

Freestore Foodbank, Inc. and Affiliates

Combined and Consolidated Financial Statements and
Additional Financial Information
June 30, 2023 and 2022
with Independent Auditors' Report

TABLE OF CONTENTS

Independent Auditors' Report	1-3
Combined and Consolidated Financial Statements:	
Combined and Consolidated Statements of Financial Position	4
Combined and Consolidated Statements of Activities	5-6
Combined and Consolidated Statements of Functional Expenses	7-8
Combined and Consolidated Statements of Cash Flows.....	9
Notes to the Combined and Consolidated Financial Statements.....	10-23
Additional Financial Information:	
Schedule of Expenditures of Federal Awards.....	24-25
Supplemental Reports:	
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 <i>Government Auditing Standards</i>	26-27
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	28-30
Schedule of Findings and Questioned Costs.....	31-32
Corrective Action Plan	33-34
Supplemental Schedules:	
Combining and Consolidating Statement of Financial Position.....	35
Combining and Consolidating Statement of Activities	36

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Combined and Consolidated Financial Statements**Opinion**

We have audited the accompanying combined and consolidated financial statements of Freestore Foodbank, Inc. and Affiliates (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined and consolidated financial statements.

In our opinion, the combined and consolidated financial statements present fairly, in all material respects, the financial position of Freestore Foodbank, Inc. and Affiliates as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined and Consolidated Financial Statements section of our report. We are required to be independent of Freestore Foodbank, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Combined and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the combined and consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined and consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Freestore Foodbank, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the combined and consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined and consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined and consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined and consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Freestore Foodbank, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined and consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Freestore Foodbank, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary 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 25, 2023 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 25, 2023

Freestore Foodbank, Inc. and Affiliates
Combined and Consolidated Statements of Financial Position
June 30, 2023 and 2022

Assets:	2023	2022
Current assets:		
Cash and cash equivalents	\$ 7,859,314	9,213,668
Restricted cash - Facility maintenance reserve	855,857	529,323
Cash held for others - Representative Payee	1,201,588	815,073
Cash held for others	1,252	2,121
Restricted cash - Loan reserve	6,051,424	17,830,920
Accounts receivable	1,324,850	1,116,512
Pledges receivable	4,351,806	5,155,284
Inventory	4,336,624	3,752,300
Prepaid expenses and other	334,433	251,152
Total current assets	<u>26,317,148</u>	<u>38,666,353</u>
Property and equipment:		
Land	5,749,386	6,109,709
Buildings and improvements	35,812,137	12,288,608
Furniture, fixtures and equipment	3,949,566	3,106,153
Construction in progress	-	13,981,306
Vehicles	1,713,053	1,574,387
	<u>47,224,142</u>	<u>37,060,163</u>
Less accumulated depreciation	<u>(6,573,661)</u>	<u>(9,369,527)</u>
Total property and equipment	<u>40,650,481</u>	<u>27,690,636</u>
Other assets:		
Operating right-of-use asset, net	60,028	-
Investments	19,138,151	16,547,021
Beneficial interest in charitable trusts	1,249,807	1,220,071
Pledges receivable, net of current portion	1,703,016	6,262,292
Note receivable	17,804,100	17,804,100
Other	34,733	36,423
Total other assets	<u>39,989,835</u>	<u>41,869,907</u>
Total assets	<u>\$ 106,957,464</u>	<u>108,226,896</u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$ 2,066,867	2,347,358
Cash held for others - Representative Payee	1,201,588	815,073
Cash held for others	1,252	2,121
Accrued expenses	1,565,969	1,451,598
Current portion of operating lease liability	11,800	-
Total current liabilities	<u>4,847,476</u>	<u>4,616,150</u>
Long-term liabilities:		
Long-term operating lease liability, net of current portion	48,228	-
Notes payable	24,123,018	30,638,266
Total long-term liabilities	<u>24,171,246</u>	<u>30,638,266</u>
Total liabilities	<u>29,018,722</u>	<u>35,254,416</u>
Net assets:		
Without donor restrictions	68,482,624	36,496,010
With donor restrictions	9,456,118	36,476,470
Total net assets	<u>77,938,742</u>	<u>72,972,480</u>
Total liabilities and net assets	<u>\$ 106,957,464</u>	<u>108,226,896</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Contributions and grants	\$ 4,039,756	12,051,680	16,091,436
Government agencies	4,725,024	-	4,725,024
United Way/Community Chest	22,320	330,785	353,105
Change in interest in irrevocable trusts	-	29,736	29,736
	<u>8,787,100</u>	<u>12,412,201</u>	<u>21,199,301</u>
Revenues:			
Program services:			
Private organizations	195,961	-	195,961
Member agency fees/product resale	2,968,679	-	2,968,679
Client services - individuals	81,095	-	81,095
Social enterprises	30,390	-	30,390
Special events	1,522,703	-	1,522,703
In-kind goods and services:			
Advertising services	20,000	-	20,000
Foodbank donations - food and products	48,398,171	-	48,398,171
Investment return, net	1,636,560	76,760	1,713,320
Net gain on disposal of property and equipment	2,547,352	-	2,547,352
Other	1,218,957	-	1,218,957
Net assets released from restriction:			
Satisfaction of program and purpose restrictions	36,389,570	(36,389,570)	-
Satisfaction of time restrictions	3,119,743	(3,119,743)	-
	<u>98,129,181</u>	<u>(39,432,553)</u>	<u>58,696,628</u>
	<u>106,916,281</u>	<u>(27,020,352)</u>	<u>79,895,929</u>
Expenses:			
Client services	5,620,428	-	5,620,428
Workforce development	2,303,122	-	2,303,122
Foodbank:			
In-kind expenses	48,409,222	-	48,409,222
Foodbank supportive services	12,559,508	-	12,559,508
Social enterprises	41,640	-	41,640
Management and general	3,160,007	-	3,160,007
Fundraising	2,835,740	-	2,835,740
	<u>74,929,667</u>	<u>-</u>	<u>74,929,667</u>
Change in net assets	31,986,614	(27,020,352)	4,966,262
Net assets at beginning of year	<u>36,496,010</u>	<u>36,476,470</u>	<u>72,972,480</u>
Net assets at end of year	\$ <u>68,482,624</u>	<u>9,456,118</u>	<u>77,938,742</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Contributions and grants	\$ 7,879,320	11,168,259	19,047,579
Government agencies	4,769,977	-	4,769,977
United Way/Community Chest	-	467,242	467,242
Change in interest in irrevocable trusts	-	(224,978)	(224,978)
	<u>12,649,297</u>	<u>11,410,523</u>	<u>24,059,820</u>
Revenues:			
Program services:			
Private organizations	123,584	-	123,584
Member agency fees/product resale	1,335,750	-	1,335,750
Client services - individuals	89,123	-	89,123
Social enterprises	18,161	-	18,161
Special events	1,360,434	-	1,360,434
In-kind goods and services:			
Advertising services	28,500	-	28,500
Foodbank donations - food and products	52,396,370	-	52,396,370
Investment return, net	(2,856,830)	(126,186)	(2,983,016)
Net gain on disposal of property and equipment	300	-	300
Other	138,803	-	138,803
Net assets released from restriction:			
Satisfaction of program and purpose restrictions	3,104,224	(3,104,224)	-
Satisfaction of time restrictions	3,159,719	(3,159,719)	-
	<u>58,898,138</u>	<u>(6,390,129)</u>	<u>52,508,009</u>
	<u>71,547,435</u>	<u>5,020,394</u>	<u>76,567,829</u>
Expenses:			
Client services	5,011,084	-	5,011,084
Workforce development	1,928,445	-	1,928,445
Foodbank:			
In-kind expenses	52,538,502	-	52,538,502
Foodbank supportive services	10,117,229	-	10,117,229
Social enterprises	24,760	-	24,760
Management and general	2,712,288	-	2,712,288
Fundraising	2,815,096	-	2,815,096
	<u>75,147,404</u>	<u>-</u>	<u>75,147,404</u>
Change in net assets	(3,599,969)	5,020,394	1,420,425
Net assets at beginning of year	<u>40,095,979</u>	<u>31,456,076</u>	<u>71,552,055</u>
Net assets at end of year	\$ <u>36,496,010</u>	<u>36,476,470</u>	<u>72,972,480</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, 2023

	Program Services					Supporting Services		Total
	Client Services	Workforce Development	Foodbank	Social Enterprises	Total Program Services	Management and General	Fundraising	
Salaries	\$ 2,438,966	847,357	2,702,741	11,205	6,000,269	1,474,233	907,491	8,381,993
Employee benefits	481,283	130,631	562,578	284	1,174,776	535,106	181,266	1,891,148
Payroll taxes	171,212	59,054	177,128	1,007	408,401	205,460	72,542	686,403
	<u>3,091,461</u>	<u>1,037,042</u>	<u>3,442,447</u>	<u>12,496</u>	<u>7,583,446</u>	<u>2,214,799</u>	<u>1,161,299</u>	<u>10,959,544</u>
In-kind food and products distributed	-	-	48,409,222	-	48,409,222	-	-	48,409,222
Specific assistance to individuals	1,654,486	518,726	3,639,226	-	5,812,438	-	-	5,812,438
Fleet	-	19,334	347,095	-	366,429	-	15	366,444
Occupancy	273,857	164,023	592,184	-	1,030,064	17,313	46,802	1,094,179
Data and communications	81,686	46,169	118,985	1	246,841	149,103	94,376	490,320
Equipment, supplies and repairs	37,475	123,087	271,957	11,934	444,453	42,963	322,578	809,994
Office and mailings	97,624	3,639	31,689	5	132,957	37,719	835,420	1,006,096
Advertising	68,585	-	-	-	68,585	38	235,651	304,274
Dues and fees	39,320	5,864	57,347	-	102,531	203,509	42,668	348,708
Travel, conferences and conventions	33,871	8,835	15,275	40	58,021	105,010	1,700	164,731
Professional fees	13,441	9,482	21,278	-	44,201	34,549	4,638	83,388
Contracted services	10,439	109,860	336,905	3,491	460,695	26,732	56,188	543,615
Interest expense	-	60,282	199,085	-	259,367	214,973	8,151	482,491
Miscellaneous	-	-	-	-	-	108	-	108
Insurance	12,462	4,897	15,405	-	32,764	30,182	3,750	66,696
Product purchases	-	-	3,156,288	13,555	3,169,843	-	-	3,169,843
	<u>-</u>	<u>-</u>	<u>3,156,288</u>	<u>13,555</u>	<u>3,169,843</u>	<u>-</u>	<u>-</u>	<u>3,169,843</u>
Total expenses before depreciation	5,414,707	2,111,240	60,654,388	41,522	68,221,857	3,076,998	2,813,236	74,112,091
Depreciation	205,721	191,882	314,342	118	712,063	83,009	22,504	817,576
Total expenses	\$ <u>5,620,428</u>	<u>2,303,122</u>	<u>60,968,730</u>	<u>41,640</u>	<u>68,933,920</u>	<u>3,160,007</u>	<u>2,835,740</u>	<u>74,929,667</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, 2022

	Program Services					Supporting Services		
	Client Services	Workforce Development	Foodbank	Social Enterprises	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 2,138,709	684,936	2,395,623	1,916	5,221,184	1,234,255	855,645	7,311,084
Employee benefits	383,323	97,979	496,330	342	977,974	451,071	153,977	1,583,022
Payroll taxes	152,403	48,935	165,340	158	366,836	175,879	66,610	609,325
	<u>2,674,435</u>	<u>831,850</u>	<u>3,057,293</u>	<u>2,416</u>	<u>6,565,994</u>	<u>1,861,205</u>	<u>1,076,232</u>	<u>9,503,431</u>
In-kind food and products distributed	-	-	52,538,502	-	52,538,502	-	-	52,538,502
Specific assistance to individuals	1,354,869	308,959	3,194,730	-	4,858,558	-	-	4,858,558
Fleet	454	15,402	294,184	-	310,040	-	232	310,272
Occupancy	258,242	163,050	422,186	-	843,478	47,419	15,211	906,108
Data and communications	73,973	17,161	98,990	-	190,124	137,675	89,525	417,324
Equipment, supplies and repairs	48,671	56,482	209,851	1,529	316,533	13,359	213,846	543,738
Office and mailings	147,057	2,103	8,471	-	157,631	24,989	764,178	946,798
Advertising	147,320	1,181	50	-	148,551	3,250	230,331	382,132
Dues and fees	31,945	32,297	164,309	299	228,850	199,088	59,444	487,382
Travel, conferences and conventions	23,818	4,017	9,299	-	37,134	114,280	5,718	157,132
Professional fees	11,000	127,569	412,398	-	550,967	80,068	20,159	651,194
Contracted services	12,143	144,839	296,898	8,619	462,499	53,295	314,657	830,451
Interest expense	-	31,481	103,966	-	135,447	89,310	4,257	229,014
Bad debt	-	-	-	-	-	-	1,151	1,151
Miscellaneous	-	-	1,279	-	1,279	1,172	-	2,451
Insurance	12,110	5,297	16,128	-	33,535	28,510	3,767	65,812
Product purchases	-	-	1,466,463	9,946	1,476,409	-	-	1,476,409
Total expenses before depreciation	<u>4,796,037</u>	<u>1,741,688</u>	<u>62,294,997</u>	<u>22,809</u>	<u>68,855,531</u>	<u>2,653,620</u>	<u>2,798,708</u>	<u>74,307,859</u>
Depreciation	<u>215,047</u>	<u>186,757</u>	<u>360,734</u>	<u>1,951</u>	<u>764,489</u>	<u>58,668</u>	<u>16,388</u>	<u>839,545</u>
Total expenses	<u>\$ 5,011,084</u>	<u>1,928,445</u>	<u>62,655,731</u>	<u>24,760</u>	<u>69,620,020</u>	<u>2,712,288</u>	<u>2,815,096</u>	<u>75,147,404</u>

See accompanying notes to the combined and consolidated financial statements.

Freestore Foodbank, Inc. and Affiliates
Combined and Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,966,262	1,420,425
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	817,576	839,545
Realized and unrealized (gains) losses on investments	(1,310,273)	3,510,195
Contributions restricted for capital campaign	(718,933)	(5,291,538)
Net gain on disposal of property and equipment	(2,547,352)	(300)
Bad debt expense	-	1,151
Amortization of lease right-of-use asset	2,885	-
Effects of change in operating assets and liabilities:		
Accounts receivable	(208,338)	(140,688)
Pledges receivable	5,362,754	4,835,484
Inventory	(584,324)	276,707
Prepaid expenses and other	(83,281)	(127,051)
Beneficial interest in charitable trust	(29,736)	224,978
Other assets	1,690	3,826
Cash held for others	385,646	(516,847)
Accounts payable	271,798	(284,982)
Accrued expenses	114,371	312,846
Operating lease liability	(2,885)	-
Net cash provided by operating activities	<u>6,437,860</u>	<u>5,063,751</u>
Cash flows from investing activities:		
Proceeds from sale of investments	13,408,593	15,886,876
Purchase of investments	(14,689,450)	(15,956,064)
Capital expenditures	(15,676,890)	(12,478,094)
Proceeds from sale of capital assets	3,894,532	300
Advance on notes receivable	-	(17,804,100)
Net cash used by investing activities	<u>(13,063,215)</u>	<u>(30,351,082)</u>
Cash flows from financing activities:		
Proceeds from long term debt	-	34,675,000
Principal payments on long term debt	(6,515,248)	(4,036,734)
Contributions restricted for capital campaign	718,933	5,291,538
Net cash provided (used) by financing activities	<u>(5,796,315)</u>	<u>35,929,804</u>
Net change in cash, cash equivalents and restricted cash	(12,421,670)	10,642,473
Cash, cash equivalents and restricted cash - beginning of the year	<u>28,391,105</u>	<u>17,748,632</u>
Cash, cash equivalents and restricted cash - end of the year	\$ <u>15,969,435</u>	<u>28,391,105</u>
Reconciliation to Combined and Consolidated Statements of Financial Position:		
Cash and cash equivalents	\$ 7,859,314	9,213,668
Restricted cash - facility maintenance reserve	855,857	529,323
Restricted cash - Loan reserve	6,051,424	17,830,920
Restricted cash - cash held for others	<u>1,202,840</u>	<u>817,194</u>
	\$ <u>15,969,435</u>	<u>28,391,105</u>
Supplemental cash flow information:		
Property and equipment included in accounts payable	\$ <u>1,267,239</u>	<u>1,819,528</u>
Interest paid	\$ <u>482,491</u>	<u>229,014</u>

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. FG-Hope, Inc. is a not-for-profit corporation that was formed in 2021 to be used as a leveraged lender as part of a New Markets Tax Credit ("NMTC") arrangement.

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., The Freestore Foodbank Foundation and FG-Hope, Inc. and consolidation of the operations of FG-GBH, LLC ("FG-GBH") (the "Agency"). All intercompany transactions are eliminated upon combination and consolidation.

Adoption of a new accounting standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The FASB also subsequently issued additional ASUs, which amended and clarified Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Agency elected to adopt these ASUs effective July 1, 2022. The Agency also elected multiple practical expedients. These included transition elections that permitted the Agency to not reassess prior conclusions about lease identification, lease classification, and initial direct costs for existing or expired leases, as well as not assessing existing land easements under the new standard. In addition, the Agency adopted ongoing accounting policies to not recognize right-of-use ("ROU") assets and lease liabilities for leasing arrangements with terms of less than one year, and to not separate lease and non-lease components for all classes of underlying assets. The adoption did not have a material impact on the Agency's consolidated statement of financial position or consolidated statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Upon adoption, there was no impact to the Agency's statement of financial position.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Non-Financial Assets*. The standard requires separate disclosure of non-financial contributed assets on the statement of activities and enhanced disclosures, including the Agency's policy for valuation and

monetization of contributed non-financial assets and any donor-restrictions attached to the assets. The Agency elected to adopt this ASU effective July 1, 2022. The adoption of this ASU did not have a material impact on the Agency.

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 \$1.89 and \$1.92 per pound for non-United States Department of Agriculture (USDA) and USDA, respectively, in 2023. In-kind food contributions are reported in the statement of activities at \$1.81 and \$2.00 per pound for non-United States Department of Agriculture (USDA) and USDA, respectively, in 2022. 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. 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, and clarifies the FMV of USDA foods must exclude all non-food items. As such, the Agency prepared two product valuations for FY23 and FY22 – 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 total pounds, as of and for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Beginning balance	2,096,810	2,811,729
Donated product	25,547,158	27,707,763
Purchased product	7,189,312	4,494,194
Donated product distributed	(25,346,553)	(27,543,173)
Purchased product distributed	(6,482,535)	(4,588,862)
Physical inventory variance and spoilage	<u>(307,561)</u>	<u>(784,841)</u>
Ending balance	<u>2,696,631</u>	<u>2,096,810</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 \$4,336,624 and \$3,752,300 at June 30, 2023 and 2022, respectively.

Food contributions decreased 2,160,605 pounds in 2023 to 25,547,158 pounds versus 27,707,763 pounds in 2022.

Contributed Nonfinancial Assets

The Agency recognizes contributed nonfinancial assets within public support contributions, including donated food, vehicles, equipment, investments and services, at their estimated fair value at the date of receipt on the statements of activities. Donated services are recorded as public support only if they create or enhance non-financial assets or require specialized services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed food was utilized in the Foodbank program. The Agency estimates the value of donated food based on the price indexes published by Feeding America and described in the Food contributions and other in-kind donations/inventory accounting policy.

Contributed equipment during the year ended June 30, 2023 comprised of dishwashers and was valued at \$130,589. The contributed equipment is included within furniture, fixtures and equipment on the statement of financial position. Contributed equipment is valued and reported at the estimated fair value in the statement of financial position based on current rates for similar equipment at the date of receipt.

Contributed services were utilized for special events and are comprise of in-kind media sponsorships with local advertising companies. Contributed services are valued and reported at the estimated fair value in the financial statements based on current rates for similar advertising services.

The Agency received volunteer services of approximately 60,000 and 52,000 hours for the years ended June 30, 2023 and 2022, 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 \$855,857 and \$529,323 at June 30, 2023 and 2022, 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 \$1,202,840 and \$817,194 at June 30, 2023 and 2022, respectively, which includes amounts for the Representative Payee program. See Note 14 for a description of the Representative Payee program.

Cash accounts which are restricted by loan documents in the amount of \$6,051,424 and \$17,830,920 at June 30, 2023 and 2022, respectively, are included on the statements of financial position as restricted cash - loan reserves.

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

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. Pledges receivable were net of an allowance for uncollectible pledges of \$40,851 and \$100,871 at June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, \$- and \$1,151, respectively, 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>2023</u>	<u>2022</u>
Due within one year	\$ 4,351,806	5,155,284
Due within two to five years	1,965,472	6,178,766
Due thereafter	<u>-</u>	<u>695,434</u>
	6,317,278	12,029,484
Less allowance for uncollectible pledges	(40,851)	(100,871)
Less discount	<u>(221,605)</u>	<u>(511,037)</u>
	\$ <u>6,054,822</u>	<u>11,417,576</u>

Leases

The Agency considers an arrangement a lease if, at inception, the arrangement transfers the right to control the use of an identified asset for a period of time in exchange for consideration. Under leasing standards, control is defined as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the statement of financial position.

The lease term reflects the noncancellable period of the lease together with periods covered by an option to extend or terminate the lease when management is reasonably certain that it will exercise such option. The Agency uses the risk free rate for a period of time similar to the lease term, determined at the lease commencement date, in determining the present value of lease payments. The risk free rate is used as the information necessary to determine the rate implicit in the lease and the Agency's incremental borrowing rate is not readily available. The Agency has lease agreements with lease and non-lease components, which are generally accounted for as a single lease. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Short-term leases are less than one year without purchase or renewal options that are reasonably certain to be exercised and are recognized on a straight-line basis over the lease term. The right-of-use asset is tested for impairment in accordance with ASC 360.

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 25, 2023, the date on which the financial statements were available to be issued.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year financial statement presentation. These reclassifications had no effect on net assets or the reported results of activities.

2. CAPITAL CAMPAIGN:

The “Growing Beyond Hunger” capital campaign officially ended during 2022. The campaign prioritized 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, 2023 and 2022, the Agency recognized \$718,933 and \$5,291,538, respectively, of revenue inFSFB pledges and donations from this campaign.

3. NEW MARKETS TAX CREDIT TRANSACTION:

The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to attract investment capital to low-income communities by permitting investors to receive tax credit incentives in exchange for making equity investments in certified Community Development Entities (CDEs). Under this program, certain commercial banks and other investors are able to subsidize eligible projects that meet the NMTC Program requirements.

During 2022, the Freestore Foodbank finalized construction of a new distribution center located within a census tract that is eligible for the NMTC Program. In order to benefit under the NMTC Program, on December 23, 2021, Freestore Foodbank entered into a series of agreements and transactions with three CDEs, two new affiliated companies (FG-Hope, Inc. & FG-GBH LLC) and Freestore Foodbank Investment Fund, LLC (Investment Fund) affiliated with a commercial bank. Freestore Foodbank formed the Corporation to facilitate the transaction, by issuance of a \$17,804,100 note receivable (See Note 4) to the Investment Fund. A portion of the funds loaned were financed by a \$11,200,000 bridge loan agreement with the bank (see note 7), proceeds of which will fund construction costs. The bridge loan will be repaid using funds raised by the Growing Beyond Hunger capital campaign. Also, see Note 7 for notes payable to the CDEs totaling \$23,475,000.

4. NOTE RECEIVABLE:

During 2022, the Agency advanced funds to an organization under a note receivable arrangement. The note requires interest-only payments charged at 1% through June 30, 2029. The note then matures on December 31, 2050. The Agency recognized interest income on the note of \$178,041 and \$92,977 during the years ended June 30, 2023 and June 30, 2022, respectively. The principal balance as of June 30, 2023 and June 30, 2022 totaled \$17,804,100 and will start requiring principal payments in September 2029.

5. INCOME TAXES:

Freestore Foodbank, Inc., Corwine Foundation, Inc., Freestore Foodbank Foundation, and FG-Hope, Inc. have been classified as exempt organizations under Internal Revenue Code Sections 501(c)(3), 501(c)(2), 501(c)(3), and 509(a)(1), 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.

6. LINE OF CREDIT:

The Agency has a \$2,000,000 line of credit with a financial institution with interest at daily Bloomberg Short-Term Bank Yield (BSBY) plus 2.75% for the years ended June 30, 2023 and June 30, 2022 (5.22% and 4.36% at June 30, 2023 and 2022, respectively) and is due November 30, 2023. There were no borrowings on the line at June 30, 2023 and 2022. The line of credit is secured by all assets of the Agency.

7. NOTES PAYABLE:

Long-term debt consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Note payable to a bank with no monthly required payments. Interest is charged at the BSBY rate plus 1.75% (5.22% at June 30, 2023); note matures in December 2026 and is secured by certain donor pledge agreements.	\$ 648,018	7,163,266
Note payable to a company with quarterly interest only payments at 1.25%, principal payments beginning September 2029 until maturity in December 2055.	14,700,000	14,700,000
Note payable to a company with quarterly interest only payments at 1.25%, principal payments beginning September 2029 until maturity in December 2055.	4,775,000	4,775,000
Note payable to a bank with quarterly interest only payments at 1.25%, principal payments beginning September 2029 until maturity in December 2055.	<u>4,000,000</u>	<u>4,000,000</u>
	<u>\$ 24,123,018</u>	<u>30,638,266</u>

Notes payable mature as follows as of June 30:

2024	\$ -
2025	-
2026	-
2027	648,018
2028	-
Thereafter	<u>23,475,000</u>
	<u>\$ 24,123,018</u>

8. 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 2023 and 2022 was \$11,255 and \$1,968, respectively. The principal amount totaled \$230,901 and \$229,537 as of June 30, 2023 and 2022, 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. A donor established an irrevocable trust naming the Agency an income beneficiary. The principal amount of this irrevocable trust totaled \$1,018,906 and \$990,534 as of June 30, 2023 and 2022, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose:		
Workforce Development	\$ 263,281	315,765
Endowment	663,679	669,342
Childhood Feeding	304,802	489,727
Client Services	108,954	14,217
Management & General	171,990	197,790
Capital Campaign	4,095,140	31,818,916
Foodbank	268,800	196,003
Fundraising/Special events	<u>122,362</u>	<u>38,245</u>
	<u>5,999,008</u>	<u>33,740,005</u>
Subject to time restrictions	<u>2,177,303</u>	<u>1,486,394</u>
Investments held in perpetuity:		
Beneficial interest in charitable trusts	1,249,807	1,220,071
Endowment	<u>30,000</u>	<u>30,000</u>
	<u>1,279,807</u>	<u>1,250,071</u>
Total net assets with donor restrictions	\$ <u>9,456,118</u>	<u>36,476,470</u>

10. 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 \$365,411 and \$318,104 for the years ended June 30, 2023 and 2022, respectively.

11. 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 are valued at the net asset value of shares held by the Agency at year end. Corporate debt obligations, hedge funds and 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, 2023.

<u>Fair Value Measurements at Reporting Date Using</u>				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 805,224	805,224	-	-
Equity securities:				
Healthcare	185,209	185,209	-	-
Financial	329,409	329,409	-	-
Energy	79,460	79,460	-	-
Basic materials	66,985	66,985	-	-
Technology	268,546	268,546	-	-
Communication services	52,438	52,438	-	-
Utilities	48,888	48,888	-	-
Real estate	56,452	56,452	-	-
Consumer staples	99,994	99,994	-	-
Consumer discretionary	227,979	227,979	-	-
Industrial goods	426,672	426,672	-	-
Mutual funds and ETFs:				
Foreign equity	2,729,803	2,729,803	-	-
Large cap	6,790,509	6,790,509	-	-
Corporate debt obligations	6,408,519	-	6,408,519	-
Hedge funds	562,064	-	562,064	-
Beneficial interest in charitable trusts	<u>1,249,807</u>	<u>-</u>	<u>1,249,807</u>	<u>-</u>
	<u>\$ 20,387,958</u>	<u>12,167,568</u>	<u>8,220,390</u>	<u>-</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, 2022.

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 1,192,756	1,192,756	-	-
Equity securities:				
Healthcare	673,043	673,043	-	-
Financial	596,211	596,211	-	-
Energy	90,507	90,507	-	-
Basic materials	101,146	101,146	-	-
Technology	940,786	940,786	-	-
Communication services	181,088	181,088	-	-
Utilities	83,587	83,587	-	-
Real estate	143,193	143,193	-	-
Consumer staples	162,273	162,273	-	-
Consumer discretionary	607,911	607,911	-	-
Industrial goods	574,970	574,970	-	-
Mutual funds and ETFs:				
Foreign equity	2,068,674	2,068,674	-	-
Real estate	351,152	351,152	-	-
Large cap	3,196,132	3,196,132	-	-
Corporate debt obligations	4,606,851	-	4,606,851	-
Hedge funds	976,741	-	976,741	-
Beneficial interest in charitable trusts	<u>1,220,071</u>	<u>-</u>	<u>1,220,071</u>	<u>-</u>
	<u>\$17,767,092</u>	<u>10,963,429</u>	<u>6,803,663</u>	<u>-</u>

12. 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, 2023 and 2022 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2021	\$ 19,300,882	657,103	19,957,985
Investment return, net	(2,639,118)	(126,186)	(2,765,304)
Contributions	297,435	168,425	465,860
Appropriation of assets for expenditures	<u>(1,134,672)</u>	<u>-</u>	<u>(1,134,672)</u>
Endowment net assets, June 30, 2022	15,824,527	699,342	16,523,869
Investment return, net	1,622,207	40,760	1,662,967
Contributions	1,945,301	120,577	2,065,878
Appropriation of assets for expenditures	<u>(972,501)</u>	<u>(167,000)</u>	<u>(1,139,501)</u>
Endowment net assets, June 30, 2023	\$ <u>18,419,534</u>	<u>693,679</u>	<u>19,113,213</u>

13. 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 \$624,531 and \$541,338 for the years ended June 30, 2023 and 2022, respectively.

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

Freestore Foodbank, Inc. and Affiliates
Notes to the Combined and Consolidated Financial Statements
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 7,859,314	9,213,668
Restricted cash	8,110,121	19,177,437
Accounts receivable, net	1,324,850	1,116,512
Current pledges receivable	4,349,431	5,155,284
Investments	<u>19,138,151</u>	<u>16,547,021</u>
Financial assets available at year-end	<u>40,781,867</u>	<u>51,209,922</u>
Less those unavailable for general expenditures within one year due to:		
Restricted cash – Representative Payee	1,201,588	815,073
Restricted cash – Cash held for others	1,252	2,121
Restricted cash – Loan reserve	6,051,424	17,830,920
Restricted cash – Facility maintenance reserve	855,857	529,323
Pledges receivable with purpose restriction	2,713,819	4,717,290
Donor restricted endowment	693,679	699,342
Assets with donor purpose restrictions	<u>1,240,189</u>	<u>22,983,503</u>
	<u>12,757,808</u>	<u>47,577,572</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>28,024,059</u>	<u>3,632,350</u>

15. CONDITIONAL PROMISES TO GIVE:

During the year ended June 30, 2023 and 2022, the Agency received conditional promises to give of approximately \$2,408,000 and \$666,000, respectively, related to reimbursement and matching grants with contract terms spanning multiple fiscal years. No amounts have been recognized during 2023 as the conditions have not been satisfied.

16. CONTINGENCIES:

During 2022, the Agency entered into a New Markets Tax Credit arrangement. The arrangement was used to finance construction costs of a new facility. As a requirement of the tax credit arrangement, the Agency created FG-GBH, LLC to hold and operate the new facility.

The Agency has provided repayment guarantees for construction loans used for the development of the property. The Agency has also provided construction completion guarantees. Construction was completed during the year ended June 30, 2023.

The Agency's maximum exposure to the guarantees is not determinable with any degree of accuracy, as determination of the ultimate amount is dependent upon the Agency's ability to oversee, manage and optimize cash flows of the above-mentioned project. Therefore, no amounts have been accrued for the commitments noted above as of June 30, 2023 and 2022.

17. LEASES:

The Agency leases equipment under an operating lease with an unrelated party through March 2028. As of June 30, 2023, the Agency has not entered into any material leases expected to commence in fiscal year 2024. Lease expense for the year ended June 30, 2022, prior to adoption of Topic 842, was \$137,950.

Future minimum ROU rental payments required under the terms of this operating lease are as follows:

2024	\$ 13,727
2025	13,727
2026	13,727
2027	13,727
2028	<u>10,293</u>
Total lease payments	65,201
Less imputed interest	<u>(5,173)</u>
Present value of lease liabilities	\$ <u>60,028</u>

Total lease costs for the year ended June 30, 2023 are as follows:

Operating lease expense	\$ 3,432
-------------------------	----------

The weighted average lease term and discount rate for operating leases consisted of the following at June 30, 2023:

Weighted average remaining lease term – operating leases	4.75 years
Weighted average discount rate – operating leases	3.60 %

Freestore Foodbank, Inc. and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Agency/Program Title</u>	<u>Assistance Listing Number</u>	<u>Grant Identification Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture:</u>			
Food Distribution Cluster:			
<i>Passed through Ohio Department of Jobs and Family Services:</i>			
Commodity Supplemental Food Program	10.565	G-2223-17-0727/G-2223-17-1216	\$ 399,824
Commodity Supplemental Food Program - Distributed Product	10.565	N/A	3,506,869
Emergency Food Assistance Program (Administrative Costs)	10.568	G-2223-17-0741/G-2223-17-1232	856,421
Emergency Food Assistance Program (Food Commodities)	10.569	N/A	6,110,534
COVID-19 - Emergency Food Assistance Program (Distributed Product)	10.569	N/A	1,087,765
<i>Passed through Indiana State Department of Health:</i>			
Emergency Food Assistance Program (Administrative Costs)	10.568	57597 & 65076	17,293
Emergency Food Assistance Program (Food Commodities)	10.569	N/A	371,244
Commodity Supplemental Food Program	10.565	57597 & 65073	10,776
Commodity Supplemental Food Program - Distributed Product	10.565	N/A	72,558
COVID-19 - Emergency Food Assistance Program - Distributed Product	10.569	N/A	55,852
			<u>12,489,136</u>
<i>Passed through Ohio Department of Jobs and Family Services:</i>			
Commodity Credit Corporation (Administrative Costs)	10.187	G-2223-17-1313	42,993
Commodity Credit Corporation (Food Commodities)	10.187	N/A	892,570
<i>Passed through Indiana State Department of Health:</i>			
Commodity Credit Corporation (Administrative Costs)	10.187	N/A	2,963
Commodity Credit Corporation (Food Commodities)	10.187	N/A	27,739
			<u>966,265</u>
<i>Passed through Ohio Department of Education:</i>			
Child and Adult Care Food Program	10.558	N/A	<u>155,218</u>
<i>Passed through Ohio Department of Education:</i>			
Summer Food Service Program for Children - Child Nutrition Cluster	10.559	N/A	50,121
<i>Passed through Kentucky Department of Education:</i>			
Summer Food Service Program for Children - Child Nutrition Cluster	10.559	N/A	2,438
			<u>52,559</u>
<i>Passed through Ohio Association of Foodbanks:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - SNAP Cluster	10.561	N/A	<u>238,985</u>
<i>Passed through Ohio Association of Foodbanks:</i>			
Local Food Purchase Assistance Program	10.182	N/A	57,705
Local Food Purchase Assistance Program - Distributed Product	10.182	N/A	368,109
			<u>425,814</u>
Total U.S. Department of Agriculture			<u>14,327,977</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	25x2022-181/35x2023-018	<u>249,570</u>
<i>Passed through Strategies to End Homelessness:</i>			
COVID-19 - Emergency Solutions Grant Program (CARES)	14.231	20223079	<u>31,768</u>
Total U.S. Department of Housing and Urban Development			<u>281,338</u>
<u>U.S. Department of Treasury:</u>			
<i>Passed through Hamilton, County, Ohio:</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Food Assistance	21.027	N/A	262,002
<i>Passed through Ohio Association of Foodbanks:</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Food Assistance	21.027	N/A	1,949,614
			<u>2,211,616</u>
<i>Passed through Strategies to End Homelessness:</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Shelter Diversion	21.027	20234001	107,685
Total U.S. Department of Treasury			<u>2,319,301</u>

(Continued)

Freestore Foodbank, Inc. and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023
(Continued)

<u>Federal Grantor/Pass-Through Agency/Program Title</u>	<u>Assistance Listing Number</u>	<u>Grant Identification Number</u>	<u>Expenditures</u>
<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	N/A	346,782
<i>Passed through Ohio Association of Foodbanks:</i>			
Cooperative Agreement to Support Navigators in Federally-Facilitated Exchanges	93.332	N/A	303,029
<i>Passed through Ohio Department of Jobs and Family Services:</i>			
Temporary Assistance For Needy Families	93.558	G-2223-21-0514/G-2223-21-1098	26,165
<i>Passed through Ohio Association of Foodbanks:</i>			
Temporary Assistance For Needy Families	93.558	N/A	395,204
Temporary Assistance For Needy Families- Food Commodities	93.558	N/A	9,631,002
			10,052,371
<i>Passed through Ohio Association of Foodbanks:</i>			
Social Services Block Grant (Administrative Costs)	93.667	N/A	34,152
Social Services Block Grant (Food Commodities)	93.667	N/A	947,822
			981,974
Total U.S. Department of Health and Human Services			11,684,156
<u>U.S. Department of Homeland Security:</u>			
<i>Passed through United Way of Greater Cincinnati:</i>			
COVID-19 - Emergency Food and Shelter National Board Program	97.024	ARPAR-6756-00 029	177,000
Total U.S. Department of Homeland Security			177,000
Total expenditures of federal awards			\$ 28,789,772

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, 2023. 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 CFDA numbers 10.187, 10.565, 10.569, 21.027, and 93.558. The amount of commodities on hand for these programs is \$2,247,643 at June 30, 2023.

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, 2023, 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 25, 2023.

Report on 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. 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.

Report on 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 25, 2023

**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**Opinion on 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Freestore Foodbank, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Freestore Foodbank, Inc. and Affiliates' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Freestore Foodbank, Inc. and Affiliates' federal programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Freestore Foodbank, Inc. and Affiliates' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Freestore Foodbank, Inc. and Affiliates' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Freestore Foodbank, Inc. and Affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Freestore Foodbank, Inc. and Affiliates' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Freestore Foodbank, Inc. and Affiliates' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Freestore Foodbank, Inc. and Affiliates' response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Freestore Foodbank, Inc. and Affiliates' response was not subjected to other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses; however, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Freestore Foodbank and Affiliates' response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Freestore Foodbank and Affiliates' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 25, 2023

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?	yes
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with Uniform Guidance?	yes
Identification of major programs:	
Assistance Listing Number 10.187 – Community Credit Corporation	
Assistance Listing Number 21.027 – Coronavirus State and Local Recovery Fund – Food Assistance	
Assistance Listing Number 93.558 – Temporary Assistance for Needy Families (TANF)	
Assistance Listing Number 93.667 – Social Services Block Grant	
Dollar threshold to distinguish between Type A and Type B Programs:	\$863,693
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings
None

Section III - Federal Award Findings and Questioned Costs

2023-001 Eligibility- Significant Deficiency and Noncompliance
ALN # 93.558 – Temporary Assistance for Needy Families (TANF)
U.S. Department of Health and Human Services

Criteria: Under the requirements of the Office of Management and Budget, only a financially needy family that consists of, at a minimum, a minor child living with a parent or other caretaker relative, or a

pregnant woman may receive TANF “assistance” or most maintenance-of-effort funded benefits, services or “assistance”. The child must be less than 18 years old, or, if a full-time student in a secondary school (or the equivalent level of vocational or technical training), less than 19 years old. Freestore Foodbank Inc. and Affiliates require all individuals receiving food to complete an eligibility form prior to receiving food.

Condition: We noted one instance (in a sample of 40 clients) in which an eligibility form was not obtained prior to client receiving food.

Context: Electronic eligibility form was not retained.

Cause: Electronic system did not operate as intended and there were no detective controls in place to identify the missing form.

Effect: Freestore Foodbank, Inc. and Affiliates’ internal controls did not operate as designed and was unable to verify compliance with eligibility requirements.

Recommendation: Freestore Foodbank should perform periodic internal audits of eligibility forms to ensure proper documentation is retained.

Management’s Response: See corrective action plan on page 33.

2023-002 Allowable Activities- Significant Deficiency and Noncompliance

ALN # 93.558 – Temporary Assistance for Needy Families (TANF)

U.S. Department of Health and Human Services

Criteria: According to 45 CFR 260.34, a religious organization that received Federal TANF funds shall not, in providing program services or benefits, discriminate against a TANF applicant or recipient on the basis of religion, a religious belief, a refusal to hold a religious belief, or a refusal to actively participate in a religious practice. To ensure compliance with this requirement, Freestore Foodbank Inc. and Affiliates require all local distributors receiving commodities to sign a local distributor agreement.

Condition: CSH noted two instances (in a sample of 40 local distributor agreements) where food was distributed to religious organizations that do not abide by 45 CFR 260.34.

Context: Local Distributors did not sign agreements prior to obtaining TANF commodities.

Cause: Requests for commodities were entered outside of the online purchasing platform.

Effect: Freestore Foodbank, Inc. and Affiliates’ internal controls were bypassed and commodities were distributed to unallowable local distributors.

Recommendation: Freestore Foodbank Inc. and Affiliates should implement a reconciliation process to ensure all local distributors that receive USDA food have a signed local distributor agreement.

Management’s Response: See corrective action plan on page 33.



FOOD • CONNECTION • HOPE

Our vision is a hunger-free, healthy,
and thriving community.

3401 Rosenthal Way
Cincinnati, OH 45204

9/18/2023

Clark, Schaefer, Hackett & Co.
One East 4th Street, Suite 1200
Cincinnati, Ohio 45202

Finding number 2023-001

Criteria: Under the requirements of the Office of Management and Budget, only a financially needy family that consists of, at a minimum, a minor child living with a parent or other caretaker relative, or a pregnant woman may receive TANF “assistance” or most maintenance-of-effort funded benefits, services or “assistance”. The child must be less than 18 years old, or, if a full-time student in a secondary school (or the equivalent level of vocational or technical training), less than 19 years old. Freestore Foodbank Inc. and Affiliates require all individuals receiving food to complete an eligibility form prior to receiving food.

Condition: We noted one instance (in a sample of 40 clients) in which an eligibility form was not obtained prior to client receiving food.

Planned Corrective Action:

Management will perform periodic audits of eligibility forms starting 10/15/2023 to ensure compliance. Management will retrain staff to ensure completeness of the intake process.

Furthermore, by 9/30/2023, management will work with the developers of the database to see if controls can be implemented in the software, so food cannot be distributed before the signing of the required form.

FREESTORE FOODBANK CUSTOMER CONNECTION CENTER & LIBERTY STREET MARKET: 112 E. Liberty Street, Cincinnati, OH 45202 513-241-1064

FREESTORE FOODBANK COMMUNITY RESOURCE & DISTRIBUTION CENTER: 3401 Rosenthal Way, Cincinnati, OH 45204 513-482-4500



freestorefoodbank.org
Tax ID Number: 23-7122205



FOOD • CONNECTION • HOPE

Our vision is a hunger-free, healthy,
and thriving community.

Finding number 2023-002

Criteria: According to 45 CFR 260.34, a religious organization that received Federal TANF funds shall not, in providing program services or benefits, discriminate against a TANF applicant or recipient on the basis of religion, a religious belief, a refusal to hold a religious belief, or a refusal to actively participate in a religious practice. To ensure compliance with this requirement, Freestore Foodbank Inc. and Affiliates require all local distributors receiving commodities to sign a local distributor agreement.

Condition: CSH noted two instances (in a sample of 40 local distributor agreements) where food was distributed to religious organizations that do not abide by 45 CFR 260.34.

Planned Corrective Action:

In one instance, management issued food to an agency which had an expired local distributor agreement. Going forward, controls will be put in place by 9/30/23 to better track agency agreements to ensure all agencies receiving food have up-to-date agreements.

The second instance involved the request for TANF food to be distributed to an organization who was not participating in the program. While the organization was correctly set up in our database, food was requested to be distributed. Management will improve training for staff and run periodic reports to ensure food is going to the proper organizations.

Management will also set up periodic compliance meetings with program managers to develop best practices for each of the grants by 10/31/23.

Contact person responsible for corrective action: Tim Weidner

Tim Weidner, CFO

FREESTORE FOODBANK CUSTOMER CONNECTION CENTER & LIBERTY STREET MARKET: 112 E. Liberty Street, Cincinnati, OH 45202 513-241-1064

FREESTORE FOODBANK COMMUNITY RESOURCE & DISTRIBUTION CENTER: 3401 Rosenthal Way, Cincinnati, OH 45204 513-482-4500



freestorefoodbank.org
Tax ID Number: 23-7122205

Freestore Foodbank, Inc. and Affiliates
Combining and Consolidating Statement of Financial Position
June 30, 2023

	Freestore Foodbank, Inc.	FG-GBH LLC	Consolidated Total	FG-Hope Inc.	Corwine Foundation, Inc.	The Freestore Foodbank Foundation, Inc.	Eliminations	Combined Total
Assets:								
Current assets:								
Cash and cash equivalents	\$ 7,838,874	20,440	7,859,314	-	-	-	-	7,859,314
Restricted cash - Facility maintenance reserve	-	-	-	-	855,857	-	-	855,857
Cash held for others - Representative Payee	1,201,588	-	1,201,588	-	-	-	-	1,201,588
Cash held for others	1,252	-	1,252	-	-	-	-	1,252
Restricted cash - Loan reserves	4,051,288	2,000,136	6,051,424	-	-	-	-	6,051,424
Accounts receivable	1,324,735	115	1,324,850	-	-	-	-	1,324,850
Pledges receivable	4,313,173	-	4,313,173	-	-	38,633	-	4,351,806
Inventory	4,336,624	-	4,336,624	-	-	-	-	4,336,624
Prepaid expenses and other	334,433	-	334,433	-	-	-	-	334,433
Total current assets	<u>23,401,967</u>	<u>2,020,691</u>	<u>25,422,658</u>	<u>-</u>	<u>855,857</u>	<u>38,633</u>	<u>-</u>	<u>26,317,148</u>
Property and equipment:								
Land	-	4,772,479	4,772,479	-	976,907	-	-	5,749,386
Buildings and improvements	1,522,210	25,347,072	26,869,282	-	8,942,855	-	-	35,812,137
Furniture, fixtures and equipment	3,813,234	-	3,813,234	-	136,332	-	-	3,949,566
Vehicles	1,713,053	-	1,713,053	-	-	-	-	1,713,053
	7,048,497	30,119,551	37,168,048	-	10,056,094	-	-	47,224,142
Less accumulated depreciation	<u>(2,191,253)</u>	<u>(52,806)</u>	<u>(2,244,059)</u>	<u>-</u>	<u>(4,329,602)</u>	<u>-</u>	<u>-</u>	<u>(6,573,661)</u>
Total property and equipment	<u>4,857,244</u>	<u>30,066,745</u>	<u>34,923,989</u>	<u>-</u>	<u>5,726,492</u>	<u>-</u>	<u>-</u>	<u>40,650,481</u>
Other assets:								
Operating right-of-use asset, net	13,944,728	-	13,944,728	-	-	-	(13,884,700)	60,028
Investments	24,938	-	24,938	-	-	19,113,213	-	19,138,151
Beneficial interest in charitable trusts	230,901	-	230,901	-	-	1,018,906	-	1,249,807
Pledges receivable, net of current portion	978,113	-	978,113	-	-	724,903	-	1,703,016
Note receivable	-	-	-	17,804,100	-	-	-	17,804,100
Other	34,733	-	34,733	-	-	-	-	34,733
Total other assets	<u>15,213,413</u>	<u>-</u>	<u>15,213,413</u>	<u>17,804,100</u>	<u>-</u>	<u>20,857,022</u>	<u>(13,884,700)</u>	<u>39,989,835</u>
Total assets	<u>\$ 43,472,624</u>	<u>32,087,436</u>	<u>75,560,060</u>	<u>17,804,100</u>	<u>6,582,349</u>	<u>20,895,655</u>	<u>(13,884,700)</u>	<u>106,957,464</u>
Liabilities and net assets:								
Current liabilities:								
Accounts payable	\$ 811,323	1,249,314	2,060,637	-	6,230	-	-	2,066,867
Cash held for others - Representative Payee	1,201,588	-	1,201,588	-	-	-	-	1,201,588
Cash held for others	1,252	-	1,252	-	-	-	-	1,252
Accrued expenses	1,551,656	-	1,551,656	-	-	14,313	-	1,565,969
Current portion of operating lease liability	<u>(121,971)</u>	<u>-</u>	<u>(121,971)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,771</u>	<u>11,800</u>
Total current liabilities	<u>3,443,848</u>	<u>1,249,314</u>	<u>4,693,162</u>	<u>-</u>	<u>6,230</u>	<u>14,313</u>	<u>133,771</u>	<u>4,847,476</u>
Long-term liabilities:								
Long-term operating lease liability, net of current portion	14,237,338	-	14,237,338	-	-	-	(14,189,110)	48,228
Notes payable	648,018	23,475,000	24,123,018	-	-	-	-	24,123,018
Total long-term liabilities	<u>14,885,356</u>	<u>23,475,000</u>	<u>38,360,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,189,110)</u>	<u>24,171,246</u>
Total liabilities	<u>18,329,204</u>	<u>24,724,314</u>	<u>43,053,518</u>	<u>-</u>	<u>6,230</u>	<u>14,313</u>	<u>(14,055,339)</u>	<u>29,018,722</u>
Net assets:								
Without donor restrictions	18,163,423	7,363,122	25,526,545	17,804,100	6,576,119	18,405,221	170,639	68,482,624
With donor restrictions	6,979,997	-	6,979,997	-	-	2,476,121	-	9,456,118
Total net assets	<u>25,143,420</u>	<u>7,363,122</u>	<u>32,506,542</u>	<u>17,804,100</u>	<u>6,576,119</u>	<u>20,881,342</u>	<u>170,639</u>	<u>77,938,742</u>
Total liabilities and net assets	<u>\$ 43,472,624</u>	<u>32,087,436</u>	<u>75,560,060</u>	<u>17,804,100</u>	<u>6,582,349</u>	<u>20,895,655</u>	<u>(13,884,700)</u>	<u>106,957,464</u>

Freestore Foodbank, Inc. and Affiliates
Combining and Consolidating Statement of Activities
Year Ended June 30, 2023

	Freestore Foodbank, Inc.			FG-GBH LLC			FG-Hope, Inc.			The Freestore Foodbank Foundation, Inc.			Total			
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
Public support:																
Contributions and grants	\$ 3,792,863	11,931,103	15,723,966	-	-	-	-	246,893	120,577	367,470	4,039,756	12,051,680	-	-	-	16,091,436
Government agencies	4,725,024	-	4,725,024	-	-	-	-	-	-	-	4,725,024	-	-	-	-	4,725,024
United Way/Community Chest	22,320	330,785	353,105	-	-	-	-	-	-	-	22,320	330,785	-	-	-	353,105
Change in interest in irrevocable trusts	-	1,364	1,364	-	-	-	-	28,372	28,372	-	-	29,736	-	-	-	29,736
	<u>8,540,207</u>	<u>12,263,252</u>	<u>20,803,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,893</u>	<u>148,949</u>	<u>395,842</u>	<u>8,787,100</u>	<u>12,412,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,199,301</u>
Revenues:																
Program services:																
Private organizations	195,961	-	195,961	-	-	-	-	-	-	-	195,961	-	-	-	-	195,961
Member agency fees/product resale	2,968,679	-	2,968,679	-	-	-	-	-	-	-	2,968,679	-	-	-	-	2,968,679
Client services - individuals	81,095	-	81,095	-	-	-	-	-	-	-	81,095	-	-	-	-	81,095
Social enterprises	30,390	-	30,390	-	-	-	-	-	-	-	30,390	-	-	-	-	30,390
Special events	1,522,703	-	1,522,703	-	-	-	-	-	-	-	1,522,703	-	-	-	-	1,522,703
In-kind goods and services:																
Advertising services	20,000	-	20,000	-	-	-	-	-	-	-	20,000	-	-	-	-	20,000
Foodbank donations - food and products	48,398,171	-	48,398,171	-	-	-	-	-	-	-	48,398,171	-	-	-	-	48,398,171
Investment return, net	11,725	-	11,725	-	-	-	-	1,624,835	76,760	1,701,595	1,636,560	76,760	-	-	-	1,713,320
Gain (loss) on disposal of property and equipment	(37,966)	-	(37,966)	-	-	-	2,585,318	-	-	-	2,547,352	-	-	-	-	2,547,352
Other	1,033,857	-	1,033,857	5,559	178,041	-	-	1,500	-	1,500	1,218,957	-	-	-	-	1,218,957
Intercompany:																
Rental revenue/(expense)	(637,741)	-	(637,741)	50,250	-	-	416,852	-	-	-	(170,639)	-	-	170,639	-	-
Donation to/(from)	3,346,328	-	3,346,328	305,318	(271,018)	(3,871,127)	490,499	-	490,499	-	-	-	-	-	-	-
Net assets released from restriction:																
Satisfaction of program and purpose restrictions	36,222,570	(36,222,570)	-	-	-	-	-	167,000	(167,000)	-	36,389,570	(36,389,570)	-	-	-	-
Satisfaction of time restrictions	3,080,104	(3,080,104)	-	-	-	-	-	39,639	(39,639)	-	3,119,743	(3,119,743)	-	-	-	-
	<u>96,235,876</u>	<u>(39,302,674)</u>	<u>56,933,202</u>	<u>361,127</u>	<u>(92,977)</u>	<u>(868,957)</u>	<u>2,323,473</u>	<u>(129,879)</u>	<u>2,193,594</u>	<u>97,958,542</u>	<u>(39,432,553)</u>	<u>170,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,696,628</u>
Total public support and revenues	<u>104,776,083</u>	<u>(27,039,422)</u>	<u>77,736,661</u>	<u>361,127</u>	<u>(92,977)</u>	<u>(868,957)</u>	<u>2,570,366</u>	<u>19,070</u>	<u>2,589,436</u>	<u>106,745,642</u>	<u>(27,020,352)</u>	<u>170,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,895,929</u>
Expenses:																
Client services	5,421,745	-	5,421,745	613	-	198,070	-	-	-	-	5,620,428	-	-	-	-	5,620,428
Workforce development	2,103,206	-	2,103,206	77,430	-	119,486	3,000	-	3,000	2,303,122	-	-	-	-	-	2,303,122
Foodbank:																
In-kind expenses	48,409,222	-	48,409,222	-	-	-	-	-	-	-	48,409,222	-	-	-	-	48,409,222
Supportive services	12,149,742	-	12,149,742	255,839	-	153,927	-	-	-	-	12,559,508	-	-	-	-	12,559,508
Social enterprises	41,640	-	41,640	-	-	-	-	-	-	-	41,640	-	-	-	-	41,640
Management and general	3,051,201	-	3,051,201	46,207	-	52,661	9,938	-	9,938	3,160,007	-	-	-	-	-	3,160,007
Fundraising	2,803,112	-	2,803,112	16,040	-	16,588	-	-	-	-	2,835,740	-	-	-	-	2,835,740
	<u>73,979,868</u>	<u>-</u>	<u>73,979,868</u>	<u>396,129</u>	<u>-</u>	<u>540,732</u>	<u>12,938</u>	<u>-</u>	<u>12,938</u>	<u>74,929,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,929,667</u>
Change in net assets	30,796,215	(27,039,422)	3,756,793	(35,002)	(92,977)	(1,409,689)	2,557,428	19,070	2,576,498	31,815,975	(27,020,352)	170,639	-	-	-	4,966,262
Net assets at beginning of year	(12,632,792)	34,019,419	21,386,627	7,398,124	17,897,077	7,985,808	15,847,793	2,457,051	18,304,844	36,496,010	36,476,470	-	-	-	-	72,972,480
Net assets (deficit) at end of year	\$ <u>18,163,423</u>	<u>6,979,997</u>	<u>25,143,420</u>	<u>7,363,122</u>	<u>17,804,100</u>	<u>6,576,119</u>	<u>18,405,221</u>	<u>2,476,121</u>	<u>20,881,342</u>	<u>68,311,985</u>	<u>9,456,118</u>	<u>170,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,938,742</u>

