The Foodbank, Inc.

Financial Statements and

Accompanying Information

June 30, 2017 and 2016

with Independent Auditors' Report

CLARK SCHAEFER HACKETT

CPAs & ADVISORS

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CLARK SCHAEFER HACKETT
CPAs & Advisors

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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, 2017 and 2016 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, 2017 and 2016, 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 3, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Foodbank, Inc.'s internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Dayton, Ohio
November 3, 2017

Assets		2017	2016
Current assets:			
Cash and cash equivalents	$	1,295,407	1,222,961
Accounts receivable		54,947	61,665
Inventory		321,616	402,997
		1,671,970	1,687,623
Property and equipment:			
Land and land improvements		389,052	217,386
Buildings and improvements		1,717,783	1,717,783
Furniture, fixtures and equipment		562,378	552,919
Vehicles		406,493	472,743
Software		17,959	17,959
		3,093,665	2,978,790
Less accumulated depreciation		741,318	604,012
		2,352,347	2,374,778
Beneficial interest in endowment funds held by the Dayton Foundation		2,428,225	1,772,765
Total assets	$	6,452,542	5,835,166
Liabilities and net assets			
Current liabilities:			
Current maturities of capital lease obligation	$	17,383	16,636
Accounts payable		3,852	347
Accrued expenses		51,726	30,053
		72,961	47,036
Non-current portion of capital lease obligation		18,164	35,547
		91,125	82,583
Net assets:			
Unrestricted		5,918,469	5,423,802
Temporarily restricted		442,948	328,781
		6,361,417	5,752,583
Total liabilities and net assets	$	6,452,542	5,835,166

See accompanying notes to the financial statements.

The Foodbank, Inc.
Statement of Activities
Year Ended June 30, 2017

		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		12,843,881	-	12,843,881
Management and general		347,140	-	347,140
Fundraising		218,104	-	218,104
		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

See accompanying notes to the financial statements.

		Unrestricted	Temporarily Restricted	Total
Public support:				
Governmental grants	$	604,786	-	604,786
United Way allocation		104,430	-	104,430
Contributions		1,710,618	-	1,710,618
Net assets released from restriction		14,928	(14,928)	-
		2,434,762	(14,928)	2,419,834
Revenues:				
Member agency fees		275,275	-	275,275
Donated food and products		9,908,201	-	9,908,201
Change in value of beneficial interest in endowment funds		24,372	(7,525)	16,847
Other revenue		19,616	-	19,616
		10,227,464	(7,525)	10,219,939
		12,662,226	(22,453)	12,639,773
Expenses:				
Program services		11,700,687	-	11,700,687
Management and general		341,133	-	341,133
Fundraising		199,940	-	199,940
		12,241,760	-	12,241,760
Change in net assets		420,466	(22,453)	398,013
Net assets at beginning of year		5,003,336	351,234	5,354,570
Net assets at end of year	$	5,423,802	328,781	5,752,583

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	413,934	-	-	413,934
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	1,289	967	967	3,223
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	36,900	11,910	7,482	56,292
Printing and postage	33,707	6,581	64,341	104,629
Event expense	9,725	512	768	11,005
Security	3,334	1,111	-	4,445
Conferences and training	8,717	2,941	321	11,979
Miscellaneous	21,507	8,191	2,888	32,586
Freight out	21,645	-	-	21,645
Inventory spoilage	258,982	-	-	258,982
Total expenses before depreciation	12,696,378	303,081	218,104	13,217,563
Depreciation	147,503	44,059	-	191,562
Total expenses	$ 12,843,881	347,140	218,104	13,409,125

See accompanying notes to the financial statements.

	Program Services	Management and General	Fundraising	Total
Goods distributed - in-kind	$ 9,497,182	-	-	9,497,182
Goods distributed - purchased inventory	500,596	-	-	500,596
Salaries and wages	707,945	127,242	103,857	939,044
Payroll taxes	91,692	16,480	13,452	121,624
Employee benefits	104,563	18,793	15,340	138,696
Insurance	13,196	4,399	-	17,595
Professional services	6,450	53,453	3,224	63,127
Membership fees	21,545	-	-	21,545
Interest	3,672	-	-	3,672
Dues and subscriptions	-	431	-	431
Equipment rent	1,436	1,077	1,077	3,590
Vehicle expense	53,273	-	-	53,273
Repairs and maintenance	46,754	8,952	-	55,706
Utilities	36,988	12,329	-	49,317
Telephone and internet	5,409	4,315	3,797	13,521
Office and warehouse	49,565	17,281	11,172	78,018
Printing and postage	31,422	7,541	44,513	83,476
Event expense	9,548	829	1,243	11,620
Security	4,478	1,493	-	5,971
Conferences and training	9,516	3,301	1,167	13,984
Miscellaneous	36,715	8,505	1,098	46,318
Freight out	15,661	-	-	15,661
Inventory spoilage	319,943	-	-	319,943
Total expenses before depreciation	11,567,549	286,421	199,940	12,053,910
Depreciation	133,138	54,712	-	187,850
Total expenses	$ 11,700,687	341,133	199,940	12,241,760

See accompanying notes to the financial statements.

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	608,834	398,013
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		191,562	187,850
Change in value of beneficial interest in endowment funds		(155,460)	(16,847)
Loss on disposal of fixed assets		17,290	-
In-kind donation of land improvements		(142,546)	-
In-kind donation of food		(11,008,837)	(9,936,056)
In-kind goods distributed and inventory spoilage		10,878,692	9,817,125
Effects of change in operating assets and liabilities:			
Accounts receivable		6,718	(12,044)
Purchased inventory		211,526	83,282
Prepaid expenses		-	9,348
Accounts payable		3,505	(70,406)
Accrued expenses		21,673	(17,436)
Net cash provided by operating activities		632,957	442,829
Cash flows from investing activities:			
Transfer of cash to endowment fund held by the Dayton Foundation		(500,000)	(500,000)
Purchases of property and equipment		(43,875)	(84,739)
Net cash used by investing activities		(543,875)	(584,739)
Cash flows from financing activities:			
Payments on capital lease obligations		(16,636)	(47,401)
Increase/(decrease) in cash and cash equivalents		72,446	(189,311)
Cash and cash equivalents, beginning of the year		1,222,961	1,412,272
Cash and cash equivalents, end of the year	$	1,295,407	1,222,961
Supplemental disclosure:			
Interest paid	$	1,964	3,672

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, 2017 and 2016.

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 statement 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, 2017 and 2016 were $686,145 and $684,219, 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, 2017 and 2016.

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 Feeding America and other donated inventory at $1.67 per pound, 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 79% of all donated food for the years ended June 30, 2017 and 2016.

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).

Reclassifications
Certain items in the prior year financial statements have been reclassified to conform to current year presentation.

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 November 3, 2017, 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 $300,711 and $265,338 at June 30, 2017 and 2016, 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 $2,127,514 and $1,507,427, at June 30, 2017 and 2016, 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 statement 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, 2017:

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, June 30, 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

The changes in endowment net assets are as follows for the years ended June 30, 2016:

		Unrestricted	Temporarily Restricted	Total
Endowment net assets, July 1, 2015	$	983,055	272,863	1,255,918
Change in value of beneficial interest in endowment funds held by The Dayton Foundation		24,372	(7,525)	16,847
Transfer of cash to board-designated endowment fund		500,000	-	500,000
Endowment net assets, June 30, 2016	$	1,507,427	265,338	1,772,765

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 pools investments into a variety of classes including equity securities, fixed income securities, 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 methods 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, 2017 and 2016.

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 following table presents the Organization's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2016:

	Fair Value Measurements at Reporting Date Using:			
	Total	Level 1	Level 2	Level 3
Beneficial interest in endowment funds held by The Dayton Foundation	$ 1,772,765	-	-	1,772,765

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	
	2017	2016
Balance, beginning of year	$ 1,772,765	1,255,918
Transfers of cash to endowment fund	500,000	500,000
Change in value of beneficial interest in endowment funds, held at end of year	155,460	16,847
Balance, end of year	$ 2,428,225	1,772,765

6. CAPITAL LEASE OBLIGATION:

The Organization financed the purchase of a vehicle through a capital lease. The capital lease requires monthly payments of $1,550 through June 2019 and is collateralized by the vehicle. The vehicle had a cost basis of $104,977 at June 30, 2017 and 2016, and a net book value of $57,737 and $68,235 at June 30, 2017 and 2016, respectively. Interest expense on the capital lease was $1,964 and $3,672 for the years ended June 30, 2017 and 2016, respectively.

Minimum future lease payments under the capital lease as of June 30, 2017, were as follows:

2018	$	18,600
2019		18,600
Total future minimum payments		37,200
Less amounts representing interest		(1,653)
Present value of net minimum lease payments		35,547
Less current maturities		(17,383)
	$	18,164

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, 2017 and 2016.

During 2017, the Organization entered into an operating lease agreement for a vehicle. The lease requires monthly payments of $1,724 and expires in February 2023. Equipment rental expense under this lease was $6,896 for the year ended June 30, 2017. The Organization also entered into another vehicle lease agreement in August 2017. The lease requires monthly payments of $1,545 and expires in August 2022.

Minimum lease payments under operating lease agreements are as follows:

Year ending June 30:		
2018	$	43,551
2019		46,641
2020		46,641
2021		39,846
2022		39,228
2023		16,882
	$	232,789

8. TEMPORARILY RESTRICTED NET ASSETS:

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

		2017	2016
Program specific:			
Equipment - donated	$	48,515	63,443
Grants designated for specific purposes		93,722	-
The Lester Haubach Fund for The Foodbank, Inc.		300,711	265,338
	$	442,948	328,781

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 $26,156 and $21,977 for the years ended June 30, 2017 and 2016, respectively.

Federal Grantor/Pass-Through Entity/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture:		
Food Distribution Cluster:		
Passed through Shared Harvest Foodbank:		
Emergency Food Assistance Program (Administrative Costs)	10.568	$ 121,520
Emergency Food Assistance Program (Commodities)	10.569	1,518,269
Passed through Ohio Department of Job and Family Services:		
Commodity Supplemental Food Program (Administrative costs)	10.565	33,955
Commodity Supplemental Food Program (Commodities)	10.565	127,536
		1,801,280
Passed through Ohio Department of Education (ODE):		
Summer Food Service Program	10.559	24,798
Total U.S. Department of Agriculture		**1,826,078**
U.S. Department of Health and Human Services:		
Passed through Ohio Association of Foodbanks:		
Social Services Block Grant	93.667	113,537
Temporary Assistance for Needy Families	93.558	978,906
Total U.S. Department of Health and Human Services		**1,092,443**
Total expenditures of federal awards		**$ 2,918,521**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Foodbank, Inc. under programs of the federal government for the year ended June 30, 2017 presented on the accrual basis of accounting. This 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). The Organization has elected not to use the 10% de minimums indirect cost rate as allowed under the Uniform Guidance.

Note B - 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, 2017 was:

CFDA No. 10.559 $15,373

CFDA No. 10.569 $27,650

CFDA No. 93.667 $9,944

CFDA No. 93.558 $85,733

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<u>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*</u>

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, 2017, 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 3, 2017.

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

Clark, Schaefer, Hackett & Co.

Dayton, Ohio
November 3, 2017

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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 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, 2017. 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, 2017.

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 3, 2017

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 (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

There were no findings noted in the prior audit that were required to be reported in accordance with *Government Auditing Standards.*

The prior audit disclosed no instances of noncompliance with requirements of major federal programs. In addition, no significant deficiencies or material weaknesses with respect to internal controls over compliance with requirements that could have a direct and material effect on a major federal program were reported in the prior year.