The Foodbank, Inc.

Financial Statements and

Accompanying Information

June 30, 2018 and 2017

with Independent Auditors' Report

CLARK SCHAEFER HACKETT

CPAS & ADVISORS

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CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Foodbank, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of The Foodbank, Inc. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017 and the 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. 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 The Foodbank, Inc. as of June 30, 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 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 relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018, on our consideration of The Foodbank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report solely 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 The Foodbank, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Foodbank, Inc.'s internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Dayton, Ohio
November 7, 2018

Assets		2018	2017
Current assets:			
Cash and cash equivalents	$	1,375,908	1,295,407
Accounts receivable		85,257	54,947
Contributions receivable		42,000	-
Inventory		227,389	321,616
		1,730,554	1,671,970
Property and equipment:			
Land and land improvements		403,059	389,052
Buildings and improvements		1,967,237	1,717,783
Furniture, fixtures and equipment		580,280	562,378
Vehicles		669,261	406,493
Software		17,959	17,959
		3,637,796	3,093,665
Less accumulated depreciation		963,008	741,318
		2,674,788	2,352,347
Beneficial interest in endowment funds held by the Dayton Foundation		2,821,580	2,428,225
Total assets	$	7,226,922	6,452,542
Liabilities and net assets			
Current liabilities:			
Current maturities of capital lease obligation	$	53,595	17,383
Accounts payable		38,039	3,852
Accrued expenses		52,412	51,726
		144,046	72,961
Non-current portion of capital lease obligation		132,283	18,164
		276,329	91,125
Net assets:			
Unrestricted		6,471,701	5,918,469
Temporarily restricted		478,892	442,948
		6,950,593	6,361,417
Total liabilities and net assets	$	7,226,922	6,452,542

See accompanying notes to the financial statements.

	Unrestricted	Temporarily Restricted	Total
Public support:			
Governmental grants	$ 721,307	-	721,307
United Way allocation	128,857	-	128,857
Contributions	1,683,302	314,089	1,997,391
Net assets released from restriction	303,431	(303,431)	-
	2,836,897	10,658	2,847,555
Revenues:			
Member agency fees	329,046	-	329,046
Donated food and products	13,186,730	-	13,186,730
Change in value of beneficial interest in endowment funds	118,069	25,286	143,355
Other revenue	22,404	-	22,404
	13,656,249	25,286	13,681,535
	16,493,146	35,944	16,529,090
Expenses:			
Program services	15,329,656	-	15,329,656
Management and general	343,982	-	343,982
Fundraising	266,276	-	266,276
	15,939,914	-	15,939,914
Change in net assets	553,232	35,944	589,176
Net assets at beginning of year	5,918,469	442,948	6,361,417
Net assets at end of year	$ 6,471,701	478,892	6,950,593

	Unrestricted	Temporarily Restricted	Total
Public support:			
Governmental grants	$ 590,102	-	590,102
United Way allocation	104,430	-	104,430
Contributions	1,934,210	93,722	2,027,932
Net assets released from restriction	14,928	(14,928)	-
	2,643,670	78,794	2,722,464
Revenues:			
Member agency fees	335,448	-	335,448
Donated food and products	10,804,437	-	10,804,437
Change in value of beneficial interest in endowment funds	120,087	35,373	155,460
Other revenue	17,440	-	17,440
Loss on disposal of vehicle	(17,290)	-	(17,290)
	11,260,122	35,373	11,295,495
	13,903,792	114,167	14,017,959
Expenses:			
Program services	12,845,161	-	12,845,161
Management and general	346,628	-	346,628
Fundraising	217,336	-	217,336
	13,409,125	-	13,409,125
Change in net assets	494,667	114,167	608,834
Net assets at beginning of year	5,423,802	328,781	5,752,583
Net assets at end of year	$ 5,918,469	442,948	6,361,417

The Foodbank, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services	Management and General	Fundraising	Total
Goods distributed - in-kind	$ 13,068,065	-	-	13,068,065
Goods distributed - purchased inventory	436,414	-	-	436,414
Salaries and wages	878,419	139,180	113,534	1,131,133
Payroll taxes	85,095	13,483	10,998	109,576
Employee benefits	125,566	19,895	16,229	161,690
Temporary hire	1,598	253	206	2,057
Insurance	16,022	5,341	-	21,363
Professional services	8,414	47,508	4,207	60,129
Membership fees	25,851	-	-	25,851
Interest	5,901	-	-	5,901
Dues and subscriptions	-	386	-	386
Equipment rent	3,949	4,607	3,667	12,223
Vehicle expense	92,463	-	-	92,463
Repairs and maintenance	40,731	6,551	-	47,282
Utilities	36,778	12,259	-	49,037
Telephone and internet	5,608	4,489	3,923	14,020
Office and warehouse	47,334	22,251	13,616	83,201
Marketing and printing	20,970	1,932	94,704	117,606
Security	4,250	1,416	-	5,666
Conferences and training	10,932	3,917	2,460	17,309
Miscellaneous	2,840	9,525	2,732	15,097
Bad debt	2,632	-	-	2,632
Freight out	36,790	-	-	36,790
Garden	20,337			20,337
Disaster relief	17,375	-	-	17,375
Inventory spoilage	164,621	-	-	164,621
Total expenses before depreciation	15,158,955	292,993	266,276	15,718,224
Depreciation	170,701	50,989	-	221,690
Total expenses	$ 15,329,656	343,982	266,276	15,939,914

See accompanying notes to the financial statements.

	Program Services	Management and General	Fundraising	Total
Goods distributed - in-kind	$ 10,619,710	-	-	10,619,710
Goods distributed - purchased inventory	425,618	-	-	425,618
Salaries and wages	765,261	124,351	102,816	992,428
Payroll taxes	116,642	18,959	15,677	151,278
Employee benefits	123,157	20,018	16,553	159,728
Temporary hire	588	96	79	763
Insurance	31,575	10,525	-	42,100
Professional services	5,999	72,570	2,600	81,169
Membership fees	24,830	-	-	24,830
Interest	1,964	-	-	1,964
Dues and subscriptions	-	309	-	309
Equipment rent	10,010	967	967	11,944
Vehicle expense	119,398	-	-	119,398
Repairs and maintenance	34,615	7,239	-	41,854
Utilities	37,659	12,553	-	50,212
Telephone and internet	5,240	4,248	3,612	13,100
Office and warehouse	42,660	11,910	7,482	62,052
Marketing and printing	30,231	6,581	64,341	101,153
Security	3,334	1,111	-	4,445
Conferences and training	8,717	2,941	321	11,979
Miscellaneous	1,897	8,191	2,888	12,976
Garden	7,926	-	-	7,926
Freight out	21,645	-	-	21,645
Inventory spoilage	258,982	-	-	258,982
Total expenses before depreciation	12,697,658	302,569	217,336	13,217,563
Depreciation	147,503	44,059	-	191,562
Total expenses	$ 12,845,161	346,628	217,336	13,409,125

See accompanying notes to the financial statements.

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 589,176	608,834
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	221,690	191,562
Bad debt expense	2,632	-
Change in value of beneficial interest in endowment funds	(143,355)	(155,460)
Loss on disposal of vehicle	-	17,290
In-kind donation of land improvements	-	(142,546)
In-kind donation of food	(13,186,730)	(10,804,437)
In-kind goods distributed and inventory spoilage	13,232,686	10,878,692
Effects of change in operating assets and liabilities:		
Accounts receivable	(32,942)	6,718
Contributions receivable	(42,000)	-
Purchased inventory	48,271	14,083
Accounts payable	34,187	3,505
Accrued expenses	686	21,673
Net cash provided by operating activities	724,301	632,957
Cash flows from investing activities:		
Transfer of cash to endowment fund held by the Dayton Foundation	(250,000)	(500,000)
Purchases of property and equipment	(341,873)	(43,875)
Net cash used by investing activities	(591,873)	(543,875)
Cash flows from financing activities:		
Payments on capital lease obligations	(51,927)	(16,636)
Increase in cash and cash equivalents	80,501	72,446
Cash and cash equivalents, beginning of the year	1,295,407	1,222,961
Cash and cash equivalents, end of the year	$ 1,375,908	1,295,407

	2018	2017
Supplemental disclosure:		
Interest paid	$ 5,901	1,964
Supplemental disclosure of non-cash activity:		
Acquisition of vehicles through capital lease	$ 202,258	-

See accompanying notes to the financial statements.

1. NATURE OF THE ORGANZIATION:

The Foodbank, Inc. (the "Organization") is an Ohio not-for-profit corporation committed to alleviating hunger in its community. The Organization achieves this commitment through the distribution of food commodities to member agencies located in Montgomery County and various other counties in Ohio. The Organization's primary funding sources are from the United Way Campaign, United States Department of Agriculture (USDA), United States Department of Health and Human Services (HHS), Feeding America, Shared Harvest Foodbank, and donor contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of the Organization are set forth to facilitate the understanding of data presented in the financial statements:

Financial statement presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets which have no donor-imposed restrictions; temporarily restricted net assets which have donor-imposed restrictions that will likely expire in the future; and permanently restricted net assets which have donor-imposed restrictions which do not expire. The Organization has no permanently restricted net assets as of June 30, 2018 and 2017.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated commodities are recorded at prices established by the U.S. Department of Agriculture. All donated food is recorded at estimated fair value.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains its cash in deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Minimum cash requirement

In accordance with the terms of a grantor, the Organization is required to maintain unrestricted cash reserves equal to or greater than the average quarter's cash operating expenses, excluding donated food, for the previous fiscal year. Minimum unrestricted cash reserves of the fiscal years ended June 30, 2018 and 2017 were $697,354 and $686,145, respectively.

Accounts receivable
Accounts receivable balances have been adjusted for all known uncollectible accounts. Initial and ongoing credit evaluations are performed, at management's discretion, in order to minimize credit risk, and account balances are reviewed on a regular basis. Organizations not making payments in accordance with terms offered or historical practices are determined to be past due. Accounts are written off when management determines that probability of collection is remote. Therefore, no allowance for doubtful accounts was considered necessary at June 30, 2018 and 2017.

Contributions receivable
Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Management believes that all contributions will be received within one year and therefore, no allowance for uncollectible pledges or net present value is recognized for the year ended June 30, 2018.

Inventory
Inventory consists of perishable and non-perishable foods and related products.

Purchased food is valued at the cost of products purchased as determined by the first-in, first-out method.

The Organization carries all donated inventory, including donations received through Feeding America, at $1.73 and $1.67 per pound at June 30, 2018 and 2017. The valuation per pound is based on the approximate average wholesale value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology prepared for Feeding America. Management believes the estimate to be an accurate measure of the inventory cost.

The Organization carries all federal and state program inventories at the donated value on the date received.

Donated materials and services
Donated vehicles, equipment, investments and services are recorded as public support contributions in the accompanying statements at their estimated fair value at the date of receipt.

Donated services are recorded as public support only if they create or enhance non-financial assets or require specialized services. A number of volunteers have made significant contributions of time to the Organization's policy-making, program and support functions. The value of this contributed time does not meet the criteria existing in accounting standards for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

Property and equipment
Property and equipment is recorded at cost (fair value at date of donation for donated assets) and is depreciated over the estimated useful lives of the respective assets using the straight-line method. The Organization's policy is to capitalize assets with value greater than $5,000.

Member agency fees
Member agency fees represent fees paid by agencies for food handling charges and are recognized when orders of food are distributed to the agencies.

Concentrations
Donated food from Shared Harvest and the USDA accounted for 78% and 79% of all donated food for the years ended June 30, 2018 and 2017, respectively.

Use of estimates in financial statements
In preparing financial statements in conformity with generally accepted accounting principles, management makes 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, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional expense allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities, accordingly, certain costs have been allocated among benefited programs and supporting services. All fundraising costs are charged to fundraising; there are no joint costs.

Income taxes
The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Subsequent events
The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through the report date, the date on which the financial statements were available to be issued.

3. BENEFICIAL INTEREST IN ENDOWMENT FUNDS:

The Organization has a beneficial interest in The Lester L. Haubach Fund for The Foodbank, Inc. (the "Fund"), which is held by The Dayton Foundation under the terms of a fund agreement. In accordance with the agreement, the Organization has the right to receive income earned on the endowment assets. The Fund principal has been classified as a temporarily restricted net asset, with adjustments to the value of the asset recorded as changes in temporarily restricted net assets. When income from the fund is appropriated for expenditure, it is released to unrestricted net assets. The fair value of the Fund was $325,997 and $300,711 at June 30, 2018 and 2017, respectively.

The Organization has established The Foodbank Endowment Fund, a charitable endowment fund, with The Dayton Foundation, of which the Organization is the named beneficiary. The beneficial interest in endowment fund was $2,495,583 and $2,127,514, at June 30, 2018 and 2017, respectively, and represents amounts contributed by the Organization, plus any net subsequent earnings retained in this fund. Net investment earnings of the endowment fund are included in the statements of activities as a change in unrestricted net assets.

4. ENDOWMENT FUNDS:

Generally accepted accounting principles ("GAAP") require that the net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's endowment consists of donor-restricted funds and funds designated by the Board of Directors to function as endowments, of which all funds are held by The Dayton Foundation. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Strategies employed for achieving objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk parameters.

Spending policy and how the investment objectives relate to spending policy
The Organization has adopted investment and spending policies for endowment assets held by The Dayton Foundation, a community foundation.

The policy for those assets held by The Dayton Foundation is to preserve the real purchasing power of the endowed assets, and provide a growing stream of income to be made available for spending, net of inflation. The Organization's spending and investment policies work together to achieve this objective. This investment policy establishes a return objective through diversification of asset classes. The current long-term return objective is for the return to exceed the rate of inflation, as measured by the Consumer Price Index, by 4%. Actual returns in any given year may vary from this amount.

The Dayton Foundation spending policy calculates the amount of money annually distributed from the funds.

The changes in endowment net assets are as follows for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, June 30, 2017	$ 2,127,514	300,711	2,428,225
Change in value of beneficial interest in endowment funds held by The Dayton Foundation	118,069	25,286	143,355
Transfer of cash to board-designated endowment fund	250,000	-	250,000
Endowment net assets, June 30, 2018	$ 2,495,583	325,997	2,821,580

The changes in endowment net assets are as follows for the years ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, July 1, 2016	$ 1,507,427	265,338	1,772,765
Change in value of beneficial interest in endowment funds held by The Dayton Foundation	120,087	35,373	155,460
Transfer of cash to board-designated endowment fund	500,000	-	500,000
Endowment net assets, June 30, 2017	$ 2,127,514	300,711	2,428,225

5. FAIR VALUE:

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value:

Beneficial interest in endowment funds held by The Dayton Foundation: The Organization maintains units of participation in pooled investment fund accounts held at a local community foundation. The investment pool maintains an asset allocation that distributes the pool's investments into a variety of classes including equity securities, fixed income securities, hedge funds and mutual funds. The fair value as reported by The Dayton Foundation is based on the fair value of the individual securities within the pooled account as determined by the custodian using quoted market prices and other techniques, without adjustment by management.

The method previously described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization's management believes that the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2018 and 2017.

The following table presents the Organization's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2018:

	Fair Value Measurements at Reporting Date Using:			
	Total	Level 1	Level 2	Level 3
Beneficial interest in endowment funds held by The Dayton Foundation	$ 2,821,580	-	-	2,821,580

The following table presents the Organization's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2017:

	Fair Value Measurements at Reporting Date Using:			
	Total	Level 1	Level 2	Level 3
Beneficial interest in endowment funds held by The Dayton Foundation	$ 2,428,225	-	-	2,428,225

The table below presents information about fair value measurements that use significant unobservable inputs (Level 3):

	Beneficial interest in endowments held by the Dayton Foundation	
	2018	2017
Balance, beginning of year	$ 2,428,225	1,772,765
Transfers of cash to endowment fund	250,000	500,000
Change in value of beneficial interest in endowment funds, held at end of year	143,355	155,460
Balance, end of year	$ 2,821,580	2,428,225

6. CAPITAL LEASE OBLIGATIONS:

The Organization leases certain vehicles under agreements that are classified as capital leases. These leases mature through June 2023. The cost of vehicles under capital leases included in the statements of financial position is $292,936 and $90,678 with related accumulated amortization of $104,318 and $68,764 at June 30, 2018 and 2017, respectively. Amortization of assets under capital leases is included in depreciation expense. Interest expense on the capital leases was $5,901 and $1,964 for the years ended June 30, 2018 and 2017, respectively.

The future minimum lease payments under the capital leases and the present values of the net minimum lease payments at June 30, 2018, are as follows:

2019	$	57,828
2020		39,228
2021		39,228
2022		39,228
2023		20,688
Total future minimum payments		196,200
Less amounts representing interest		(10,322)
Present value of net minimum lease payments		185,878
Less current maturities		(53,595)
	$	132,283

7. OPERATING LEASES:

The Organization leases office equipment through an operating lease expiring in July 2020. Equipment rental expense under this lease was $7,413 for years ended June 30, 2018 and 2017.

Minimum lease payments under operating lease agreements are as follows:

Year ending June 30:		
2019	$	7,413
2020		7,413
2021		618
	$	15,444

8. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes at June 30:

		2018	2017
Program specific:			
Equipment - donated	$	33,587	48,515
Grants designated for specific purposes		119,308	93,722
The Lester Haubach Fund for The Foodbank, Inc.		325,997	300,711
	$	478,892	442,948

9. EMPLOYEE BENEFITS:

The Organization offers retirement benefits for all of its eligible full-time employees. The defined contribution plan meets the requirements of Internal Revenue Code Section 403(b) and is funded by contributions from the Organization and employees. Contributions are paid as accrued. Employees vest over five years in employer contributions. Organization contributions were $28,934 and $26,156 for the years ended June 30, 2018 and 2017, respectively.

10. RECENT PRONOUNCEMENTS:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. The standard aims to improve not-for-profit financial statements in an effort to provide more useful information to donors, grantors, creditors and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications will be reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions). Updated disclosure requirements will be presented regarding risk exposure and availability of cash for short term use. Expenses will be reported by both their natural and functional classification to aid in the usefulness of financial statements. This standard will be effective for the Organization’s year ending June 30, 2019.

In May 2014, the FASB issued Accounting Standards Update ASU No. 2014-09, Revenue from Contracts with Customers. The standard’s core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. This standard will be effective for the Organization’s year ending June 30, 2020.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The standard will assist entities in determining whether transactions should be recorded as a contribution (nonreciprocal transaction) or as an exchange (reciprocal transaction). The standard also provides expanded guidance on determining whether or not a contribution is conditional. This standard will be effective for the Organization's year ending June 30, 2020.

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending June 30, 2021.

The Organization is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.

Federal Grantor/Pass-Through Entity/Program Title	Federal CFDA Number	Pass-through/ Grant number	Expenditures
U.S. Department of Agriculture:			
Food Distribution Cluster:			
Passed through Shared Harvest Foodbank:			
Emergency Food Assistance Program (Administrative Costs)	10.568	FAIN17172OH55Y8105	$ 191,211
Emergency Food Assistance Program (Food Commodities)	10.569	FAIN17172OH55Y8105	1,581,929
Passed through Ohio Department of Job and Family Services:			
Commodity Supplemental Food Program (Administrative costs)	10.565	FAIN172OH700Y8005	38,562
Commodity Supplemental Food Program (Food Commodities)	10.565	FAIN172OH700Y8005	172,653
			1,984,355
Passed through Ohio Department of Education (ODE):			
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559	IRN 043844	97,137
Total U.S. Department of Agriculture			2,081,492
U.S. Department of Health and Human Services:			
Passed through Ohio Association of Foodbanks:			
Social Services Block Grant	93.667	G1819170205	119,859
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	G1819170205	1,042,771
Total U.S. Department of Health and Human Services			1,162,630
U.S. Department of Homeland Security:			
Passed through the United Way:			
Emergency Food and Shelter National Board Program	97.024	LRO 681800-030	90,000
Total U.S. Department of Homeland Security			90,000
Total expenditures of federal awards			**$** 3,334,122

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Agency under programs of the federal government for the year ended June 30, 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 the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note B - Donated Commodities

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Amounts passed through to subrecipients are reported on the cash basis in accordance with the Uniform Guidance.

Note C - Donated Commodities

The Agency has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Note D - Donated Commodities

The amounts reported as federal expenditures for certain federal programs represents federal commodities distributed to pantries and other qualified agencies during the fiscal year at U.S. Department of Agriculture prices. The value of federal commodities on hand at June 30, 2018 was:

CFDA No. 10.569 $31,250
CFDA No. 10.559 $29,727
CFDA No. 93.667 $129
CFDA No. 93.558 $1,112

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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*

The Board of Directors
The Foodbank, 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 Foodbank, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon November 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Foodbank, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Foodbank, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Foodbank, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Dayton, Ohio
November 7, 2018

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
The Foodbank, Inc.:

Report on Compliance for Each Major Federal Program

We have audited The Foodbank, Inc.'s (a not-for-profit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Foodbank, Inc.'s major federal programs for the year ended June 30, 2018. The Foodbank, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The Foodbank, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 The Foodbank, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Foodbank, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, The Foodbank, Inc. 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 June 30, 2018.

Report on Internal Control Over Compliance

Management of The Foodbank, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Foodbank, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 The Foodbank, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Dayton, Ohio
November 7, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of report issued on financial statements:	unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	none
Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	none
Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with the Uniform Guidance?	none

Identification of major programs:
CFDA 93.558 Temporary Assistance for Needy Families (TANF Cluster)

Dollar threshold to distinguish between Type A and Type B Programs:	$750,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None