

Freestore Foodbank, Inc. and Affiliates

Combined and Consolidated Financial Statements and
Additional Financial Information
June 30, 2021 and 2020
with Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Freestore Foodbank, Inc. and Affiliates:

Report on the Financial Statements

We have audited the accompanying combined and consolidated financial statements of Freestore Foodbank, Inc. and Affiliates (a not-for-profit organization), which comprise the combined and consolidated statements of financial position as of June 30, 2021 and 2020, and the related combined and consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined and consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined and consolidated 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 combined and consolidated 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 combined and consolidated 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 combined and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined and consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined and consolidated 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 combined and consolidated 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 combined and consolidated 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 combined and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Freestore Foodbank, Inc. and Affiliates as of June 30, 2021 and 2020, and the changes in their net assets and their 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 combined and consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and supplemental schedules are presented for purposes of additional analysis and are not a required part of the combined and consolidated 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 combined and consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined and consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined and consolidated financial statements or to the combined and consolidated 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 combined and consolidated 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 September 23, 2021 on our consideration of Freestore Foodbank, Inc. and Affiliates' 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 Freestore Foodbank, Inc. and Affiliates' 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 Freestore Foodbank, Inc. and Affiliates' internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
September 23, 2021

Freestore Foodbank, Inc. and Affiliates
 Combined and Consolidated Statements of Financial Position
 June 30, 2021 and 2020

Assets:	2021	2020
Current assets:		
Cash and cash equivalents	\$ 14,789,343	10,301,572
Restricted cash - Facility maintenance reserve	1,625,248	1,295,219
Cash held for others - Representative Payee	1,180,402	1,385,569
Cash held for others	153,639	128,358
Accounts receivable	975,824	1,597,826
Pledges receivable	5,312,061	4,337,392
Inventory	4,029,007	4,950,328
Prepaid expenses and other	124,101	188,373
Total current assets	28,189,625	24,184,637
Property and equipment:		
Land	6,109,709	1,337,230
Buildings and improvements	12,288,608	12,257,355
Furniture, fixtures and equipment	2,686,757	2,519,699
Construction in progress	774,899	5,600
Vehicles	1,680,267	1,274,529
	23,540,240	17,394,413
Less accumulated depreciation	(8,666,513)	(7,854,078)
Total property and equipment	14,873,727	9,540,335
Other assets:		
Investments	19,988,028	11,692,773
Beneficial interest in charitable trusts	1,445,049	904,251
Pledges receivable, net of current portion	10,942,150	14,577,365
Other	40,249	34,684
Total other assets	32,415,476	27,209,073
Total assets	\$ 75,478,828	60,934,045
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$ 1,453,980	1,236,840
Cash held for others - Representative Payee	1,180,402	1,385,569
Cash held for others	153,639	128,358
Accrued expenses	1,138,752	952,800
Total liabilities	3,926,773	3,703,567
Net assets:		
Without donor restrictions	40,095,979	34,322,340
With donor restrictions	31,456,076	22,908,138
Total net assets	71,552,055	57,230,478
Total liabilities and net assets	\$ 75,478,828	60,934,045

See accompanying notes to the combined and consolidated financial statements.

Freestore Foodbank, Inc. and Affiliates
 Combined and Consolidated Statement of Activities
 Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Contributions and grants	\$ 12,424,169	15,043,019	27,467,188
Government agencies	6,030,990	-	6,030,990
United Way/Community Chest	-	275,763	275,763
Change in interest in irrevocable trusts	-	128,925	128,925
	<u>18,455,159</u>	<u>15,447,707</u>	<u>33,902,866</u>
Revenues:			
Program services:			
Private organizations	82,497	-	82,497
Member agency fees/product resale	291,440	-	291,440
Client services - individuals	95,945	-	95,945
Social enterprises	1,832	-	1,832
Special events	1,464,533	-	1,464,533
In-kind goods and services:			
Advertising services	34,000	-	34,000
Foodbank donations - food and products	49,336,130	-	49,336,130
Investment return, net	2,625,604	97,130	2,722,734
Net loss on disposal of property and equipment	(2,226)	-	(2,226)
Other	324,243	-	324,243
Net assets released from restriction:			
Satisfaction of program and purpose restrictions	3,552,610	(3,552,610)	-
Satisfaction of time restrictions	3,444,289	(3,444,289)	-
	<u>61,250,897</u>	<u>(6,899,769)</u>	<u>54,351,128</u>
	<u>79,706,056</u>	<u>8,547,938</u>	<u>88,253,994</u>
Expenses:			
Client services	5,420,114	-	5,420,114
Workforce development	1,457,237	-	1,457,237
Foodbank:			
In-kind expenses	49,890,676	-	49,890,676
Foodbank supportive services	12,074,578	-	12,074,578
Social enterprises	9,513	-	9,513
Management and general	2,091,914	-	2,091,914
Fundraising	2,988,385	-	2,988,385
	<u>73,932,417</u>	<u>-</u>	<u>73,932,417</u>
Change in net assets	5,773,639	8,547,938	14,321,577
Net assets at beginning of year	<u>34,322,340</u>	<u>22,908,138</u>	<u>57,230,478</u>
Net assets at end of year	\$ <u>40,095,979</u>	<u>31,456,076</u>	<u>71,552,055</u>

See accompanying notes to the combined and consolidated financial statements.

Freestore Foodbank, Inc. and Affiliates
 Combined and Consolidated Statement of Activities
 Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Contributions and grants	\$ 12,127,108	25,726,293	37,853,401
Government agencies	5,275,183	-	5,275,183
United Way/Community Chest	-	308,800	308,800
Change in interest in irrevocable trusts	-	60,220	60,220
	<u>17,402,291</u>	<u>26,095,313</u>	<u>43,497,604</u>
Revenues:			
Program services:			
Private organizations	122,271	-	122,271
Member agency fees/product resale	1,724,665	-	1,724,665
Client services - individuals	107,949	-	107,949
Social enterprises	113,749	-	113,749
Special events	1,362,842	-	1,362,842
In-kind goods and services:			
Advertising services	34,000	-	34,000
Foodbank donations - food and products	52,014,359	-	52,014,359
Investment return, net	186,216	7,152	193,368
Net loss on disposal of property and equipment	(15,657)	-	(15,657)
Other	91,264	-	91,264
Net assets released from restriction:			
Satisfaction of program and purpose restrictions	2,903,813	(2,903,813)	-
Satisfaction of time restrictions	2,721,669	(2,721,669)	-
	<u>61,367,140</u>	<u>(5,618,330)</u>	<u>55,748,810</u>
	<u>78,769,431</u>	<u>20,476,983</u>	<u>99,246,414</u>
Expenses:			
Client services	3,602,248	-	3,602,248
Workforce development	1,364,094	-	1,364,094
Foodbank:			
In-kind expenses	53,293,663	-	53,293,663
Foodbank supportive services	9,182,190	-	9,182,190
Social enterprises	214,354	-	214,354
Management and general	1,833,475	-	1,833,475
Fundraising	2,443,231	-	2,443,231
	<u>71,933,255</u>	<u>-</u>	<u>71,933,255</u>
Change in net assets	6,836,176	20,476,983	27,313,159
Net assets at beginning of year	<u>27,486,164</u>	<u>2,431,155</u>	<u>29,917,319</u>
Net assets at end of year	<u>\$ 34,322,340</u>	<u>22,908,138</u>	<u>57,230,478</u>

See accompanying notes to the combined and consolidated financial statements.

Freestore Foodbank, Inc. and Affiliates
 Combined and Consolidated Statement of Functional Expenses
 Year Ended June 30, 2021

	Program Services				Supporting Services			Total
	Client Services	Workforce		Social Enterprises	Management and General		Fundraising	
		Development	Foodbank		Food and General	Fundraising		
Salaries	\$ 1,850,953	630,854	2,217,035	128	4,698,970	1,009,408	838,208	6,546,586
Employee benefits	316,375	83,699	457,812	64	857,950	377,759	138,298	1,374,007
Payroll taxes	134,851	46,457	154,909	199	336,416	152,190	66,055	554,661
	<u>2,302,179</u>	<u>761,010</u>	<u>2,829,756</u>	<u>391</u>	<u>5,893,336</u>	<u>1,539,357</u>	<u>1,042,561</u>	<u>8,475,254</u>
In-kind food and products distributed	-	-	49,890,676	-	49,890,676	-	-	49,890,676
Specific assistance to individuals	2,306,767	215,081	7,108,023	-	9,629,871	-	-	9,629,871
Fleet	-	17,459	313,300	2,991	333,750	-	84	333,834
Occupancy	255,362	133,114	386,843	2,519	777,838	3,612	14,444	795,894
Data and communications	48,751	13,136	89,274	23	151,184	88,466	94,154	333,804
Equipment, supplies and repairs	31,717	47,196	322,479	-	401,392	19,739	252,723	673,854
Office and mailings	108,147	224	7,247	-	115,618	18,135	790,181	923,934
Advertising	20,080	-	-	-	20,080	-	173,621	193,701
Dues and fees	32,269	788	38,197	118	71,372	226,648	45,077	343,097
Travel, conferences and conventions	5,554	1,888	5,661	-	13,103	17,150	6,933	37,186
Professional fees	9,666	6,045	10,623	37	26,371	30,165	8,404	64,940
Contracted services	81,929	74,122	160,554	32	316,637	54,897	373,928	745,462
Bad debt	-	-	-	-	-	-	166,860	166,860
Miscellaneous	22	-	-	-	22	746	-	768
Insurance	11,437	4,318	12,789	96	28,640	29,751	4,047	62,438
Product purchases	-	-	406,773	522	407,295	-	-	407,295
	<u>5,213,880</u>	<u>1,274,381</u>	<u>61,582,195</u>	<u>6,729</u>	<u>68,077,185</u>	<u>2,028,666</u>	<u>2,973,017</u>	<u>73,078,868</u>
Depreciation	206,234	182,856	383,059	2,784	774,933	63,248	15,368	853,549
	<u>5,420,114</u>	<u>1,457,237</u>	<u>61,965,254</u>	<u>9,513</u>	<u>68,852,118</u>	<u>2,091,914</u>	<u>2,988,385</u>	<u>73,932,417</u>

See accompanying notes to the combined and consolidated financial statements. 6

Freestore Foodbank, Inc. and Affiliates
 Combined and Consolidated Statement of Functional Expenses
 Year Ended June 30, 2020

	Program Services					Supporting Services			Total
	Workforce		Social		Total Program Services	Management and General		Fundraising	
	Client Services	Development	Foodbank	Enterprises					
Salaries	\$ 1,761,780	595,172	2,048,387	89,863	4,495,202	867,417	814,545	6,177,164	
Employee benefits	288,872	74,147	418,340	11,438	792,797	337,585	123,134	1,253,516	
Payroll taxes	110,546	37,928	132,069	8,204	288,747	124,427	57,940	471,114	
	<u>2,161,198</u>	<u>707,247</u>	<u>2,598,796</u>	<u>109,505</u>	<u>5,576,746</u>	<u>1,329,429</u>	<u>995,619</u>	<u>7,901,794</u>	
In-kind food and products distributed	-	-	53,293,663	-	53,293,663	-	-	53,293,663	
Specific assistance to individuals	642,729	234,771	3,658,635	-	4,536,135	-	-	4,536,135	
Fleet	859	10,102	293,206	7,059	311,226	-	704	311,930	
Occupancy	247,675	118,735	364,414	17,695	748,519	3,053	13,117	764,689	
Data and communications	42,901	12,125	70,592	3,294	128,912	104,692	80,704	314,308	
Equipment, supplies and repairs	81,786	41,799	239,163	9,996	372,744	16,671	225,027	614,442	
Office and mailings	73,262	2,832	5,657	125	81,876	51,483	609,578	742,937	
Advertising	19,993	1,000	-	-	20,993	1,739	103,323	126,055	
Dues and fees	37,174	753	62,093	1,025	101,045	182,274	35,237	318,556	
Travel, conferences and conventions	19,001	1,967	13,692	202	34,862	20,973	13,954	69,789	
Professional fees	9,324	5,092	10,135	1,023	25,574	20,303	3,529	49,406	
Contracted services	53,616	64,731	92,491	9,706	220,544	16,384	335,935	572,863	
Bad debt	-	-	334	-	334	-	-	334	
Miscellaneous	53	-	150	365	568	347	6,122	7,037	
Insurance	9,800	3,454	10,772	604	24,630	25,514	3,324	53,468	
Product purchases	-	-	1,414,433	34,290	1,448,723	-	-	1,448,723	
Total expenses before depreciation	3,399,371	1,204,608	62,128,226	194,889	66,927,094	1,772,862	2,426,173	71,126,129	
Depreciation	202,877	159,486	347,627	19,465	729,455	60,613	17,058	807,126	
Total expenses	\$ <u>3,602,248</u>	<u>1,364,094</u>	<u>62,475,853</u>	<u>214,354</u>	<u>67,656,549</u>	<u>1,833,475</u>	<u>2,443,231</u>	<u>71,933,255</u>	

See accompanying notes to the combined and consolidated financial statements. 7

Freestore Foodbank, Inc. and Affiliates
 Combined and Consolidated Statements of Cash Flows
 Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 14,321,577	27,313,159
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	853,549	807,126
Realized and unrealized losses (gains) on investments	(2,607,083)	30,438
Contributions restricted for capital campaign	(8,331,940)	(18,825,811)
Loss on disposal of property and equipment	2,226	15,657
Contribution of beneficial interest in trusts	(411,873)	(599,465)
Bad debt expense	166,860	334
Effects of change in operating assets and liabilities:		
Accounts receivable	622,002	(776,298)
Pledges receivable	2,493,686	(17,948,023)
Inventory	921,321	535,136
Prepaid expenses and other	64,272	20,583
Beneficial interest in charitable trust	(128,925)	(60,220)
Other assets	(5,565)	544,327
Cash held for others	(179,886)	128,358
Accounts payable	(424,028)	291,929
Accrued expenses	185,952	401,655
Net cash provided (used) by operating activities	7,542,145	(8,121,115)
Cash flows from investing activities:		
Proceeds from sale of investments	7,479,099	12,014,375
Purchase of investments	(13,167,271)	(11,738,451)
Capital expenditures	(5,551,999)	(137,666)
Proceeds from sale of capital assets	4,000	27,235
Net cash provided (used) by investing activities	(11,236,171)	165,493
Cash flows from financing activities:		
Contributions restricted for capital campaign	8,331,940	18,825,811
Net cash provided by financing activities	8,331,940	18,825,811
Net change in cash, cash equivalents and restricted cash	4,637,914	10,870,189
Cash, cash equivalents and restricted cash - beginning of the year	13,110,718	2,240,529
Cash, cash equivalents and restricted cash - end of the year	\$ 17,748,632	13,110,718
Reconciliation to Combined and Consolidated Statements of Financial Position:		
Cash and cash equivalents	\$ 14,789,343	10,301,572
Restricted cash - facility maintenance reserve	1,625,248	1,295,219
Restricted cash - cash held for others	1,334,041	1,513,927
	\$ 17,748,632	13,110,718
Supplemental cash flow information:		
Property and equipment included in accounts payable	\$ 641,168	-

See accompanying notes to the combined and consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Freestore Foodbank, Inc. is a not-for-profit corporation that exists to help people throughout the tri-state area of Ohio, Kentucky, and Indiana who are facing crisis because they are unable to meet their basic survival needs. The primary mission of Freestore Foodbank, Inc. is to improve lives by eliminating hunger in partnership with our community. Additionally, Freestore Foodbank, Inc. strives for a hunger-free, healthy and thriving community.

The Freestore Foodbank Foundation is a not-for-profit corporation, whose governing board is comprised of Freestore Foodbank, Inc. trustees and independent trustees. The Foundation grants funds to Freestore Foodbank, Inc. for operations and raises money on its behalf. Corwine Foundation, Inc. is a not-for-profit corporation, whose governing board is comprised of Freestore Foodbank, Inc. trustees and independent trustees, for the purpose of holding property for Freestore Foodbank, Inc. FG-GBH LLC is a not-for-profit limited liability corporation, whose governing board is comprised of Freestore Foodbank, Inc. trustees, for the purpose of constructing, owning, and leasing a distribution warehouse and training center for Freestore Foodbank, Inc.

A summary of significant accounting policies applied in the preparation of the accompanying combined and consolidated financial statements follows.

Principles of combination and consolidation

These combined and consolidated financial statements (the “financial statements”) are the result of the combination of the operations of Freestore Foodbank, Inc., Corwine Foundation, Inc. and The Freestore Foodbank Foundation (the “Agency”) and consolidation of the operations of FG-GBH LLC (“FG-GBH”). All intercompany transactions are eliminated upon combination and consolidation.

Net assets with donor restrictions

The Agency reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

The Agency reports gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Net assets that are subject to donor-imposed stipulations that require the assets be maintained in perpetuity by the Agency are recorded as net assets with donor restrictions. Generally, the donors of these assets permit the Agency to use all or part of the income earned on related investments for general or specific purposes.

Food contributions and other in-kind donations/inventory

Receipt and subsequent distribution of in-kind food contributions are reported in the statements of activities at \$1.72 per pound for both non-USDA and USDA products in 2021. In-kind food contributions are reported in the statement of activities at \$1.81 and \$1.67 per pound for non-USDA and USDA products, respectively, in 2020. Inventory on hand at year-end is also valued at the same amounts per pound. The price per pound is based on price indexes from a Feeding America survey which until FY2020 was adjusted for gross profit based on a local grocery survey. The Agency stopped this practice in FY2020 due to high, unreasonable grocery gross profits which were not representative of the Agency's activities. In December 2016, USDA issued a new version of FD-104 which was intended to update out-of-date references and provide additional clarification on valuing USDA foods. This memo still allows the use of the fair market value (FMV), which the Agency obtains from the Feeding America survey, it just clarifies the FMV of USDA foods must exclude all non-food items. As such, the Agency prepared two product valuations for FY21 and FY20 – one specifically for USDA product received (which excludes non-food items), and one for all other product received. The following table summarizes food inventory activity, in pounds, as of and for the years ended June 30:

	Total Pounds	
	<u>2021</u>	<u>2020</u>
Beginning balance	3,587,220	3,120,024
Donated product	28,657,526	29,848,533
Purchased product	8,813,878	6,403,430
Donated product distributed	(28,694,627)	(28,317,912)
Purchased product distributed	(9,130,785)	(5,642,191)
Physical inventory variance and spoilage	<u>(421,483)</u>	<u>(1,824,664)</u>
Ending balance	<u><u>2,811,729</u></u>	<u><u>3,587,220</u></u>

Products distributed by the Agency which have both been donated by others and purchased from outside vendors are carried at fair value. Purchased and donated inventory amounts to \$4,029,007 and \$4,950,328 at June 30, 2021 and 2020, respectively.

Food contributions decreased 1,191,007 pounds in 2021 to 28,657,526 pounds versus 29,848,533 pounds in 2020. The decrease in donated product was due to a mix of COVID-19 restrictions and supply chain shortages.

The Agency works with Northern Kentucky Area Development District to distribute federal food commodities to other non-profits in Northern Kentucky. While these pounds are not included above, the total amounts distributed were 2,601,537 and 2,376,420 pounds, respectively, in the years ended June 30, 2021 and 2020.

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. Donated services, all of which were advertising services, were estimated at \$34,000 in 2021 and 2020. The Agency received volunteer services of approximately 48,000 and 86,600 hours for the years ended June 30, 2021 and 2020, respectively, which are not recorded in these financial statements as public support in accordance with generally accepted accounting principles.

Functional expense allocation

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Agency. Expenses are directly applied when applicable and are allocated to programs or support services based on periodic time studies, full time employees, square footage, and management’s estimate of time and effort of individual employees and their related duties. Allocated expenses include the following:

<u>Expense</u>	<u>Allocation Method</u>
Salaries, benefits and taxes	Periodic time studies, time and effort, full time employees
Occupancy	Square footage, time and effort, full time employees
Data and communications	Full time employees
Office and mailings	Full time employees
Professional fees	Full time employees
Contracted services	Full time employees
Miscellaneous	Full time employees
Insurance	Full time employees

Depreciation

Property and equipment is recorded at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the depreciable assets. The estimated useful lives are:

Buildings	20 - 40 years
Building improvements	10 - 20 years
Furniture, fixtures and equipment	5 - 8 years
Vehicles	3 - 6 years

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.

Cash and cash equivalents

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

The Agency maintains funds for the maintenance and replacement of its facilities and improvements which is shown as restricted cash in the financial statements. Amounts held for this purpose were \$1,625,248 and \$1,295,219 at June 30, 2021 and 2020, respectively.

The Agency also maintains funds for the use of others which is shown as cash held for others on the statements of financial position. Cash held for others totaled \$1,334,041 and \$1,513,927 at June 30, 2021 and 2020, respectively, which includes amounts for the Representative Payee program. See Note 11 for a description of the Representative Payee program.

Investments and beneficial interest in charitable trusts

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Dividends, interest income, realized and unrealized gains and losses on investments and investment fees, are included as investment return, net on the statements of activities. The beneficial interest in charitable trusts are valued at the estimated fair value of the assets held, which consists of actively traded common stocks and fixed income securities without adjustment by management.

Accounts receivable

The majority of the Agency's accounts receivable are due from other not-for-profit or governmental agencies. It is the opinion of management that the receivables are all collectible. Therefore, an allowance for doubtful accounts has not been provided for in these financial statements.

Pledges receivable

As of June 30, 2021 and 2020, contributors to the Agency have promised to give \$16,254,211 and \$18,914,757. Multi-year pledges are discounted to net present value using the risk-free rate of return in the year pledged. See Note 2 for information on the Capital Campaign. An allowance for uncollectible pledges is recorded when the Agency determines, based on historical experience and collection efforts, that a pledge receivable (carried over from a prior year) is uncollectible. As of June 30, 2021, pledges receivable were net of an allowance for uncollectible pledges of \$151,860. There was no allowance for uncollectible pledges as of June 30, 2020. During 2021, \$15,000 was written off as uncollectible.

Pledges are reviewed quarterly and compared to scheduled payments for collectability. Pledges receivable at June 30, are as follows:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 5,312,061	4,337,392
Due within two to five years	10,521,690	14,516,762
Due thereafter	<u>867,403</u>	<u>200,000</u>
	16,701,154	19,054,154
Less allowance for uncollectible pledges	(151,860)	-
Less discount	<u>(295,083)</u>	<u>(139,397)</u>
	<u>\$ 16,254,211</u>	<u>18,914,757</u>

Subsequent events

The Agency 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 September 23, 2021, the date on which the financial statements were available to be issued.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to be consistent with the current year presentation.

2. CAPITAL CAMPAIGN:

During 2020, the Agency kicked off their \$30 million “Growing Beyond Hunger” capital campaign. The campaign prioritizes investments in infrastructure, capacity building, and service expansion. The campaign and comprehensive long-term response plan will transform Freestore Foodbank’s ability to address emergency relief and ultimately achieve its vision of a hunger-free, healthy, and thriving community. During the years ended June 30, 2021 and 2020, the agency recognized \$8,331,940 and \$18,825,811, respectively, of revenue in pledges and donations from this campaign.

3. INCOME TAXES:

Freestore Foodbank, Inc., Corwine Foundation, Inc., and Freestore Foodbank Foundation have been classified as exempt organizations under Internal Revenue Code Sections 501(c)(3), 501(c)(2) and 501(c)(3), respectively. Freestore Foodbank, Inc. has been classified as a public charity qualified for charitable contributions under Internal Revenue Code Section 170. In addition, Freestore Foodbank Foundation and Corwine Foundation, Inc. are not classified as private foundations as defined in Section 509(a)(1) of the Internal Revenue Code.

4. LINE OF CREDIT:

The Agency has a \$2,000,000 line of credit with a financial institution with interest at LIBOR plus 2.75% (2.84% and 2.93% at June 30, 2021 and 2020, respectively) and is due November 30, 2021. There were no borrowings on the line at June 30, 2021 and 2020. The line of credit is secured by all assets of the Agency.

5. BENEFICIAL INTEREST IN CHARITABLE TRUSTS:

A donor established a perpetual trust with a bank naming the Agency as one of the beneficiaries. Under terms of the split-interest agreement, the Agency is to receive the investment income earned annually for its use into perpetuity. The fair value of the Agency’s interest in this perpetual trust was recorded as a contribution with donor restrictions and as beneficial interest in a charitable trust. Income received from the trust in 2021 and 2020 was \$18,597 and \$10,054, respectively. The principal amount totaled \$271,371 and \$239,118 as of June 30, 2021 and 2020, respectively. Distributions are intended for programs and activities which provide food and clothing to underprivileged persons. The Trust is held by a trustee, in accordance with the trust agreement, and is classified as net assets with donor restrictions.

During fiscal year 2020, the Agency became an income beneficiary of an irrevocable trust with an original value of \$599,465. During fiscal year 2021, the Agency received an additional principal interest in the irrevocable trust of \$411,873. The principal amount of this irrevocable trust totaled \$1,173,678 and \$665,133 as of June 30, 2021 and 2020, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Workforce Development	\$ 427,938	351,004
Endowment	627,103	402,343
Childhood Feeding	506,863	125,891
Client Services	75,515	86,227
Management & General	225,290	103,191
Capital Campaign	26,700,870	18,825,811
Foodbank	139,324	350,897
Fundraising/Special events	<u>1,846</u>	<u>57,970</u>
	<u>28,704,749</u>	<u>20,303,334</u>
 Subject to time restrictions	 <u>1,276,278</u>	 <u>1,670,553</u>
 Investments held in perpetuity:		
Beneficial interest in charitable trusts	1,445,049	904,251
Endowment	<u>30,000</u>	<u>30,000</u>
	<u>1,475,049</u>	<u>934,251</u>
 Total net assets with donor restrictions	 <u>\$ 31,456,076</u>	 <u>22,908,138</u>

7. EMPLOYEE BENEFITS:

The Agency offers retirement benefits for all of its eligible employees through a defined contribution plan, which meets the requirements of Internal Revenue Code Section 403(b) and is funded by contributions from the Agency and employees. Contributions are paid as accrued. Employees vest over five years in employer contributions. Agency contributions were \$284,710 and \$238,190 for the years ended June 30, 2021 and 2020, respectively.

8. 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 Agency 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 inputs 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.

Equity and mutual funds and corporate debt obligations are valued at the net asset value of shares held by the Agency at year end. The beneficial interest in charitable trusts are valued at the estimated fair value of the asset held, which consists of actively traded common stocks and fixed income securities without adjustment by management.

The following table presents the Agency's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2021.

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Cash and cash equivalents	\$ 2,783,213	2,783,213	-	-
Equity securities:				
Healthcare	753,211	753,211	-	-
Financial	659,260	659,260	-	-
Energy	66,162	66,162	-	-
Basic materials	158,701	158,701	-	-
Technology	1,150,143	1,150,143	-	-
Communication services	258,910	258,910	-	-
Utilities	60,449	60,449	-	-
Real estate	140,371	140,371	-	-
Consumer staples	120,001	120,001	-	-
Consumer discretionary	790,965	790,965	-	-
Industrial goods	<u>633,233</u>	<u>633,233</u>	-	-
	<u>4,791,406</u>	<u>4,791,406</u>	-	-
Mutual funds and ETFs:				
Foreign equity	2,476,826	2,476,826	-	-
Real estate	307,252	307,252	-	-
Large cap	<u>4,380,610</u>	<u>4,380,610</u>	-	-
	<u>7,164,688</u>	<u>7,164,688</u>	-	-
Corporate debt obligations	<u>5,248,721</u>	-	<u>5,248,721</u>	-
Beneficial interest in charitable trusts	<u>1,445,049</u>	-	<u>1,445,049</u>	-
	<u>\$21,433,077</u>	<u>14,739,307</u>	<u>6,693,770</u>	-

The following table presents the Agency's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2020.

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Cash and cash equivalents	\$ 440,189	440,189	-	-
Equity securities:				
Healthcare	682,590	682,590	-	-
Financial	442,467	442,467	-	-
Energy	33,491	33,491	-	-
Basic materials	130,234	130,234	-	-
Technology	806,654	806,654	-	-
Communication services	283,038	283,038	-	-
Utilities	75,517	75,517	-	-
Real estate	72,428	72,428	-	-
Consumer staples	211,458	211,458	-	-
Consumer discretionary	471,953	471,953	-	-
Industrial goods	<u>520,466</u>	<u>520,466</u>	<u>-</u>	<u>-</u>
	<u>3,730,296</u>	<u>3,730,296</u>	<u>-</u>	<u>-</u>
Mutual funds and ETFs:				
Foreign equity	1,389,272	1,389,272	-	-
Real estate	310,510	310,510	-	-
Large cap	<u>1,715,169</u>	<u>1,715,169</u>	<u>-</u>	<u>-</u>
	<u>3,414,951</u>	<u>3,414,951</u>	<u>-</u>	<u>-</u>
Corporate debt obligations	<u>4,107,337</u>	<u>-</u>	<u>4,107,337</u>	<u>-</u>
Beneficial interest in charitable trusts	<u>904,251</u>	<u>-</u>	<u>904,251</u>	<u>-</u>
	<u>\$12,597,024</u>	<u>7,585,436</u>	<u>5,011,588</u>	<u>-</u>

9. ENDOWMENT FUNDS:

The Agency implemented guidance requiring that the net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, to be classified and reported based on the existence or absence of donor-imposed restrictions. The Agency's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments, which is held within The Freestore Foodbank Foundation. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Agency has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the

Agency classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that are subject to purpose and/or time restrictions are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the Agency and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Agency; and the investment policies of the Agency.

Funds with deficiencies

From time to time, the fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor requires to be retained in perpetuity. Such deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. Deficiencies of this nature are reported as part of net assets without donor restrictions.

Return objectives and risk parameters

The Agency has adopted investment and spending policies for endowment assets that attempt to provide for long-term growth in excess of inflation, annual distributions and expenses. The return objective shall be accomplished utilizing a strategy of equities, fixed income and cash equivalents. The performance objectives will be measured against appropriate industry benchmarks such as the S&P 500 Index, Russell 3000 Stock Index, and other indexes.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Agency 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 Agency targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Agency has a policy of annually appropriating five percent of its previous twelve quarter moving average endowment fund balance as needed. Any distributions in excess of the normal annual distribution require approval of the Board of Trustees of The Freestore Foodbank Foundation. In establishing this policy, the Agency considered the long-term expected return on its endowment. Accordingly, this spending policy should, over time, protect the inflation-adjusted value of the endowment and, consequently, allow inflation-adjusted spending to occur in the distant future. This is consistent with the Agency's objective to maintain purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Agency's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The portion of the Agency's endowment funds classified as with donor restrictions are donor-restricted and the portion classified as without donor restrictions are board-designated endowment funds.

The changes in endowment net assets are as follows for the years ended June 30, 2021 and 2020 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2019	\$ 11,582,958	416,177	11,999,135
Investment return, net	185,999	7,152	193,151
Contributions	398,390	79,214	477,604
Appropriation of assets for expenditures	<u>(906,917)</u>	<u>(70,200)</u>	<u>(977,117)</u>
Endowment net assets, June 30, 2020	11,260,430	432,343	11,692,773
Investment return, net	2,396,158	97,130	2,493,288
Contributions	6,597,388	129,130	6,726,518
Appropriation of assets for expenditures	<u>(953,094)</u>	<u>(1,500)</u>	<u>(954,594)</u>
Endowment net assets, June 30, 2021	\$ <u>19,300,882</u>	<u>657,103</u>	<u>19,957,985</u>

10. COMMITMENTS:

Freestore Foodbank, Inc. leases office and warehouse space from Corwine Foundation, Inc. Under the lease agreements, which expire in June 2032, monthly lease payments were \$45,750 and \$45,492 for the years ended June 30, 2021 and 2020, respectively. These transactions are eliminated upon the combination of the financial statements.

The Agency leases warehouse space under a lease that expires December 2021. Rent expense for the warehouse was \$137,950 and \$134,850 for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021, future minimum lease payments are \$68,975 for fiscal year 2022.

11. REPRESENTATIVE PAYEE PROGRAM:

The Agency is appointed by the Social Security Administration to act as a representative payee. The Agency receives Social Security and/or SSI benefits for customers who cannot manage or cannot direct someone else to manage their money. The main responsibilities of a payee are to use the benefits to pay for the current and foreseeable needs of the beneficiary and properly save any benefits not needed to meet current needs. The Agency managed monthly receipts averaging \$633,658 and \$555,043 for the years ended June 30, 2021 and 2020, respectively.

12. LIQUIDITY:

The Agency is substantially supported by federal grants and food and product donations. The Agency also receives contributions with and without donor restrictions. Because some donor restrictions require resources to be used in a particular manner or in a future period, the Agency must maintain sufficient

resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Agency has a line of credit available to meet cash flow needs (Note 4). The following table presents the financial assets available to meet cash needs for general expenditures within one year at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 14,789,343	10,301,572
Restricted cash	2,959,289	2,809,146
Accounts receivable	975,824	1,597,826
Current pledges receivable	5,312,061	4,337,392
Investments	<u>19,988,028</u>	<u>11,692,773</u>
Financial assets available at year-end	<u>44,024,545</u>	<u>30,738,709</u>
Less those unavailable for general expenditures within one year due to:		
Restricted cash – Representative Payee	1,180,402	1,385,569
Restricted cash – Cash held for others	153,639	128,358
Pledges receivable with purpose restriction	4,904,451	4,119,292
Donor restricted endowment	657,103	432,343
Assets with donor purpose restrictions	<u>12,891,627</u>	<u>2,591,660</u>
	<u>19,787,222</u>	<u>8,657,222</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 24,237,323</u>	<u>22,081,487</u>

13. CONDITIONAL PROMISES TO GIVE:

As of June 30, 2021, the Agency had an outstanding balance totaling \$911,993 related to reimbursement and matching grants with contract terms spanning multiple fiscal years. No amounts have been recognized during 2021 as the conditions have not been satisfied.

14. RISKS AND UNCERTAINTIES:

On March 11, 2020 the World Health Organization declared the outbreak of novel coronavirus (COVID19) as a global pandemic. The extent of the impact of COVID-19 pandemic on the Agency's operational and financial performance is still being determined. Management believes the pandemic will have long-term repercussions on the community we serve. Specific assistance to individuals in fiscal year 2021 increased over 100% from fiscal year 2020. The Agency will continue to invest in stabilizing the community into fiscal year 2022.

15. PAYCHECK PROTECTION PROGRAM:

April 11, 2020, the Organization entered into a loan of \$1,200,800 under the Small Business Administration's Paycheck Protection Program (PPP). The PPP program allows for a portion of the loan (up to the full amount) to be forgiven based on qualifying expenses. During 2020, the Agency incurred qualifying expenses in excess of the loan amount and has recognized the full amount of the loan in contributions on the 2020 statement of activities. The full loan amount was forgiven during 2021.

16. NEW ACCOUNTING PRONOUNCEMENT:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Agency's year ending June 30, 2023.

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

Freestore Foodbank, Inc. and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

<u>Federal Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture:</u>		
Food Distribution Cluster:		
<i>Passed through Ohio Department of Job & Family Services</i>		
Commodity Supplemental Food Program - Senior Box Program	10.565	\$ 247,093
Commodity Supplemental Food Program - Senior Box Program Distributed Product	10.565	2,172,215
Emergency Food Assistance Program (Administrative Costs)	10.568	761,723
Emergency Food Assistance Program (Food Commodities)	10.569	5,543,379
COVID-19 - Emergency Food Assistance Program (FFCRA)	10.568	13,229
COVID-19 - Emergency Food Assistance Program (CARES)	10.568	213,539
COVID-19 - Emergency Food Assistance Program (FFCRA) Distributed Product	10.569	755,641
COVID-19 - Emergency Food Assistance Program (CARES) Distributed Product	10.569	2,515,349
COVID-19 - Emergency Food Assistance Program (COSUP) Distributed Product	10.569	35,917
<i>Passed through Indiana State Department of Health</i>		
Emergency Food Assistance Program (Administrative Costs)	10.568	19,815
Emergency Food Assistance Program (Food Commodities)	10.569	576,752
Commodity Supplemental Food Program - Senior Box Program (CSFP)	10.565	12,985
Commodity Supplemental Food Program - Senior Box Program (CSFP) Distributed Product	10.565	87,674
COVID-19 - Emergency Food Assistance Program (CARES) Distributed Product	10.569	90,460
COVID-19 - Emergency Food Assistance Program (CARES)	10.568	24,195
COVID-19 - Emergency Food Assistance Program (CARES) Distributed Product	10.569	<u>107,539</u>
		<u>13,177,505</u>
<i>Passed through Ohio Department of Job & Family Services</i>		
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	138,479
Trade Mitigation Program Eligible Recipient Agency Operational Funds Distributed Product	10.178	4,586,431
<i>Passed through Indiana State Department of Health</i>		
Trade Mitigation Program Eligible Recipient Agency Operational Funds Distributed Product	10.178	416,505
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	<u>4,751</u>
		<u>5,146,166</u>
<i>Passed through Ohio Department of Education</i>		
Child and Adult Care Food Program	10.558	28,576
<i>Passed through Kentucky Department of Education</i>		
Child and Adult Care Food Program	10.558	<u>560</u>
		<u>29,136</u>
<i>Passed through Ohio Department of Education</i>		
Summer Food Service Program for Children - Child Nutrition Cluster	10.559	51,971
<i>Passed through Kentucky Department of Education</i>		
Summer Food Service Program for Children - Child Nutrition Cluster	10.559	<u>3,299</u>
		<u>55,270</u>
<i>Passed through Feeding Kentucky</i>		
Community Foods Project	10.225	<u>6,792</u>
<i>Passed through Ohio Association of Foodbanks</i>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program- SNAP Cluster	10.561	<u>229,792</u>
 Total U.S. Department of Agriculture		 <u>18,644,661</u>

Freestore Foodbank, Inc. and Affiliates
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2021

<u>Federal Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development:</u>		
<i>Passed through City of Cincinnati, Ohio</i>		
Community Development Block Grants/Entitlement Grants - CDBG Entitlement Grant cluster	14.218	233,377
Community Development Block Grants/Entitlement Grants - CDBG Entitlement Grant cluster	14.218	100,000
Community Development Block Grants/Entitlement Grants - CDBG Entitlement Grant cluster	14.218	94,360
<i>Passed through Hamilton County, Ohio</i>		
Community Development Block Grants/Entitlement Grants - CDBG Entitlement Grant cluster	14.218	300,000
		727,737
 <i>Passed through Strategies to End Homelessness</i>		
COVID-19 - Emergency Solutions Grant Program (CARES)	14.231	81,379
 Total U.S. Department of Housing and Urban Development		809,116
 <u>U.S. Department of Health and Human Services:</u>		
<i>Passed through Cincinnati Health Network</i>		
Health Center Program - Health Center Program Cluster	93.224	323,463
 <i>Passed through Ohio Association of Foodbanks</i>		
Temporary Assistance For Needy Families (TANF)	93.558	50,000
Temporary Assistance For Needy Families (TANF)		
Ohio Food Program	93.558	240,838
Ohio Food Program Food Commodities	93.558	7,652,812
Summer Meals Program	93.558	55,372
Summer Meals Programs Distributed Product	93.558	447,838
		8,446,860
Social Services Block Grant		
Ohio Food Program (Administrative Costs)	93.667	26,760
Ohio Food Program (Food Commodities)	93.667	850,313
Fresh Food Capacity Building	93.667	59,705
		936,778
 Total U.S. Department of Health and Human Services		9,707,101
 <u>U.S. Department of Homeland Security:</u>		
<i>Passed through United Way of Greater Cincinnati</i>		
Emergency Food and Shelter National Board Program	97.024	83,166
COVID-19 - Emergency Food and Shelter National Board Program (CARES)	97.024	113,338
 Total U.S. Department of Homeland Security		196,504
 <u>U.S. Department of Treasury:</u>		
<i>Passed through Hamilton County, Ohio</i>		
COVID-19 - Coronavirus Relief Fund	21.019	1,976,000
<i>Passed through United Way of Greater Cincinnati</i>		
COVID-19 - Coronavirus Relief Fund	21.019	4,796
 Total U.S. Department of Treasury		1,980,796
 Total expenditures of federal awards		\$ 31,338,178

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Freestore Foodbank, Inc. and Affiliates 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 Freestore Foodbank, Inc. and Affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Freestore Foodbank, Inc. and Affiliates.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

Freestore Foodbank, Inc and Affiliates has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D - DONATED COMMODITIES

The amounts reported as commodities or distributed products represent federal commodities distributed through states to local agencies under the programs with Assistance Listing Numbers 10.178, 10.565, 10.569, 93.558 and 93.667. The amount of commodities on hand for these programs is \$3,137,470 at June 30, 2021.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees
Freestore Foodbank, Inc. and Affiliates:

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 combined and consolidated financial statements of Freestore Foodbank, Inc. and Affiliates (a not-for-profit organization), which comprise the combined and consolidated statement of financial position as of June 30, 2021, and the related combined and consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined and consolidated financial statements, and have issued our report thereon dated September 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined and consolidated financial statements, we considered Freestore Foodbank, Inc. and Affiliates' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined and consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Freestore Foodbank, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Freestore Foodbank, Inc. and Affiliates' 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 Freestore Foodbank, Inc. and Affiliates' combined and consolidated 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 combined and consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Cincinnati, Ohio
September 23, 2021

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

The Board of Trustees
Freestore Foodbank, Inc. and Affiliates:

Report on Compliance for Each Major Federal Program

We have audited Freestore Foodbank, Inc. and Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Freestore Foodbank, Inc. and Affiliates' major federal programs for the year ended June 30, 2021. Freestore Foodbank, Inc. and Affiliates' 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 Freestore Foodbank, Inc. and Affiliates' 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 Freestore Foodbank, Inc. and Affiliates' 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 Freestore Foodbank, Inc. and Affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, Freestore Foodbank, Inc. and Affiliates 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.

Report on Internal Control Over Compliance

Management of Freestore Foodbank, Inc. and Affiliates 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 Freestore Foodbank, Inc. and Affiliates' 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 Freestore Foodbank, Inc. and Affiliates' internal control over compliance.

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

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

Cincinnati, Ohio
September 23, 2021

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?	no
Significant deficiency(ies) identified not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	no
Significant deficiency(ies) identified not considered to be material weaknesses?	none reported

Type of auditors' report issued on compliance for major programs:	unmodified
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Any audit findings that are required to be reported in accordance with Uniform Guidance?	no
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Identification of major programs:

Assistance Listing Number 21.019 – Coronavirus Relief Fund
 Assistance Listing Number 93.558 – Temporary Assistance for Needy Families (TANF)

Dollar threshold to distinguish between Type A and Type B Programs:	\$940,145
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Auditee qualified as low-risk auditee?	yes
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Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Freestore Foodbank, Inc. and Affiliates
Combining and Consolidating Statement of Financial Position
June 30, 2021

Assets:	Freestore Foodbank, Inc.	FG-GBH LLC	Eliminations	Consolidated Total	The Freestore				
					Foundation, Inc.	Foodbank Foundation, Inc.	Combined Total		
Current assets:									
Cash and cash equivalents	\$ 14,555,335	234,008	-	14,789,343	-	-	14,789,343		
Restricted cash - Facility maintenance reserve	-	-	-	-	1,625,248	-	1,625,248		
Cash held for others - Representative Payee	1,180,402	-	-	1,180,402	-	-	1,180,402		
Cash held for others	153,639	-	-	153,639	-	-	153,639		
Accounts receivable	5,975,824	-	(5,000,000)	975,824	-	-	975,824		
Pledges receivable	5,268,691	-	-	5,268,691	-	43,370	5,312,061		
Inventory	4,029,007	-	-	4,029,007	-	-	4,029,007		
Prepaid expenses and other	112,605	-	-	112,605	11,496	-	124,101		
Total current assets	31,275,503	234,008	(5,000,000)	26,509,511	1,636,744	43,370	28,189,625		
Property and equipment:									
Land	-	4,772,479	-	4,772,479	1,337,230	-	6,109,709		
Buildings and improvements	-	-	-	-	12,288,608	-	12,288,608		
Furniture, fixtures and equipment	2,036,740	-	-	2,036,740	650,017	-	2,686,757		
Construction in progress	133,731	641,168	-	774,899	-	-	774,899		
Vehicles	1,680,267	-	-	1,680,267	-	-	1,680,267		
Less accumulated depreciation	3,850,738	5,413,647	-	9,264,385	14,275,855	-	23,540,240		
	(2,361,131)	-	-	(2,361,131)	(6,305,382)	-	(8,666,513)		
Total property and equipment	1,489,607	5,413,647	-	6,903,254	7,970,473	-	14,873,727		
Other assets:									
Investments	30,043	-	-	30,043	-	19,957,985	19,988,028		
Beneficial interest in charitable trusts	271,371	-	-	271,371	-	1,173,678	1,445,049		
Pledges receivable, net of current portion	9,950,745	-	-	9,950,745	-	991,405	10,942,150		
Other	35,249	-	-	35,249	5,000	-	40,249		
Total other assets	10,287,408	-	-	10,287,408	5,000	22,123,068	32,415,476		
Total assets	\$ 43,052,518	5,647,655	(5,000,000)	43,700,173	9,612,217	22,166,438	75,478,828		
Liabilities and net assets:									
Current liabilities:									
Accounts payable	\$ 803,330	5,647,655	(5,000,000)	1,450,985	2,995	-	1,453,980		
Cash held for others - Representative Payee	1,180,402	-	-	1,180,402	-	-	1,180,402		
Cash held for others	153,639	-	-	153,639	-	-	153,639		
Accrued expenses	1,119,912	-	-	1,119,912	-	18,840	1,138,752		
Total current liabilities	3,257,283	5,647,655	(5,000,000)	3,904,938	2,995	18,840	3,926,773		
Net assets:									
Without donor restrictions	11,204,715	-	-	11,204,715	9,609,222	19,282,042	40,095,979		
With donor restrictions	28,590,520	-	-	28,590,520	-	2,865,556	31,456,076		
Total net assets	39,795,235	-	-	39,795,235	9,609,222	22,147,598	71,552,055		
Total liabilities and net assets	\$ 43,052,518	5,647,655	(5,000,000)	43,700,173	9,612,217	22,166,438	75,478,828		

See independent auditors' report
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	Freestore Foodbank, Inc.		Corwine Foundation, Inc.		The Freestore Foodbank Foundation, Inc.		Total		
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
Public support:									
Contributions and grants	\$ 12,086,371	14,275,366	-	26,361,737	-	337,798	12,424,169	15,043,019	27,467,188
Government agencies	6,030,990	-	-	6,030,990	-	-	6,030,990	-	6,030,990
United Way/Community Chest	-	275,763	-	275,763	-	-	-	275,763	275,763
Change in interest in irrevocable trusts	-	32,253	-	32,253	-	-	-	128,925	128,925
	<u>18,117,361</u>	<u>14,583,382</u>	-	<u>32,700,743</u>	-	<u>337,798</u>	<u>18,455,159</u>	<u>15,447,707</u>	<u>33,902,866</u>
Revenues:									
Program services:									
Private organizations	82,497	-	-	82,497	-	-	82,497	-	82,497
Member agency fees/product resale	291,440	-	-	291,440	-	-	291,440	-	291,440
Client services - individuals	95,945	-	-	95,945	-	-	95,945	-	95,945
Social enterprises	1,832	-	-	1,832	-	-	1,832	-	1,832
Special events	1,464,533	-	-	1,464,533	-	-	1,464,533	-	1,464,533
In-kind goods and services:									
Advertising services	34,000	-	-	34,000	-	-	34,000	-	34,000
Foodbank donations - food and products	49,336,130	-	-	49,336,130	-	-	49,336,130	-	49,336,130
Investment return, net	3,441	-	-	3,441	-	-	2,625,604	-	2,722,734
Net loss on disposal of property and equipment	(2,226)	-	-	(2,226)	-	-	(2,226)	-	(2,226)
Other	324,243	-	-	324,243	-	-	324,243	-	324,243
Intercompany:									
Rental revenue/(expense)	(548,998)	-	-	(548,998)	-	-	-	-	-
Donation to Freestore Foodbank, Inc./from Freestore Foodbank Foundation	953,094	-	-	953,094	-	(953,094)	-	-	-
Donation to Freestore Foodbank Foundation, Inc. from Freestore Foodbank, Inc.)	(6,000,000)	-	-	(6,000,000)	-	6,000,000	-	-	-
Net assets released from restriction:	3,551,110	(3,551,110)	-	-	1,500	(1,500)	3,552,610	(3,552,610)	-
Satisfaction of program and purpose restrictions	3,411,349	(3,411,349)	-	-	32,940	(32,940)	3,444,289	(3,444,289)	-
Satisfaction of time restrictions	52,998,390	(6,962,459)	-	46,035,931	548,998	7,703,509	61,250,897	(6,899,769)	54,351,128
	<u>71,115,751</u>	<u>7,620,923</u>	-	<u>78,736,674</u>	<u>548,998</u>	<u>8,041,307</u>	<u>79,706,056</u>	<u>8,547,938</u>	<u>88,253,994</u>
Expenses:									
Client services	5,217,250	-	-	5,217,250	202,864	-	5,420,114	-	5,420,114
Workforce development	1,318,226	-	-	1,318,226	137,511	1,500	1,457,237	-	1,457,237
Foodbank:									
In-kind expenses	49,890,676	-	-	49,890,676	-	-	49,890,676	-	49,890,676
Supportive services	11,778,559	-	-	11,778,559	296,019	-	12,074,578	-	12,074,578
Social enterprises	9,513	-	-	9,513	-	-	9,513	-	9,513
Management and general	2,032,602	-	-	2,032,602	49,179	10,133	2,091,914	-	2,091,914
Fundraising	2,971,762	-	-	2,971,762	16,623	-	2,988,385	-	2,988,385
	<u>73,218,588</u>	-	-	<u>73,218,588</u>	<u>702,196</u>	<u>11,633</u>	<u>73,932,417</u>	-	<u>73,932,417</u>
Change in net assets	(2,102,837)	7,620,923	(153,198)	5,518,086	(153,198)	8,029,674	5,773,639	8,547,938	14,321,577
Net assets at beginning of year	13,307,552	20,969,597	9,762,420	34,277,149	9,762,420	11,252,368	34,322,340	22,908,138	57,230,478
Net assets at end of year	\$ 11,204,715	28,590,520	9,609,222	39,795,235	9,609,222	19,282,042	40,095,979	31,456,076	71,552,055

