The Foodbank, Inc.

Financial Statements and
Accompanying Information
June 30, 2020 and 2019
with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

TABLE OF CONTENTS

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 corporation), which comprise the statements of financial position as of June 30, 2020 and 2019 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, 2020 and 2019, 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 audits were 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 10, 2020, 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 is solely 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 10, 2020

		2020	2019
Assets			
Current assets:			
Cash and cash equivalents	$	2,719,775	1,399,212
Accounts receivable		115,933	97,933
Prepaid expenses		36,348	-
Inventory		955,978	1,357,600
		3,828,034	2,854,745
Property and equipment:			
Assets not yet placed in service		278,882	-
Land and land improvements		455,003	417,542
Buildings and improvements		2,206,316	1,993,922
Furniture, fixtures and equipment		701,094	585,699
Vehicles		696,916	792,676
Software		17,959	17,959
		4,356,170	3,807,798
Less accumulated depreciation		1,280,417	1,162,829
		3,075,753	2,644,969
Beneficial interest in endowment funds held by the Dayton Foundation		6,256,142	4,213,249
Total assets	$	13,159,929	9,712,963
Liabilities and net assets			
Current liabilities:			
Current maturities of capital lease obligation	$	56,291	54,919
Accounts payable		76,224	76,665
Accrued expenses		82,788	64,918
Note payable		241,600	-
		456,903	196,502
Long-term liabilities:			
Non-current portion of capital lease obligation		137,523	193,813
Total liabilities		594,426	390,315
Net assets:			
Without donor restrictions		12,180,325	8,953,668
With donor restrictions		385,178	368,980
Total net assets		12,565,503	9,322,648
Total liabilities and net assets	$	13,159,929	9,712,963

See accompanying notes to the financial statements.

	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Governmental grants	$ 1,528,568	-	1,528,568
United Way allocation	105,674	-	105,674
Contributions	5,762,722	36,469	5,799,191
Net assets released from restrictions	25,000	(25,000)	-
	7,421,964	11,469	7,433,433
Revenues:			
Member agency fees	145,631	-	145,631
Donated food and products	18,246,883	-	18,246,883
Change in value of beneficial interest in endowment funds	38,164	4,729	42,893
Gain on disposal of property and equipment	15,102	-	15,102
Other revenue	56,907	-	56,907
	18,502,687	4,729	18,507,416
	25,924,651	16,198	25,940,849
Expenses:			
Program services	21,795,280	-	21,795,280
Management and general	492,376	-	492,376
Fundraising	410,338	-	410,338
	22,697,994	-	22,697,994
Change in net assets	3,226,657	16,198	3,242,855
Net assets at beginning of year	8,953,668	368,980	9,322,648
Net assets at end of year	$ 12,180,325	385,178	12,565,503

See accompanying notes to the financial statements.

		Without Donor Restrictions	With Donor Restrictions	Total
Public support:				
Governmental grants	$	735,539	-	735,539
United Way allocation		128,857	-	128,857
Contributions		2,627,620	397,461	3,025,081
Net assets released from restrictions		525,356	(525,356)	-
		4,017,372	(127,895)	3,889,477
Revenues:				
Member agency fees		258,313	-	258,313
Donated food and products		18,079,238	-	18,079,238
Change in value of beneficial interest in endowment funds		123,686	17,983	141,669
Other revenue		23,293	-	23,293
		18,484,530	17,983	18,502,513
		22,501,902	(109,912)	22,391,990
Expenses:				
Program services		19,276,801	-	19,276,801
Management and general		397,594	-	397,594
Fundraising		345,540	-	345,540
		20,019,935	-	20,019,935
Change in net assets		2,481,967	(109,912)	2,372,055
Net assets at beginning of year		6,471,701	478,892	6,950,593
Net assets at end of year	$	8,953,668	368,980	9,322,648

	Program Services	Management and General	Fundraising	Total
Goods distributed - in-kind	$ 18,463,022	-	-	18,463,022
Goods distributed - purchased inventory	688,746	-	-	688,746
Salaries and wages	1,080,417	197,070	194,859	1,472,346
Payroll taxes	81,711	19,867	19,645	121,223
Worker's compensation, net of refunds	(47,791)	(13,680)	(13,527)	(74,998)
Employee benefits	112,276	20,479	20,250	153,005
Temporary hire	17,343	3,163	3,127	23,633
Insurance	25,316	8,439	-	33,755
Professional services	6,665	72,773	3,332	82,770
Membership fees	35,061	-	-	35,061
Interest	5,418	-	-	5,418
Dues and subscriptions	-	2,169	-	2,169
Equipment rent	4,086	4,766	3,794	12,646
Vehicle expense	138,793	-	-	138,793
Repairs and maintenance	81,170	13,575	-	94,745
Utilities	46,507	15,502	-	62,009
Telephone and internet	4,044	3,451	2,617	10,112
Office and warehouse	89,170	61,884	35,052	186,106
Garden	38,938	-	-	38,938
Marketing and printing	29,200	2,746	136,738	168,684
Security	4,493	1,498	-	5,991
Conferences and training	10,772	3,679	799	15,250
Miscellaneous	4,080	34,273	3,652	42,005
Freight out	35,967	-	-	35,967
Disaster and pandemic supplies	59,641	-	-	59,641
Agency capacity building	208,000	-	-	208,000
Inventory spoilage	412,364	-	-	412,364
Total expenses before depreciation	21,635,409	451,654	410,338	22,497,401
Depreciation	159,871	40,722	-	200,593
Total expenses	$ 21,795,280	492,376	410,338	22,697,994

	Program Services	Management and General	Fundraising	Total
Goods distributed - in-kind	$ 16,806,084	-	-	16,806,084
Goods distributed - purchased inventory	580,468	-	-	580,468
Salaries and wages	908,331	172,433	155,208	1,235,972
Payroll taxes	73,252	13,292	11,964	98,508
Worker's compensation, net of refunds	5,727	1,701	1,531	8,959
Employee benefits	140,515	26,675	24,010	191,200
Temporary hire	4,919	934	840	6,693
Insurance	21,252	7,084	-	28,336
Professional services	5,771	50,609	2,886	59,266
Membership fees	26,320	-	-	26,320
Interest	4,053	-	-	4,053
Dues and subscriptions	-	1,899	-	1,899
Equipment rent	3,930	4,583	3,648	12,161
Vehicle expense	97,071	-	-	97,071
Repairs and maintenance	33,517	5,078	-	38,595
Utilities	35,838	11,946	-	47,784
Telephone and internet	5,128	4,215	3,476	12,819
Office and warehouse	53,467	15,458	10,765	79,690
Garden	14,952	-	-	14,952
Marketing and printing	11,604	13,954	126,761	152,319
Security	3,725	1,242	-	4,967
Conferences and training	21,189	7,276	1,914	30,379
Miscellaneous	4,931	23,518	2,537	30,986
Bad debt	278	-	-	278
Freight out	36,545	-	-	36,545
Disaster relief	4,683	-	-	4,683
Inventory spoilage	209,127	-	-	209,127
Total expenses before depreciation	19,112,677	361,897	345,540	19,820,114
Depreciation	164,124	35,697	-	199,821
Total expenses	$ 19,276,801	397,594	345,540	20,019,935

See accompanying notes to the financial statements.

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	3,242,855	2,372,055
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		200,593	199,821
Bad debt expense		-	278
Gain on disposal of property and equipment		(15,102)	-
Change in value of beneficial interest in endowment funds		(42,893)	(141,669)
In-kind donation of food and products		(18,246,883)	(18,079,238)
In-kind goods distributed and inventory spoilage		18,875,386	17,015,211
Effects of change in operating assets and liabilities:			
Accounts receivable		(18,000)	(12,954)
Contributions receivable		-	42,000
Prepaid expenses		(36,348)	-
Purchased inventory		(226,881)	(66,184)
Accounts payable		(441)	38,626
Accrued expenses		17,870	12,506
Net cash provided by operating activities		3,750,156	1,380,452
Cash flows from investing activities:			
Transfer of cash to endowment fund held by the Dayton Foundation		(2,000,000)	(1,250,000)
Proceeds of insurance settlements from casualty claims on property and equipment		31,943	-
Assets not yet placed in service		(278,882)	-
Purchases of property and equipment		(369,336)	(51,944)
Net cash used by investing activities		(2,616,275)	(1,301,944)
Cash flows from financing activities:			
Proceeds from note payable		241,600	-
Payments on capital lease obligations		(54,918)	(55,204)
Net cash provided (used) by financing activities		186,682	(55,204)
Increase in cash and cash equivalents		1,320,563	23,304
Cash and cash equivalents, beginning of the year		1,399,212	1,375,908
Cash and cash equivalents, end of the year	$	2,719,775	1,399,212
Supplemental disclosure:			
Interest paid	$	5,418	4,053
Supplemental disclosure of non-cash activity:			
Acquisition of vehicles through capital lease	$	-	118,058

1. NATURE OF THE ORGANIZATION:

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 States Department of Agriculture (USDA), United States Department of Health and Human Services (HHS), Feeding America, Shared Harvest Foodbank, the United Way campaign 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:

Basis of accounting

The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Adoption of new accounting standards

In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU, as subsequently updated, implements a uniform framework for revenue recognition for all revenue earned from customers. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective July 1, 2019, using the modified retrospective method applied to all contracts not completed as of July 1, 2019. As part of the adoption of the ASU, the Organization elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price, and (ii) to apply the standard only to contracts that are not completed at the initial date of application. The adoption of ASU No. 2014-09 did not result in a change to the accounting for any customer contracts. Therefore, no cumulative effect adjustment was recorded.

In June 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU requires that an entity determine whether a received contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If both a barrier and a right of return or a right of release is present, that fact indicates that a recipient is not entitled to the assets contributed until the entity has overcome all barriers in the agreement. The Organization adopted the new standard effective July 1, 2019 using the modified prospective approach. The adoption of ASU No. 2018-08 did not result in a change to the accounting for any contributions.

Basis of presentation
The Organization reports information regarding its financial position and activities according to the following asset classifications:

> Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
>
> Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will likely be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization did not have net assets that must be maintained in perpetuity as of June 30, 2020 and 2019.

Cash and cash equivalents
The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Minimum cash requirement
In accordance with the terms of a grantor, the Organization is required to maintain cash reserves without donor restrictions equal to or greater than the previous year's average quarterly cash operating expenses, which exclude distributions of donated food. Minimum cash reserves of $1,058,743 and $803,463 were required to be maintained for the fiscal years ended June 30, 2020 and 2019, respectively. The Organization was in compliance with the minimum cash requirement.

Accounts receivable
Accounts receivable balances have been adjusted for all known uncollectible accounts. Initial and ongoing credit evaluations are performed at management's discretion. Management reviews individual accounts receivable balances 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, 2020 and 2019.

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 generally carries all donated inventory, including donations received through Feeding America, at $1.62 and $1.68 per pound at June 30, 2020 and 2019. 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.

During 2019, the Organization received a large volume of donated water following a series of tornados that struck the region on May 27, 2019. The significant quantity of donated water on hand at June 30, 2019 impacted the inventory mix. Therefore, the Organization valued the June 30, 2019 donated water inventory utilizing the Feeding America rate of $.52 per pound for beverages. Management believes that this rate more appropriately valued the donated inventory at June 30, 2019. Management has since resumed the Feeding America average wholesale value methodology during the year ended June 30, 2020 as the inventory mix had returned to normal.

Property and equipment
Property and equipment are 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.

Revenue recognition
Funding received for which the resource providers do not receive commensurate value are accounted for as contributions. Unconditional contributions, including unconditional promises to give, are recognized as made. Conditional promises to give are recognized when the conditions on which they depend are met. The Organization receives conditional funding from various governmental grants. This funding is recognized as the Organization meets the donor-imposed conditions, which generally represent incurring allowable costs related to the grant. Accordingly, grant revenues are recognized on cost reimbursement grants in amounts equal to costs incurred or as the service has been rendered. The excess of grant revenue over cash received is recognized as a receivable and the excess of cash received over grant revenue is recognized as a refundable advance.

Contributions are recorded as an increase in net assets without donor restrictions unless specifically restricted by the resource provider. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, the net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions with donor restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions.

The most significant contributions received by the Organization consist of donated food and related products, which are valued on an average wholesale value per pound based on published sources. Donated vehicles, equipment, investments and services are also recorded as 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. Numerous 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.

The Organization also derives a minor portion of its revenues from contracts with customers. The Organization recognizes revenues as services are provided in an amount the Organization expects to be entitled to in exchange for service provided. There is no variable consideration or significant financing components related to contracts with customers.

Concentrations
Donated food from Shared Harvest and the USDA accounted for 83% and 68% of all donated food for the years ended June 30, 2020 and 2019, respectively.

The Organization maintains its cash in bank depository 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.

Functional expense allocation
The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Such allocations are determined by management on an equitable basis. Expenses that are directly related to a specific function are charged directly to that function. Salaries, payroll taxes, and benefits of employees that have responsibilities in multiple areas are allocated based on estimates of where efforts are made. Facility

related costs, including utilities, security, maintenance, and depreciation are allocated based on management's estimate using factors such as square footage utilization.

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).

Use of estimates in financial statements
The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events
The Organization has evaluated subsequent 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 a portion of The Lester L. Haubach Fund for The Foodbank, Inc. (the "Fund"), which is held by The Dayton Foundation. In accordance with the fund agreement, the Organization has the right to receive income earned on the endowment assets. Under the terms of the fund agreement, the Organization's Board of Directors has the right to distribute the fund principal, subject to approval of The Dayton Foundation. Therefore, the Fund is considered to have a purpose restriction and has been classified as part of net assets with donor restrictions. Adjustments to the value of the asset are recorded as changes in net assets with donor restrictions. When income from the fund is appropriated for expenditure, it is released to net assets without donor restrictions. The fair value of the Fund was $348,709 and $343,980 at June 30, 2020 and 2019, 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 the endowment fund was $5,907,433 and $3,869,269 at June 30, 2020 and 2019, 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 net assets without donor restrictions.

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, a community foundation. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Return objectives and risk parameters
The policy for endowment 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. This investment policy establishes a return objective through diversification of asset classes. The Dayton Foundation's investment objective for the endowment assets is for the total return to exceed the rate of inflation, as measured by the Consumer Price Index, by 4% over a 5-year moving average. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on the total return strategy of specific accounts used for these funds by The Dayton Foundation, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The endowment funds held at The Dayton Foundation target 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 donor-restricted endowment assets held by The Dayton Foundation. The Dayton Foundation's spending policy calculates the amount of money that can be distributed from the funds annually.

The changes in endowment net assets are as follows for the years ended June 30, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	$ 2,495,583	325,997	2,821,580
Change in value of beneficial interest in endowment funds held by The Dayton Foundation	123,686	17,983	141,669
Transfer of cash to board-designated endowment fund	1,250,000	-	1,250,000
Endowment net assets, June 30, 2019	3,869,269	343,980	4,213,249
Change in value of beneficial interest in endowment funds held by The Dayton Foundation	38,164	4,729	42,893
Transfer of cash to board-designated endowment fund	2,000,000	-	2,000,000
Endowment net assets, June 30, 2020	$ 5,907,433	348,709	6,256,142

5. LIQUIDITY DISCLOSURES:

The Organization is substantially supported by government grants, contributions and food and product donations. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table presents the financial assets available to meet cash needs for general expenditures within one year at June 30:

	2020	2019
Financial assets:		
Cash	$ 2,719,775	1,399,212
Accounts receivable	115,933	97,933
Endowment fund	6,256,142	4,213,249
Financial assets available at year end	9,091,850	5,710,394
Less those unavailable for general expenditures within one year due to:		
Donor restricted endowment fund	348,709	343,980
Cash designated for specific purposes	36,469	25,000
Minimum cash requirement	1,058,743	803,463
	1,443,921	1,172,443
Financial assets available to meet cash needs for general expenditures within one year	$ 7,647,929	4,537,951

6. 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, 2020 and 2019.

The following tables presents the Organization's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2020 and 2019:

	Fair Value Measurements at June 30, 2020			
	Total	Level 1	Level 2	Level 3
Beneficial interest in endowment funds held by The Dayton Foundation	$ 6,256,142	-	-	6,256,142

	Fair Value Measurements at June 30, 2019			
	Total	Level 1	Level 2	Level 3
Beneficial interest in endowment funds held by The Dayton Foundation	$ 4,213,249	-	-	4,213,249

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	
	2020	2019
Balance, beginning of year	$ 4,213,249	2,821,580
Transfers of cash to endowment fund	2,000,000	1,250,000
Change in value of beneficial interest in endowment funds, held at end of year	42,893	141,669
Balance, end of year	$ 6,256,142	4,213,249

7. CAPITAL LEASE OBLIGATIONS:

The Organization leases certain vehicles under agreements that are classified as capital leases. These leases mature through March 2025. The cost of vehicles under capital leases included in the statements of financial position is $320,316 with related accumulated amortization of $47,568 and $30,703 at June 30, 2020 and 2019, respectively. Amortization of assets under capital leases is included in depreciation expense. Interest expense on the capital leases was $5,418 and $4,053 for the years ended June 30, 2020 and 2019, respectively.

The future minimum lease payments under the capital leases and the present values of the net minimum lease payments at June 30, 2020, are as follows:

2021	$	60,336
2022		60,336
2023		43,341
2024		22,832
2025		15,831
Total future minimum payments		202,676
Less amounts representing interest		(8,862)
Present value of net minimum lease payments		193,814
Less current maturities		(56,291)
	$	137,523

Prior to June 30, 2020, the Organization committed to capital leases for three trucks that were placed in services subsequent to the Organization's year end. In June 2020, the Organization made an advance payment on the capital lease agreements totaling $191,052, which is reflected in the accompanying statements of financial position as assets not yet placed in service. The lease agreements require monthly payments totaling $5,308 through March 2023. The total cost of the vehicles capitalized subsequent to June 30, 2020 under these capital leases was $356,245.

8. PAYCHECK PROTECTION PROGRAM:

During April 2020, the Organization received $241,600 under the Small Business Association's Paycheck Protection Program. The related note accrues interest at a rate of 1.00% per annum with interest payments being deferred for the first 6 months. Under the terms of the loan, all or a portion of the borrowings may be forgiven in accordance with the program requirements, including the provisions of Section 1106 of the CARES Act. Repayments of the unforgiven principal and interest begin on the 15th day and 7th month following the date of the note consisting of equal installments of principal over 18 months, plus interest, with outstanding principal and interest due April 2022. However, during July 2020, the Organization repaid the Paycheck Protection Program note payable in full.

9. OPERATING LEASES:

The Organization leases various office equipment through agreements that are month to month and agreements through July 2025. Equipment rental expense under these leases was $12,646 and $12,161 for years ended June 30, 2020 and 2019, respectively.

Minimum lease payments under operating lease agreements are as follows:

2021	$	7,306
2022		7,296
2023		7,296
2024		7,296
2025		7,296
Thereafter		608
	$	37,098

10. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following purposes at June 30:

		2020	2019
Subject to expenditure for specified purpose:			
Backpack and food programs	$	36,469	-
Composter equipment		-	25,000
The Lester Haubach Fund for The Foodbank, Inc.		348,709	343,980
	$	385,178	368,980

11. RETIREMENT PLAN:

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 401(k) 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 $43,647 and $41,368 for the years ended June 30, 2020 and 2019, respectively.

12. NEW ACCOUNTING PRONOUNCEMENT:

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. 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, 2023.

The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

13. COVID-19:

During March 2020, a novel strain of coronavirus (COVID-19) was declared a pandemic by the World Health Organization. The impact of this pandemic has disrupted the global economy and the extent of the future impact of COVID-19 on the Organization’s operations and financial performance will depend on certain developments, including the continued duration and spread of the outbreak. Impact on the Organization’s operations and funding sources moving forward cannot be predicted, and the extent to which COVID-19 may impact the Organization’s financial condition or results of operations in the upcoming year is uncertain at this time.

Federal Grantor/Pass-Through Entity/Program Title	Federal CFDA Number		Federal Expenditures
U.S. Department of Agriculture:			
Passed through Shared Harvest Foodbank:			
Food Distribution Cluster:			
Emergency Food Assistance Program (Administrative Costs)	10.568	$	344,568
Emergency Food Assistance Program (Food Commodities)	10.569		5,828,560
Passed through Ohio Department of Job and Family Services:			
Food Distribution Cluster:			
Commodity Supplemental Food Program (Administrative costs)	10.565		91,132
Commodity Supplemental Food Program (Food Commodities)	10.565		324,729
			6,588,989
Passed through Ohio Department of Education (ODE):			
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559		136,099
Total U.S. Department of Agriculture			6,725,088
U.S. Department of Health and Human Services:			
Passed through Ohio Association of Foodbanks:			
Social Services Block Grant	93.667		475,024
Temporary Assistance for Needy Families	93.558		955,894
Total U.S. Department of Health and Human Services			1,430,918
U.S. Department of Homeland Security:			
Passed through the United Way:			
Emergency Food and Shelter National Board Program	97.024		60,000
Total U.S. Department of Homeland Security			60,000
		$	8,216,006

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 Foodbank, Inc. under programs of the federal government for the year ended June 30, 2020. 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 Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note B - Summary of Significant Accounting Policies
Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rate
The Organization 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 under the programs with CFDA numbers 10.559, 10.565, 10.569, 93.558 and 93.667. The value of federal commodities on hand for these programs at June 30, 2020 was $608,003.

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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 corporation), which comprise the statement of financial position as of June 30, 2020, 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 10, 2020.

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) as a basis for determining 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 financial statements. 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 10, 2020

CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR 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 corporation) 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, 2020. 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, 2020.

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 10, 2020

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:

Food Distribution Cluster:
CFDA 10.565 – Commodity Supplemental Food Program
CFDA 10.568 – Emergency Food Assistance Program (Administrative Costs)
CFDA 10.569 – Emergency Food Assistance Program (Food Commodities)

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