

**THE FOODBANK, INC.**  
**(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**THE FOODBANK, INC.**

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**YEARS ENDED JUNE 30, 2021 AND 2020**

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**BRADY WARE**  
& SCHOENFELD

## INDEPENDENT AUDITORS' REPORT

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Board of Directors  
**The Foodbank, Inc.**  
Dayton, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of **The Foodbank, Inc.** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statement of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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.

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## INDEPENDENT AUDITORS' REPORT - CONTINUED

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### 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Prior Period Financial Statements

The financial statements of The Foodbank, Inc. as of June 30, 2020, were audited by other auditors whose report dated November 10, 2020, expressed an unmodified opinion on those statements.

### 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 29, 2021, 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.



Dayton, Ohio  
November 29, 2021

**THE FOODBANK, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 2,473,929	\$ 2,719,775
Accounts receivable	159,200	115,933
Prepaid expenses	-	36,348
Inventory	<u>907,836</u>	<u>955,978</u>
Total current assets	<b>3,540,965</b>	3,828,034
PROPERTY AND EQUIPMENT, NET	<b>4,442,770</b>	3,075,753
BENEFICIAL INTEREST IN ENDOWMENT FUNDS	<u>11,278,011</u>	<u>6,256,142</u>
	<b><u>\$ 19,261,746</u></b>	<b><u>\$ 13,159,929</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of capital lease obligations	\$ 150,005	\$ 56,291
Accounts payable	19,966	76,224
Accrued expenses	95,682	82,788
Paycheck Protection Program loan	-	241,600
Deferred revenue	<u>10,945</u>	<u>-</u>
Total current liabilities	<b>276,598</b>	456,903
LONG-TERM LIABILITIES		
Capital lease obligations, net of current maturities	<u>246,684</u>	<u>137,523</u>
Total liabilities	<u><b>523,282</b></u>	<u>594,426</u>
<b>NET ASSETS</b>		
Without donor restrictions	<b>18,067,551</b>	12,180,325
With donor restrictions	<u>670,913</u>	<u>385,178</u>
	<u><b>18,738,464</b></u>	<u>12,565,503</u>
	<b><u>\$ 19,261,746</u></b>	<b><u>\$ 13,159,929</u></b>

**THE FOODBANK, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>PUBLIC SUPPORT</b>			
Government grants	\$ 3,518,677	\$ -	\$ 3,518,677
United Way allocation	115,281	-	115,281
Contributions	6,428,528	201,556	6,630,084
Net assets released from restrictions	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>
Total Public Support	<u>10,082,486</u>	<u>181,556</u>	<u>10,264,042</u>
<b>REVENUE</b>			
Member agency fees	7,190	-	7,190
Donated food and products	22,219,391	-	22,219,391
Change in value of beneficial interest in endowment funds	917,691	104,179	1,021,870
Other revenue	<u>279,819</u>	<u>-</u>	<u>279,819</u>
Total Revenue	<u>23,424,091</u>	<u>104,179</u>	<u>23,528,270</u>
Total Public Support and Revenue	<u>33,506,577</u>	<u>285,735</u>	<u>33,792,312</u>
<b>FUNCTIONAL EXPENSES</b>			
Program services	26,409,308	-	26,409,308
Management and general	653,014	-	653,014
Fundraising	<u>557,029</u>	<u>-</u>	<u>557,029</u>
Total Functional Expenses	<u>27,619,351</u>	<u>-</u>	<u>27,619,351</u>
<b>CHANGE IN NET ASSETS</b>	5,887,226	285,735	6,172,961
<b>NET ASSETS</b>			
Beginning of year	<u>12,180,325</u>	<u>385,178</u>	<u>12,565,503</u>
End of year	<u>\$ 18,067,551</u>	<u>\$ 670,913</u>	<u>\$ 18,738,464</u>

**THE FOODBANK, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>PUBLIC SUPPORT</b>			
Government 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	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
Total Public Support	<u>7,421,964</u>	<u>11,469</u>	<u>7,433,433</u>
<b>REVENUE</b>			
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	<u>56,907</u>	<u>-</u>	<u>56,907</u>
Total Revenue	<u>18,502,687</u>	<u>4,729</u>	<u>18,507,416</u>
Total Public Support and Revenue	<u>25,924,651</u>	<u>16,198</u>	<u>25,940,849</u>
<b>FUNCTIONAL EXPENSES</b>			
Program services	21,795,280	-	21,795,280
Management and general	492,376	-	492,376
Fundraising	<u>410,338</u>	<u>-</u>	<u>410,338</u>
Total Functional Expenses	<u>22,697,994</u>	<u>-</u>	<u>22,697,994</u>
<b>CHANGE IN NET ASSETS</b>	3,226,657	16,198	3,242,855
<b>NET ASSETS</b>			
Beginning of year	<u>8,953,668</u>	<u>368,980</u>	<u>9,322,648</u>
End of year	<u>\$ 12,180,325</u>	<u>\$ 385,178</u>	<u>\$ 12,565,503</u>

**THE FOODBANK, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2021**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Goods distributed - in-kind	\$ 22,192,808	\$ -	\$ -	\$ 22,192,808
Goods distributed - purchased inventory	1,373,165	-	-	1,373,165
Salaries and wages	1,405,185	236,890	210,528	1,852,603
Payroll taxes	143,126	24,128	21,443	188,697
Employee benefits	156,950	26,459	23,515	206,924
Temporary hire	29,505	4,974	4,421	38,900
Insurance	33,863	11,288	-	45,151
Professional services	15,986	102,424	7,993	126,403
Membership fees	29,316	-	-	29,316
Interest	-	-	8,279	8,279
Dues and subscriptions	-	1,255	-	1,255
Equipment rent	4,920	5,179	4,328	14,427
Vehicle expenses	136,013	-	-	136,013
Repairs and maintenance	110,242	21,940	-	132,182
Utilities	45,908	15,303	-	61,211
Telephone and internet	5,456	4,869	3,314	13,639
Office warehouse	117,260	62,983	45,456	225,699
Garden	67,432	-	-	67,432
Marketing and printing	24,518	12,292	146,815	183,625
Security	3,760	1,253	-	5,013
Conferences and training	36,033	14,212	19,806	70,051
Miscellaneous	2,758	43,165	22,076	67,999
Freight out	31,474	-	-	31,474
Disaster and pandemic supplies	50,182	-	-	50,182
Agency capacity building	16,680	-	-	16,680
Inventory spoilage	106,339	-	-	106,339
Special Events	16,980	1,038	39,055	57,073
Total Functional Expenses Before Depreciation	26,155,859	589,652	557,029	27,302,540
Depreciation	253,449	63,362	-	316,811
Total Functional Expenses	\$ 26,409,308	\$ 653,014	\$ 557,029	\$ 27,619,351

See notes to financial statements.



**THE FOODBANK, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2020**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
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 expenses	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 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 Functional Expenses Before Depreciation	21,635,409	451,654	410,338	22,497,401
Depreciation	159,871	40,722	-	200,593
Total Functional Expenses	\$ 21,795,280	\$ 492,376	\$ 410,338	\$ 22,697,994

See notes to financial statements.

**THE FOODBANK, INC.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 6,172,961	\$ 3,242,855
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	316,811	200,593
Gain on disposal of property and equipment	-	(15,102)
Change in value of beneficial interest in endowment funds	(1,021,870)	(42,893)
In-kind donation of food and products	(22,219,391)	(18,246,883)
In-kind goods distributed and inventory spoilage	<u>22,299,147</u>	<u>18,875,386</u>
	5,547,658	4,013,956
Changes in operating assets and liabilities:		
Accounts receivable	(43,267)	(18,000)
Prepaid expenses	36,348	(36,348)
Purchased inventory	(20,668)	(226,881)
Accounts payable	(56,258)	(441)
Accrued expenses	<u>12,894</u>	<u>17,870</u>
Net Cash Provided by Operating Activities	<u>5,476,707</u>	<u>3,750,156</u>
<b>INVESTING ACTIVITIES</b>		
Transfer of cash to endowment fund held by the Dayton Foundation	(4,000,000)	(2,000,000)
Proceeds of insurance settlements from casualty claims on property and equipment	-	31,943
Assets not yet placed in service	(992,118)	(278,882)
Purchases of property and equipment	<u>(254,237)</u>	<u>(369,336)</u>
Net Cash Used by Investing Activities	<u>(5,246,355)</u>	<u>(2,616,275)</u>
<b>FINANCING ACTIVITIES</b>		
Borrowings on Paycheck Protection Program loan	-	241,600
Payments on capital lease obligations	(234,598)	(54,918)
Repayment of Paycheck Protection Program loan	<u>(241,600)</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>(476,198)</u>	<u>186,682</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(245,846)</b>	<b>1,320,563</b>
<b>CASH</b>		
Beginning of year	<u>2,719,775</u>	<u>1,399,212</u>
End of year	<u>\$ 2,473,929</u>	<u>\$ 2,719,775</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Interest paid	<u>\$ 3,225</u>	<u>\$ 5,418</u>
Non-cash financing transactions:		
Vehicle acquisitions financed by capital lease obligations	<u>\$ 437,473</u>	<u>\$ -</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations - 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.

**Basis of Presentation** - Accounting standards require the Organization to report information regarding the financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions.

**Net Assets With Donor Restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization has no net assets that are required to be maintained in perpetuity.

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

**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 \$1,045,584 and \$1,058,743 were required to be maintained for the fiscal year 2021 and 2020. 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, 2021 and 2020.

**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 \$1.74 and \$1.62 per pound at June 30, 2021 and 2020. 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.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Property and Equipment** - Property and equipment are stated at cost, while donated items are reported at fair value on the date of contribution, and depreciated over their estimated useful lives using the straight-line method. Depreciation expense was \$316,811 and \$200,593 for the years 2021 and 2020. Routine repairs and maintenance are charged to expense when incurred.

The Organization capitalizes all expenditures in excess of \$5,000 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support and net assets with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support and net assets without donor restrictions.

The Organization reviews for impairment of long-lived assets in accordance with accounting standards. These standards require organizations to determine if changes in circumstances indicate that the carrying amount of its long-lived assets may not be recoverable. If a change in circumstances warrants such an evaluation, undiscounted future cash flows from the use and ultimate disposition of the asset, as well as respective market values, are estimated to determine if an impairment exists. Management believes that there has been no impairment of the carrying value of its long-lived assets at June 30, 2021 and 2020.

**Concentrations** - Donated food from Shared Harvest and the USDA accounted for 87% and 83% of all donated food for the year 2021 and 2020.

The Organization's cash as of June 30, 2021 and 2020 were on deposit in one financial institution which, at various times throughout the year were in excess of FDIC insurance limits of \$250,000.

**Contributions** - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the consolidated statement of activities as net assets released from restrictions.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in restricted net assets. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Income Tax Status** - The Organization is a not-for-profit organization incorporated under the laws of the State of Ohio, and is exempt from the payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Organization is subject to federal income tax on any unrelated business taxable income.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Accounting for Uncertainty in Income Taxes** - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Organization's tax returns, to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. This statement provides that a tax benefit from an uncertain tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. Based on its review, management does not believe the Organization has taken any material uncertain tax positions, including any position that would place the Organization's exempt status in jeopardy, as of June 30, 2021 and 2020.

**Functional Allocation of Expenses** - The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The main expenses that are allocated include salaries and wages and related employee benefits and payroll taxes which are allocated on the basis of estimates of time and effort. Facility related costs, including utilities, security, maintenance, and depreciation are allocated based on management's estimate using factors such as square footage utilization.

**Recently Issued Accounting Standards Not Yet Adopted** - In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which will require the recognition of right-to-use assets and lease liabilities for leases previously classified as operating leases by lessees. Since the issuance of this standard, there have been several additional standards issued relative to this topic. These standards will be effective for the calendar year ending December 31, 2022. Early application will be permitted. The Organization is currently in the process of evaluating the impact of adoption of these standards on the financial statements.

**Subsequent Events** - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 29, 2021, the date the financial statements were available to be issued.

**NOTE 2 - REVENUE RECOGNITION**

The FASB issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification ("ASC"). Topic 606 replaced most existing revenue recognition guidance in U.S. GAAP, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Topic 606 does not apply to public support received by the Organization.

The Organization adopted the requirements of the new guidance as of July 1, 2019, utilizing the modified retrospective method of transition. Adoption of the new guidance did not require any changes to the Organization's accounting policies for revenue recognition, trade and other receivables, contract costs, contract liabilities, or deferred costs. Accordingly, there has been no adjustments to net assets or any other statement of financial position accounts as of July 1, 2019, to reflect adoption of the new guidance.

## NOTES TO FINANCIAL STATEMENTS

## NOTE 2 - REVENUE RECOGNITION - CONTINUED

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.

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.

## NOTE 3 - LIQUIDITY AND AVAILABILITY

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets, less those unavailable for general expenditure within one year:

	<b>2021</b>	2020
Financial assets:		
Cash	<b>\$ 2,473,929</b>	\$ 2,719,775
Accounts receivable	<b>159,200</b>	115,933
Beneficial interest in endowment fund	<b>11,278,011</b>	6,256,142
Total financial assets	<b>13,911,140</b>	9,091,850
Less those unavailable for general expenditure within one year due to:		
Donor-restricted endowment fund	<b>452,888</b>	348,709
Donor-restricted for programming	<b>218,025</b>	36,469
Minimum cash requirement	<b>1,045,584</b>	1,058,743
Board designated - matching funds	<b>4,000,000</b>	-
	<b>5,716,497</b>	1,443,921
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 8,194,643</b>	\$ 7,647,929

## NOTES TO FINANCIAL STATEMENTS

## NOTE 4 - PROPERTY AND EQUIPMENT

	<u>2021</u>	<u>2020</u>
Assets Not Yet Placed in Service	\$ 1,226,005	\$ 278,882
Land	182,100	182,100
Land Improvements	290,103	272,903
Building	2,104,722	2,206,316
Vehicles	1,419,920	696,916
Software	58,450	17,959
Furniture and equipment	<u>816,053</u>	<u>701,094</u>
	6,097,353	4,356,170
Less accumulated depreciation	<u>1,654,583</u>	<u>1,280,417</u>
	<u>\$ 4,442,770</u>	<u>\$ 3,075,753</u>

## NOTE 5 - FAIR VALUE MEASUREMENTS

The Organization is required to use inputs for measuring fair value according to the three level hierarchy established in the accounting standards, using the highest level possible (e.g., Level 1) if such inputs are available, and if not, going to the next lower level.

The three levels for measuring fair value are:

**Level 1** - Fair values are determined by reference to quoted market prices in an active market and other relevant information generated by market transactions.

**Level 2** - Fair value is based on model inputs that are observable either directly or indirectly.

**Level 3** - Fair values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair measurement. These inputs reflect assumptions of management using valuation techniques consistent from year to year.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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.

## NOTES TO FINANCIAL STATEMENTS

## NOTE 5 - FAIR VALUE MEASUREMENTS - CONTINUED

The preceding method 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, 2021 and 2020.

Fair values of the Organization's financial assets measured on a recurring basis at June 30, 2021 and 2020 are as follows:

	2021			
	Total	Level 1	Level 2	Level 3
Beneficial interest in endowment funds	\$ 11,278,011	\$ -	\$ -	\$ 11,278,011

  

	2020			
	Total	Level 1	Level 2	Level 3
Beneficial interest in endowment funds	\$ 6,256,142	\$ -	\$ -	\$ 6,256,142

Following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the valuation methodologies used during the years ended June 30, 2021 and 2020:

*Beneficial interest in funds held by others:* Value determined based on the fair value of the underlying trust assets, which is estimated to approximate the present value of the future cash flow of the trust distributions.

For the years ended June 30, 2021 and 2020, there were no transfers to or from Level 3 assets.

## NOTE 6 - 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 \$452,888 and \$348,709 at June 30, 2021 and 2020.

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 \$10,825,124 and \$5,907,433 at June 30, 2021 and 2020, 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 net assets without donor restrictions.



## NOTES TO FINANCIAL STATEMENTS

## NOTE 7 - 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 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
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	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Endowment net assets, June 30, 2020	5,907,433	348,709	6,256,142
Change in value of beneficial interest in endowment funds held by The Dayton Foundation	917,691	104,179	1,021,870
Transfer of cash to board-designated endowment fund	<u>4,000,000</u>	<u>-</u>	<u>4,000,000</u>
Endowment net assets, June 30, 2021	<u>\$ 10,825,124</u>	<u>\$ 452,888</u>	<u>\$ 11,278,012</u>

**THE FOODBANK, INC.****NOTES TO FINANCIAL STATEMENTS**

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**NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Programming	\$ 218,025	\$ 36,469
The Lester Haubach Fund for The Foodbank, Inc.	<u>452,888</u>	<u>348,709</u>
	<u>\$ 670,913</u>	<u>\$ 385,178</u>

**NOTE 9 - CAPITAL LEASES**

The Organization leases certain vehicles under agreements that are classified as capital leases. These leases mature through July 2026. The cost of vehicles under capital leases included in the statements of financial position is \$942,020 and \$320,316, with related accumulated amortization of \$231,259 and \$47,568 at June 30, 2021 and 2020. Amortization of assets under capital leases is included in depreciation expense. Interest expense on the capital leases was \$7,101 and \$5,418 for the year 2021 and 2020.

The following is a schedule of future minimum lease payments under the capitalized leases over the next five years and thereafter together with the present value of the net minimum lease payments at June 30, 2021:

2022	\$ 154,852
2023	137,857
2024	62,998
2025	38,551
2026	10,617
Thereafter	<u>885</u>
Total future minimum lease payments	405,760
Less amounts representing interest	<u>9,071</u>
Present value of net minimum lease payments	396,689
Less current maturities	<u>150,005</u>
	<u>\$ 246,684</u>

**NOTE 10 - 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 \$14,427 and \$12,646 for the years 2021 and 2020.

2022	\$ 7,296
2023	7,296
2024	7,296
2025	7,296
2026	<u>608</u>
	<u>\$ 29,792</u>

NOTES TO FINANCIAL STATEMENTS

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**NOTE 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 \$35,314 and \$43,647 for the years 2021 and 2020.



**BRADY WARE**  
& SCHOENFELD

**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**

---

Board of Directors  
**The Foodbank, Inc.**  
Dayton, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **The Foodbank, Inc.** (the "Organization"), which comprise the statement of financial position as of June 30, 2021, 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 dated November 29, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the 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 were not identified.

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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* -  
CONTINUED**

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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.



Dayton, Ohio  
November 29, 2021



**BRADY WARE**  
& SCHOENFELD

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

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Board of Directors  
**The Foodbank, Inc.**  
Dayton, Ohio

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

We have audited the **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 Organization's major federal programs for the year ended June 30, 2021. The Organization'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 Organization'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 Organization'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 Organization's compliance.

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

In our opinion, the **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, 2021.

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

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### Report on Internal Control Over Compliance

Management of the **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 Organization'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 Organization'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 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 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.



Dayton, Ohio  
November 29, 2021

THE FOODBANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through CFDA Number	Disbursements/ Expenditures
<b>U.S. Department of Agriculture</b>		
<i>Passed through Shared Harvest Foodbank</i>		
Food distribution cluster:		
Emergency Food Assistance Program (Administrative costs)	10.568	\$ 623,151
Emergency Food Assistance Program (Food commodities)	10.569	8,883,520
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Administrative costs)	10.561	8,483
<i>Passed through Ohio Department of Job and Family Services</i>		
Food distribution cluster:		
Commodity Supplemental Food Program (Administrative costs)	10.565	85,766
Commodity Supplemental Food Program (Food commodities)	10.565	<u>242,730</u>
		9,843,650
<i>Passed through Ohio Department of Education (DOE)</i>		
Client nutrition cluster:		
Summer Food Service Program for Children	10.559	<u>23,712</u>
Total U.S. Department of Agriculture		<u>9,867,362</u>
<b>U.S. Department of Health and Human Services</b>		
<i>Passed through Ohio Association of Foodbanks</i>		
Social Services Block Grant	93.667	219,240
Temporary Assistance for Needy Families	93.558	<u>1,445,339</u>
Total U.S. Department of Health and Human Services		<u>1,664,579</u>
<b>U.S. Department of Homeland Security</b>		
<i>Passed through the United Way</i>		
Emergency Food and Shelter National Board Program	97.024	<u>167,945</u>
<b>U.S. Department of Treasurer</b>		
Coronavirus Relief Fund	21.019	<u>1,016,756</u>
<b>TOTAL FEDERAL AWARDS</b>		<u>\$ 12,716,642</u>



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

YEAR ENDED JUNE 30, 2021

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1 - 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, 2021. 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 2 - Summary of Significant Accounting Policies**

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

**Note 3 - 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 4 - 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, 2021 was \$412,663.

**THE FOODBANK, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2021**

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**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the Organization were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award program are reported in the Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were CDFA 10.565 Commodity Supplemental Food Program, CDFA 10.568 - Emergency Food Assistance Program (Administrative Costs), CDFA 10.569 - Emergency Food Assistance Program (Food Commodities), CDFA 21.019 - Coronavirus Relief Fund, and CDFA 93.558 - Temporary Assistance for Needy Families (TANF) State Programs.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Organization did qualify as a low-risk auditee.

**FINDINGS - FINANCIAL STATEMENTS AND COMPLIANCE AUDITS**

No matters are reportable.