when the assets are placed in service.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Classification of Gifts

NDS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 and changes in net assets as net assets released from restrictions. Donor-restricted contributions are reported as unrestricted operating revenue when the restriction is satisfied within the same year that the contribution is received.

5. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

6. Equipment and Depreciation

Equipment purchased is stated at cost, while donated assets are stated at fair market value on the date of donation. Depreciation is provided over the estimated useful lives of the assets and is computed using the straight-line method. The estimated useful life for equipment ranges from three to twelve years.

7. Cash

NDS maintains its cash on deposit with a large commercial bank, and the deposit typically exceeds federally insured limits.

8. Inventory

Inventory consists of food and supplies used for the programs. Cost is determined by the first-in, first-out method.

NOTE C - EQUIPMENT

Equipment at June 30, 2015 and 2014 consisted of:

|                                | <u>2015</u>         | <u>2014</u>         |
|--------------------------------|---------------------|---------------------|
| Equipment at schools           | \$ 2,521,630        | \$ 2,451,960        |
| Office equipment               | <u>625,897</u>      | <u>692,452</u>      |
|                                | 3,147,527           | 3,144,412           |
| Less: accumulated depreciation | <u>(2,100,204)</u>  | <u>(2,035,573)</u>  |
|                                | <u>\$ 1,047,323</u> | <u>\$ 1,108,839</u> |

Depreciation expense for the years ended June 30, 2015 and 2014 amounted to \$262,131 and \$234,894, respectively.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

NOTE D - OPERATING LEASES

NDS has a non-cancellable operating lease for two copiers and two vehicles. Future minimum rental payments for non-cancellable lease terms in excess of one year as of June 30, 2015 are as follows:

|               |                  |
|---------------|------------------|
| <u>Leases</u> |                  |
| 2016          | \$ 16,987        |
| 2017          | 16,987           |
| 2018          | <u>16,987</u>    |
|               | <u>\$ 50,961</u> |

Rental expense related to these leases for the years ended June 30, 2015 and 2014 was \$18,442 and \$13,648, respectively.

NOTE E - PENSIONS

1. Lay Employees' Retirement Plan - Frozen Effective June 30, 2014

Through June 30, 2014, the eligible lay employees of NDS were covered under the Archdiocese of Philadelphia Lay Employees' Retirement Plan (the "Plan"), which is a defined benefit pension plan covering substantially all lay employees of the Archdiocese of Philadelphia, based on age and service requirements. The Plan is administered by the Trustees of the Plan. NDS made annual contributions to the Plan at a rate of 4.0% and 7.5% of the salaries of eligible employees for the years ended June 30, 2015 and 2014, respectively. The amount expensed by NDS for contributions to the Plan was \$71,944 and \$121,970 for the fiscal years ended June 30, 2015 and 2014, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

2. Archdiocese of Philadelphia 403(b) Retirement Plan

Effective July 1, 2014, the Archdiocese of Philadelphia established a 403(b) defined contribution plan ("403(b) plan"). Under the 403(b) plan, and subject to statutory limits, all employees at least 18 years of age are immediately eligible to make voluntary deferred salary contributions into the 403(b) plan.

Employer contributions, which cover employees meeting the eligibility requirements below, are discretionary. The following are the eligibility requirements for the employer contributions:

*Grandfathered Employees* - Any employee who was accruing benefits as an active participant in the Plan as of its freeze date of June 30, 2014 is a grandfathered employee and will be eligible to receive employer contributions beginning with the first payroll on or after September 1, 2014.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

NOTE E - PENSIONS - Continued

*Non-Grandfathered Employees* - Non-grandfathered employees are eligible to receive the employer contribution beginning with the first payroll coinciding with or immediately following the completion of 1,000 hours of service during the 18-month period beginning July 1, 2014 through December 31, 2015. The employee must also have attained at least 18 years of age to be eligible. For a non-grandfathered employee hired prior to July 1, 2014 who does not meet the eligibility requirements for an employer contribution in the time frame described above, the period for determining whether or not one meets the 1,000 hour service requirement will shift to the calendar year beginning January 1, 2016.

*Vesting* - Vesting in employer contributions to a 403(b) plan account will be immediate for any grandfathered employee who has completed 12 months of service as of June 30, 2014. Vesting in employer contributions for all other employees will take place after the completion of 12 months of service.

In fiscal year 2015, the Archdiocese of Philadelphia employer contribution rate was 4.5% of base salary for eligible employees. The contributions by NDS into the 403(b) plan totaled \$80,936 for the year ended June 30, 2015.

NOTE F - INCOME TAXES

NDS is a nonprofit corporation which has received exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code.

NDS follows the accounting guidance for uncertainties in income tax positions, which requires 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. NDS does not believe its financial statements include any material uncertain tax positions. As of June 30, 2015, NDS’ tax years ended June 30, 2012 through June 30, 2014 for federal tax jurisdiction remain open to examination.

NOTE G - CONTRIBUTIONS OF FOOD

During 2015 and 2014, approximately 829,270 pounds and 847,800 pounds, respectively, of food with an estimated fair value of \$1,376,588 and \$1,407,348, respectively, were donated from various nongovernment sources. This food was redistributed to organizations feeding the needy and is not reflected in these financial statements.

NOTE H - FUNCTIONAL EXPENSES

The following table summarizes program and supporting expenses for the years ended June 30:

|                     | <u>2015</u>          | <u>2014</u>          |
|---------------------|----------------------|----------------------|
| Program expenses    | \$ 16,276,467        | \$ 14,963,123        |
| Supporting expenses | <u>2,709,413</u>     | <u>2,638,726</u>     |
|                     | <u>\$ 18,985,880</u> | <u>\$ 17,601,849</u> |

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

NOTE H - FUNCTIONAL EXPENSES - Continued

Program expenses consist of food, program compensation, transportation, depreciation and program administrative costs. Supporting expenses consist of supporting compensation, office expenses, fixed charges and miscellaneous costs.

NOTE I - RELATED PARTY TRANSACTIONS

NDS provides meals to elementary schools and child care centers of parishes in the Archdiocese of Philadelphia. These meals are purchased by NDS and distributed in schools and centers under the federally funded child nutritional programs. During fiscal years 2015 and 2014, a total of \$636,858 and \$1,040,742, respectively, was purchased by the students, of which \$88,395 and \$166,895 was included in other receivables at June 30, 2015 and 2014, respectively.

In addition, NDS receives subsidies from the Catholic Charities Appeal Fund, which is a fund administered by the Archdiocese of Philadelphia. Subsidies were \$125,000 and \$131,250 for the years ended June 30, 2015 and 2014, respectively.

NDS also receives funds from Operation Rice Bowl, which is also a program administered by the Archdiocese of Philadelphia, in which contributions are received from churches throughout the Archdiocese of Philadelphia. Contributions at June 30, 2015 and 2014 were \$102,402 and \$108,906, respectively.

NDS rents certain facilities, utilized in the delivery of its services, from the Archdiocese of Philadelphia. Rent expense on these facilities was \$101,781 and \$101,780 for fiscal years 2015 and 2014, respectively.

NDS reimburses Catholic Social Services (“CSS”) of the Archdiocese of Philadelphia for meals served at the residential child care centers and group homes. These meals are served in accordance with the regulations of the National School Lunch and Breakfast Program. As of June 30, 2015 and 2014, NDS has amounts payable to CSS totaling \$157,623 and \$131,412, respectively.

On July 2009, with subsequent amendments on October 2010 and July 2013, NDS entered into separate loan and security agreements with Catholic Health Care Services of the Archdiocese of Philadelphia for a revolving line of credit of \$500,000, which will terminate on June 30, 2016. The line of credit bears interest monthly on the effective interest rate of the borrower. No amounts have been drawn upon as of June 30, 2015.

NOTE J - SUBSEQUENT EVENTS

NDS evaluated events subsequent to June 30, 2015 and through November 16, 2015, the date the financial statements were available to be issued. NDS is not aware of any subsequent event that would require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

Nutritional Development Services of the Archdiocese of Philadelphia

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY PROGRAM**

Year ended June 30, 2015

|   | School-Based<br>Program | Seamless<br>Summer<br>Option | Child Care<br>Program | Community<br>Food | Food<br>Program<br>Admin | Archbishop's<br>Special<br>Appeal | Total all<br>Programs |
|---|-------------------------|------------------------------|-----------------------|-------------------|--------------------------|-----------------------------------|-----------------------|
| Revenue                                     |                         |                              |                       |                   |                          |                                   |                       |
| Grants                                      |                         |                              |                       |                   |                          |                                   |                       |
| Federal and state governments               | \$ 9,844,004            | \$ 2,069,697                 | \$ 5,556,898          | \$ -              | \$ -                     | \$ -                              | \$ 17,470,599         |
| City of Philadelphia                        | -                       | -                            | -                     | 23,543            | 1,600                    | -                                 | 25,143                |
| Nongovernment meal receipts                 | 1,101,941               | -                            | 313,384               | -                 | -                        | -                                 | 1,415,325             |
| Contributions from Operation Rice Bowl      | -                       | -                            | -                     | 102,402           | -                        | -                                 | 102,402               |
| Contributions - other                       | -                       | -                            | -                     | 5,721             | 26,588                   | -                                 | 32,309                |
| Subsidy from Catholic Charities Appeal Fund | -                       | -                            | -                     | -                 | 125,000                  | -                                 | 125,000               |
| Interest income                             | 4,156                   | 562                          | 2,791                 | -                 | 76                       | 615                               | 8,200                 |
| Other income                                | 65,552                  | -                            | 308                   | -                 | 107,527                  | 304,562                           | 477,949               |
| Total revenue                               | <u>11,015,653</u>       | <u>2,070,259</u>             | <u>5,873,381</u>      | <u>131,666</u>    | <u>260,791</u>           | <u>305,177</u>                    | <u>19,656,927</u>     |
| Expenses                                    |                         |                              |                       |                   |                          |                                   |                       |
| Food costs                                  | 6,586,775               | 1,571,621                    | 4,732,888             | 194,903           | -                        | 131,070                           | 13,217,257            |
| Compensation                                | 1,247,852               | 215,744                      | 938,706               | -                 | 174,897                  | -                                 | 2,577,199             |
| Office                                      | 52,803                  | 15,019                       | 42,768                | -                 | 7,157                    | 826                               | 118,573               |
| Transportation                              | 36,680                  | 14,139                       | 38,878                | -                 | 14,359                   | 76                                | 104,132               |
| Fixed charges                               | 83,073                  | 889                          | 36,418                | -                 | 1,216                    | -                                 | 121,596               |
| Program administration                      | 2,127,586               | 140,984                      | 267,629               | -                 | 19,946                   | 28,052                            | 2,584,197             |
| Depreciation                                | 243,620                 | 1,901                        | 14,523                | -                 | 2,087                    | -                                 | 262,131               |
| Miscellaneous expenses                      | 338                     | 10                           | 6                     | -                 | 441                      | -                                 | 795                   |
| Total expenses                              | <u>10,378,727</u>       | <u>1,960,307</u>             | <u>6,071,816</u>      | <u>194,903</u>    | <u>220,103</u>           | <u>160,024</u>                    | <u>18,985,880</u>     |
| Change in net assets                        | 636,926                 | 109,952                      | (198,435)             | (63,237)          | 40,688                   | 145,153                           | 671,047               |
| Net assets (deficiency)                     |                         |                              |                       |                   |                          |                                   |                       |
| Beginning of year                           | <u>5,026,261</u>        | <u>(467,833)</u>             | <u>1,177,339</u>      | <u>257,931</u>    | <u>(75,702)</u>          | <u>422,126</u>                    | <u>6,340,122</u>      |
| End of year                                 | <u>\$ 5,663,187</u>     | <u>\$ (357,881)</u>          | <u>\$ 978,904</u>     | <u>\$ 194,694</u> | <u>\$ (35,014)</u>       | <u>\$ 567,279</u>                 | <u>\$ 7,011,169</u>   |

Nutritional Development Services of the Archdiocese of Philadelphia

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY PROGRAM**

Year ended June 30, 2014

|   | School-Based<br>Program | Seamless<br>Summer<br>Option | Child Care<br>Program | Community<br>Food | Food<br>Program<br>Admin | CFP<br>Special<br>Appeal | Total all<br>Programs |
|---|-------------------------|------------------------------|-----------------------|-------------------|--------------------------|--------------------------|-----------------------|
| Revenue                                     |                         |                              |                       |                   |                          |                          |                       |
| Grants                                      |                         |                              |                       |                   |                          |                          |                       |
| Federal government                          | \$ 7,735,687            | \$ 1,881,662                 | \$ 5,206,019          | \$ -              | \$ -                     | \$ -                     | \$ 14,823,368         |
| State government                            | 384,084                 | 68,549                       | -                     | -                 | -                        | -                        | 452,633               |
| City of Philadelphia                        | -                       | -                            | -                     | 25,497            | 1,600                    | -                        | 27,097                |
| Nongovernment meal receipts                 | 1,783,364               | -                            | 321,469               | -                 | -                        | -                        | 2,104,833             |
| Contributions from Operation Rice Bowl      | -                       | -                            | -                     | 108,906           | -                        | -                        | 108,906               |
| Contributions - other                       | 3,841                   | 821                          | 366                   | 2,130             | 24,805                   | -                        | 31,963                |
| Subsidy from Catholic Charities Appeal Fund | -                       | -                            | -                     | -                 | 131,250                  | -                        | 131,250               |
| Interest income                             | 5,806                   | 83                           | 2,837                 | -                 | 88                       | -                        | 8,814                 |
| Other income                                | 29,788                  | 6,121                        | -                     | 67,500            | 63,395                   | 505,611                  | 672,415               |
| Total revenue                               | <u>9,942,570</u>        | <u>1,957,236</u>             | <u>5,530,691</u>      | <u>204,033</u>    | <u>221,138</u>           | <u>505,611</u>           | <u>18,361,279</u>     |
| Expenses                                    |                         |                              |                       |                   |                          |                          |                       |
| Food costs                                  | 6,023,413               | 1,286,831                    | 4,511,586             | 110,322           | -                        | 78,985                   | 12,011,137            |
| Compensation                                | 1,169,493               | 236,513                      | 873,707               | -                 | 162,696                  | -                        | 2,442,409             |
| Office                                      | 93,879                  | 26,190                       | 52,578                | -                 | 7,007                    | -                        | 179,654               |
| Transportation                              | 29,030                  | 17,195                       | 33,626                | -                 | 15,736                   | -                        | 95,587                |
| Fixed charges                               | 82,844                  | 951                          | 35,726                | -                 | 1,327                    | -                        | 120,848               |
| Program administration                      | 2,036,229               | 182,822                      | 267,790               | -                 | 25,486                   | 4,500                    | 2,516,827             |
| Depreciation                                | 214,913                 | 2,066                        | 15,063                | -                 | 2,852                    | -                        | 234,894               |
| Miscellaneous expenses                      | 139                     | -                            | -                     | -                 | 354                      | -                        | 493                   |
| Total expenses                              | <u>9,649,940</u>        | <u>1,752,568</u>             | <u>5,790,076</u>      | <u>110,322</u>    | <u>215,458</u>           | <u>83,485</u>            | <u>17,601,849</u>     |
| Change in net assets                        | 292,630                 | 204,668                      | (259,385)             | 93,711            | 5,680                    | 422,126                  | 759,430               |
| Net assets (deficiency)                     |                         |                              |                       |                   |                          |                          |                       |
| Beginning of year                           | <u>4,733,631</u>        | <u>(672,501)</u>             | <u>1,436,724</u>      | <u>164,220</u>    | <u>(81,382)</u>          | <u>-</u>                 | <u>5,580,692</u>      |
| End of year                                 | <u>\$ 5,026,261</u>     | <u>\$ (467,833)</u>          | <u>\$ 1,177,339</u>   | <u>\$ 257,931</u> | <u>\$ (75,702)</u>       | <u>\$ 422,126</u>        | <u>\$ 6,340,122</u>   |



**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

Year ended June 30, 2015

| <u>Federal Grantor/Pass-through Grantor/Program Title</u> | <u>Federal<br/>CFDA<br/>number</u> | <u>Pass-through<br/>grantor's<br/>number</u> | <u>Program<br/>expenditures<br/>per fiscal year</u> |
|---|------------------------------------|--|---|
| <u>Federal Awards</u>                                     |                                    |  |   |
| Department of Agriculture                                 |                                    |  |   |
| Child Nutrition Cluster                                   |                                    |  |   |
| VPI Commodity Pilot                                       | 10.555                             |  | \$ 771,709  |
| Total direct awards                                       |                                    |  | <u>771,709</u>                                      |
| Pass-through from Pennsylvania Department of Education    |                                    |  |   |
| National School Lunch Program                             | 10.555                             | 226-51053-2/326-51005-4                      | 7,885,664   |
| School Breakfast Program                                  | 10.553                             | 226-51053-2/326-51005-4                      | 2,351,216   |
| Special Milk Program for Children                         | 10.556                             | 226-51053-2                                  | 61,447  |
| After School Snack Program                                | 10.555                             | 326-51005-4                                  | <u>225,983</u>                                      |
|   |                                    |  | <u>10,524,310</u>                                   |
| Total Child Nutrition Cluster                             |                                    |  | 11,296,019  |
| Child and Adult Care Program                              | 10.558                             | 226-51053-2                                  | 5,556,898   |
| Fresh Fruit and Vegetable Program                         | 10.582                             | 226-51053-2                                  | <u>105,689</u>                                      |
| Total expenditures of federal awards                      |                                    |  | <u>16,958,606</u>                                   |
| <u>State Awards</u>                                       |                                    |  |   |
| National School Lunch Program                             | N/A                                | N/A  | 377,252   |
| School Breakfast Program                                  | N/A                                | N/A  | <u>134,741</u>                                      |
| Total expenditures of state awards                        |                                    |  | <u>511,993</u>                                      |
| Total expenditures of federal and state awards            |                                    |  | <u>\$ 17,470,599</u>                                |

See accompanying notes to Schedule of Expenditures of Federal and State Awards.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

Year ended June 30, 2015

NOTE A - GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards ("SEFA") presents the activities in all the federal and state financial assistance programs of NDS. All financial awards received directly from federal agencies, as well as federal financial awards passed through other governmental agencies or nonprofit organizations, are included on the SEFA.

NOTE B - BASIS OF ACCOUNTING

The accompanying SEFA has been prepared on an accrual basis of accounting.

NOTE C - DESCRIPTION OF AWARDS

The SEFA represents the number of meals served under the program multiplied by the reimbursement rate applicable to that program. Included as part of the awards listed on the SEFA, NDS receives funding from the Commonwealth of Pennsylvania. The amounts noted in the table below for the school lunch and breakfast programs are matches of the Federal awards received. The Commonwealth matches the number of claimable breakfast and lunches at \$0.10 on each dollar award by the Federal government. An additional reimbursement amount is paid for lunch of \$0.04 or \$0.02 on the dollar if breakfast participation is greater than or less than 20%, respectively.

|                               |                   |
|-------------------------------|-------------------|
| Commonwealth Awards           |                   |
| National School Lunch Program | \$ 407,956        |
| School Breakfast Program      | <u>141,666</u>    |
|                               | <u>\$ 549,622</u> |

Nutritional Development Services of the Archdiocese of Philadelphia

**SCHEDULE OF CASH RECEIPTS**

Year ended June 30, 2015

| <u>Federal Grantor/Pass-through Grantor/Program Title</u> | <u>Federal<br/>CFDA<br/>number</u> | <u>Pass-through<br/>grantor's<br/>number</u> | <u>Program<br/>cash receipts<br/>per PDE</u> |
|---|------------------------------------|--|--|
| <u>Federal Awards</u>                                     |                                    |  |  |
| Department of Agriculture                                 |                                    |  |  |
| Child Nutrition Cluster                                   |                                    |  |  |
| VPI Commodity Pilot                                       | 10.555                             |  | \$ 771,709                                   |
| Total direct awards                                       |                                    |  | <u>771,709</u>                               |
| Pass-through from Pennsylvania Department of Education    |                                    |  |  |
| National School Lunch Program                             | 10.555                             | 226-51053-2/326-51005-4                      | 8,623,218                                    |
| School Breakfast Program                                  | 10.553                             | 226-51053-2/326-51005-4                      | 2,402,413                                    |
| Special Milk Program for Children                         | 10.556                             | 226-51053-2                                  | 68,005                                       |
| After School Snack Program                                | 10.555                             | 326-51005-4                                  | <u>2,717</u>                                 |
|   |                                    |  | <u>11,096,353</u>                            |
| Total Child Nutrition Cluster                             |                                    |  | 11,868,062                                   |
| Child and Adult Care Program                              | 10.558                             | 226-51053-2                                  | 5,508,284                                    |
| Fresh Fruit and Vegetable Program                         | 10.582                             | 226-51053-2                                  | <u>117,035</u>                               |
| Total receipts of federal awards                          |                                    |  | <u>17,493,381</u>                            |
| <u>State Awards</u>                                       |                                    |  |  |
| National School Lunch Program                             | N/A                                | N/A  | 407,956                                      |
| School Breakfast Program                                  | N/A                                | N/A  | <u>141,666</u>                               |
| Total receipts of state awards                            |                                    |  | <u>549,622</u>                               |
| Total receipts of federal and state awards                |                                    |  | <u>\$ 18,043,003</u>                         |

Report of Independent Certified Public Accountants  
on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by  
*Government Auditing Standards*

The Board of Directors  
Nutritional Development Services  
of the Archdiocese of Philadelphia

We have audited, 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, the financial statements of Nutritional Development Services of the Archdiocese of Philadelphia (“Nutritional Development Services” or “NDS”), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2015.

**Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered NDS’ internal control over financial reporting (“internal control”) to design 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 internal control. Accordingly, we do not express an opinion on the effectiveness of NDS’ internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of NDS’ financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in NDS’ internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and other matters**

As part of obtaining reasonable assurance about whether NDS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Intended purpose**

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

GRANT THORNTON LLP

Philadelphia, Pennsylvania

November 16, 2015

Report of Independent Certified Public Accountants on  
Compliance for Each Major Federal Program and on  
Internal Control Over Compliance Required by  
OMB Circular A-133

The Board of Directors  
Nutritional Development Services  
of the Archdiocese of Philadelphia

Grant Thornton LLP  
Two Commerce Square  
2001 Market St., Suite 700  
Philadelphia, PA 19103  
T 215.561.4200  
F 215.561.1066  
[GrantThornton.com](http://GrantThornton.com)  
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

**Report on compliance for each major federal program**

We have audited the compliance of Nutritional Development Services of the Archdiocese of Philadelphia (“Nutritional Development Services” or “NDS”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2015. NDS’ major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s responsibility**

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

**Auditor’s responsibility**

Our responsibility is to express an opinion on compliance for NDS’ major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The above-mentioned 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 NDS’ 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 its major federal program. However, our audit does not provide a legal determination of NDS’ compliance.

**Opinion on each major federal program**

In our opinion, NDS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

**Report on internal control over compliance**

Management of NDS is responsible for designing, implementing, 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 NDS' internal control over compliance with the types of compliance requirements that could have a direct and material effect on its major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NDS' 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 a 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. Given these limitations, during our audit we did not identify any deficiencies in NDS' internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

GRANT THORNTON LLP

Philadelphia, Pennsylvania

November 16, 2015

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2015

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(s) identified that are not considered to be material weakness(es)?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

Federal and State Awards

Internal control over the major federal programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(s) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  yes  no

Identification of major federal program:

CFDA Numbers

Name of Federal Program or Cluster

10.553, 10.555, and 10.556

Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$508,758

Auditee qualified as low-risk auditee?  yes  no



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

For the year ended June 30, 2015

**Section II - Financial Statement Findings**

None noted.

**Section III - Findings and Questioned Costs for Federal Awards**

None noted.

**SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

For the year ended June 30, 2015

None noted.