

**TOLEDO NORTHWESTERN OHIO  
FOOD BANK, INC.**

**AUDITED FINANCIAL STATEMENTS**

**Years Ended December 31, 2018 and 2017**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Toledo Northwestern Ohio Food Bank, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Toledo Northwestern Ohio Food Bank, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Toledo Northwestern Ohio Food Bank, Inc. as of December 31, 2018 and 2017, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of food program expenses and schedules of management and general and fundraising expenses on pages 15 and 16 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we also issued our report dated August 15, 2020, on our consideration of Toledo Northwestern Ohio Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement 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 of the effectiveness of the Organizations' 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 Toledo Northwestern Ohio Food Bank, Inc.'s internal control over financial reporting and compliance.

*DeMarco & Associates CPAs, LLC*

August 15, 2020

**TOLEDO NORTHWESTERN OHIO FOOD BANK, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2018 and 2017**

ASSETS	2018	2017
Current assets		
Cash and cash equivalents	\$ 1,951,073	\$ 1,635,951
Accounts receivable	37,837	7,144
Inventory - food	1,277,925	1,536,145
Prepaid insurance	-	1,633
Prepaid mailing list	143,742	105,867
Prepaid - other	-	15,591
Total current assets	<u>3,410,577</u>	<u>3,302,331</u>
Property and equipment - net	803,745	772,109
Other assets		
Investments	1,713,496	1,922,803
Deposits	538	538
Loan receivable	264,450	232,156
Gift cards	2,720	2,570
Total other assets	<u>1,981,204</u>	<u>2,158,067</u>
Total assets	<u>\$ 6,195,526</u>	<u>\$ 6,232,507</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 119,226	\$ 40,591
Grants payable	-	1,595
Total current liabilities	<u>119,226</u>	<u>42,186</u>
Net assets		
Without donor restrictions		
Undesignated	5,996,233	6,113,400
With donor restrictions	80,067	76,921
Total net assets	<u>6,076,300</u>	<u>6,190,321</u>
Total liabilities and net assets	<u>\$ 6,195,526</u>	<u>\$ 6,232,507</u>

The accompanying notes are an integral part of these financial statements.



	2017		
	Without Donor Restrictions	With Donor Restrictions	2017 Totals
Support and revenue			
Donated food and goods	\$ 11,864,855	\$ -	\$ 11,864,855
Shared maintenance fees	264,114	-	264,114
Contributions and grants	1,536,820	31,135	1,567,955
Special events	166,062	-	166,062
Gain on sale of property and equipment	-	-	-
Investment income	189,698	-	189,698
Net assets released from restrictions	3,900	(3,900)	-
Total support and revenue	14,025,449	27,235	14,052,684
Expenses			
Food program	13,609,186	-	13,609,186
Management and general	295,241	-	295,241
Fundraising	348,558	-	348,558
Total expenses	14,252,985	-	14,252,985
Change in net assets	(227,536)	27,235	(200,301)
Net assets - beginning of year	6,340,936	49,686	6,390,622
Net assets - end of year	\$ <u>6,113,400</u>	\$ <u>76,921</u>	\$ <u>6,190,321</u>

The accompanying notes are an integral part of these financial statements.





	Food Program Services	Management and General	Fundraising	2017 Totals
Food	\$ 12,490,978	\$ -	\$ -	\$ 12,490,978
Salaries	408,865	-	23,367	432,232
Payroll taxes and employee benefits	50,369	-	1,762	52,131
Management fees	258,570	95,636	17,501	371,707
Utilities	42,516	-	-	42,516
Depreciation	142,784	-	-	142,784
Repairs and maintenance	61,040	12,698	-	73,738
Insurance	25,836	2,795	-	28,631
Real estate taxes	2,714	-	-	2,714
Interest	638	-	-	638
Rent	28,400	-	-	28,400
Fuel	40,316	-	-	40,316
Freight	21,980	-	-	21,980
Licenses and taxes	3,484	-	-	3,484
Mileage	4,133	-	-	4,133
Grants to others	23,012	-	-	23,012
Office supplies	-	15,414	-	15,414
Dues and subscriptions	-	21,610	-	21,610
Printing and postage	-	42,025	-	42,025
Professional fees	-	24,473	130,402	154,875
Outside services	-	9,636	-	9,636
Training and education	-	13,206	-	13,206
Waste collection	-	7,030	-	7,030
Advertising	-	5,605	83,360	88,965
Bank service charges	-	4,186	-	4,186
Miscellaneous	-	7,763	-	7,763
Board volunteer expense	-	4,535	-	4,535
Retirement	-	28,629	-	28,629
Credit card fees	3,551	-	-	3,551
Special events expense	-	-	92,166	92,166
Total expenses	<u>\$ 13,609,186</u>	<u>\$ 295,241</u>	<u>\$ 348,558</u>	<u>\$ 14,252,985</u>

The accompanying notes are an integral part of these financial statements.

**TOLEDO NORTHWESTERN OHIO FOOD BANK, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (114,021)	\$ (200,301)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	186,900	(83,198)
Depreciation	144,597	142,784
Gain on disposal of assets	(3,537)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(62,987)	4,846
Inventory	258,220	588,681
Prepaid and other assets	(20,801)	(7,776)
Increase (decrease) in:		
Accounts payable	79,038	(68,837)
Grants payable	(1,998)	(16)
Net cash provided by operating activities	<u>465,411</u>	<u>376,183</u>
Cash flows from investing activities		
Purchases of property and equipment	(212,196)	(133,240)
Purchases of investments	(5,161)	(1,037,662)
Proceeds on sale of property and equipment	39,500	-
Proceeds on sale of investments	27,568	900,282
Net cash used in investing activities	<u>(150,289)</u>	<u>(270,620)</u>
Net increase in cash and cash equivalents	315,122	105,563
Cash and cash equivalents at beginning of year	<u>1,635,951</u>	<u>1,530,388</u>
Cash and cash equivalents at end of year	<u>\$ 1,951,073</u>	<u>\$ 1,635,951</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ -</u>	<u>\$ 638</u>

The accompanying notes are an integral part of these financial statements.

**TOLEDO NORTHWESTERN OHIO FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2018 and 2017**

**Note A – Significant accounting policies**

Nature of operations

Toledo Northwestern Ohio Food Bank, Inc. (the Food Bank) is a nonprofit organization established to feed the hungry of Northwest Ohio by soliciting surplus food from local grocery suppliers, manufacturers and other producers in the Feeding America network and distributing these donations to qualified community charities with feeding programs for the needy. The Food Bank is a member of the Feeding America network, which provides certain performance guidelines and procedures. These guidelines and procedures facilitate program management, control, and comparability.

Basis of presentation

The financial statements of the Food Bank have been prepared on the accrual basis of accounting. Under this method of accounting, revenues and expenses are identified with specific periods of time and are recorded as incurred, along with acquired assets, without regard to the date of receipt or the payment of cash.

Use of estimates in the preparation of financial statements

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

Cash and cash equivalents

The Food Bank considers all highly liquid investments purchased including certificates of deposits with an original maturity of three months or less to be cash and/or cash equivalents and are deemed to approximate fair value. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. While the Food Bank's cash balances do at times exceed federally insured limits, the Food Bank feels it is not exposed to any significant risk.

Accounts receivable

At December 31, 2018 and 2017, all accounts receivable were deemed collectible by management of the Food Bank; therefore, there was no allowance for uncollectible accounts. Management uses the direct write-off method to account for uncollectible receivables. Amounts are written off to bad debt expense at the time they are determined by management to be uncollectible.

Investments

The Food Bank's investments and certain cash equivalents are held by a national investment banking and financial services company and managed by an investment advisor in accordance with the terms of an investment advisor agreement.

Investments are recorded at fair market value as determined by quoted market prices of securities held. Unrealized appreciation or depreciation of investments based upon the quoted market values at December 31, 2018 and 2017 are recorded as an increase or decrease in net assets.

**TOLEDO NORTHWESTERN OHIO FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2018 and 2017**

**Note A – Significant accounting policies (continued)**

Inventory

Food donated to the Food Bank is capitalized as inventory and recorded at estimated values of \$1.62 and \$1.68 per pound for the years ended December 31, 2018 and 2017, respectively. The estimated values are based on the annual Feeding America's Product Valuation Summary of the average wholesale market price. In addition to donated food, the Food Bank also maintains an inventory of purchased food which is recorded at cost. Upon distribution, the food is recorded as a decrease in unrestricted net assets and an expense under food.

Property and equipment

Property and equipment is recorded at historical cost, or if donated, at estimated fair value at the date of donation. Property and equipment purchased or donated with a value in excess of \$500 is capitalized. Depreciation is provided over the estimated useful lives of the assets by application of the straight-line method.

Revenue recognition

Contributions of cash are recorded as public support when received. All contributions and revenue are available for unrestricted use unless specified by the donor. Contributions of food that will be resold by the Food Bank are capitalized as inventory and recorded as an unrestricted contribution. Revenue is also recorded as shared maintenance fees when the donated food is sold.

Functional allocation of expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Expenses are allocated to program services, management and general and fundraising on the following basis:

- Management and general expenses are allocated on the basis of periodic time and expense studies.
- Personnel expenses are allocated on the basis of direct salaries.
- Building and occupancy costs are allocated on the basis of square footage.
- Depreciation is allocated on the basis of usage of the building, furniture and equipment.

Advertising

Advertising is charged to operations when incurred. Advertising expense for December 31, 2018 and 2017 was \$48,074 and \$88,965, respectively.

The Food Bank has capitalized the acquisition cost of mailing lists purchased from a professional fundraiser. Management believes these lists have a useful life of three years. The costs of the mailing lists were \$39,975 and \$57,127 in 2018 and 2017, respectively.



**TOLEDO NORTHWESTERN OHIO FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2018 and 2017**

**Note A – Significant accounting policies (continued)**

Advertising (continued)

Amortization expense of \$59,000 and \$58,560 in 2018 and 2017, respectively is included in professional fees.

Net assets

Net assets, revenues, gains and losses are classified based upon the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions

Net assets that are available for use in general operations and not subject to donor or grantor-imposed restrictions.

Net assets with donor restrictions

Net assets that are subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Income and other taxes

The Internal Revenue Service has determined that the Food Bank is qualified as exempt under Section 501(c)(3) of the Internal Revenue Code and has also determined that the Food Bank is publicly supported. As a result, no provision for federal or state income taxes has been made.

FASB ASC #740, *Income Taxes*, requires entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years including the year ended December 31, 2015 and later are subject to examination by tax authorities. Areas that IRS and state authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. The Food Bank does not believe that it has any uncertain tax positions with respect to these or other matters and has not recorded any unrecognized tax benefits or liability for penalties and interest.

The Food Bank is not aware of any circumstances or events that make it reasonably possible that tax benefits may increase or decrease within 12 months of the date of these financial statements.

**TOLEDO NORTHWESTERN OHIO FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2018 and 2017**

**Note A – Significant accounting policies (continued)**

Adoption of a new accounting pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by the update have been made retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in the financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restriction and amounts previously reported as temporarily restricted net assets and permanently restricted net asset, if applicable, are now reported as net assets with donor restrictions. The update also aims to enhance information about an organization's expenses through a new expense analysis that shows expenses broken down by nature and function. Further, the update requires organizations to provide information that shows how they manage their access to cash over the next twelve months and retain liquidity. The Organization adopted this new pronouncement in its December 31, 2018 financial statements, applying retrospectively to all periods presented.

New accounting pronouncements

In June 2018, the FASB issued ASU No. 2018-08, *Not-for Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This pronouncement intends to clarify and improve current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The ASU is effective for the Organization for annual reporting periods beginning after December 15, 2018, and interim periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently assessing the impact that ASU 2018-08 will have on its financial statements and will adopt the provisions upon the effective date.

In February 2016, the FASB issued ASU 2016-02, "Leases". This update requires that lessees recognize assets and liabilities on the balance sheet for the right and obligations created by all leases with terms of more than 12 months. This update will also require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include both qualitative and quantitative information. The effective date for this update is for fiscal years beginning after December 15, 2020, with earlier adoption permitted. The Organization is still evaluating the impact this update will have on its financial position and results of operations.

**TOLEDO NORTHWESTERN OHIO FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2018 and 2017**

**Note A – Significant accounting policies (continued)**

Subsequent events

The Food Bank has evaluated its December 31, 2018 financial statements for subsequent events through the date the financial statements were issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Food Bank's financial position and results of operations. The extent and duration of the potential negative impact of the virus, that may include impacting our customers, vendors and employees, is unknown at this time.

**Note B – Liquidity and availability of financial assets**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the Statement of Financial Position are outlined in the following table. These assets include operating cash, contract receivables and other receivables, not yet received.

	2018	2017
Cash and cash equivalents	\$ 1,951,073	\$ 1,635,951
Accounts receivable	37,837	7,144
Investments	1,713,496	1,922,803
Total	<u>\$ 3,702,406</u>	<u>\$ 3,565,898</u>

**Note C – Property and equipment**

Property and equipment at December 31, 2018 and 2017 consisted of the following:

	2018	2017
Buildings and improvements	\$ 643,303	\$ 643,303
Office furniture and fixtures	43,768	43,149
Office equipment	183,546	176,923
Warehouse equipment	215,884	203,856
Vehicles	979,288	846,302
Total costs	2,065,789	1,913,533
Less accumulated depreciation	1,262,044	1,141,424
Net property and equipment	<u>\$ 803,745</u>	<u>\$ 772,109</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$144,597 and \$142,784, respectively.

**Note D – Line of credit**

The Food Bank has an unsecured line of credit with a bank which permits borrowings up to \$250,000 with interest at the bank's prime rate (5.50% at December 31, 2018). The Food Bank had no outstanding borrowings on its line of credit as of December 31, 2018 and 2017. Interest expense related to the line of credit was \$0 and \$638 for the years ended December 31, 2018 and 2017, respectively.

**TOLEDO NORTHWESTERN OHIO FOOD BANK, INC.**  
**SCHEDULES OF FOOD PROGRAM EXPENSES**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Food program expenses		
Food	\$ 12,085,348	\$ 12,490,978
Personnel		
Salaries	390,605	408,865
Payroll taxes and employee benefits	<u>75,558</u>	<u>50,369</u>
Total personnel	466,163	459,234
Occupancy		
Utilities	45,122	42,516
Depreciation	58,375	57,643
Repairs and maintenance	62,287	42,361
Insurance	13,368	12,230
Real estate taxes	2,382	2,714
Interest	-	638
Rent	<u>27,493</u>	<u>28,400</u>
Total occupancy	209,027	186,502
Transportation		
Depreciation	86,222	85,141
Fuel	58,424	40,316
Repairs and maintenance	27,465	18,679
Insurance	14,871	13,606
Freight	22,251	21,980
Licenses and taxes	3,114	3,484
Mileage	<u>6,877</u>	<u>4,133</u>
Total transportation	219,224	187,339
Credit card fees	2,758	3,551
Grants to others	12,217	23,012
Management fees	<u>234,624</u>	<u>258,570</u>
Total food program expenses	\$ <u><u>13,229,361</u></u>	\$ <u><u>13,609,186</u></u>

See independent auditors' report.



**TOLEDO NORTHWESTERN OHIO FOOD BANK, INC.**  
**SCHEDULES OF MANAGEMENT AND GENERAL AND FUNDRAISING EXPENSES**  
**Years Ended December 31, 2018 and 2017**

	2018	2017
General and administrative expenses		
Management fees	\$ 95,636	\$ 95,636
Office supplies	19,190	15,414
Dues and subscriptions	16,220	21,610
Printing and postage	48,566	42,025
Professional fees	21,326	24,473
Outside services	6,214	9,636
Training and education	3,993	13,206
Waste collection	14,589	7,030
Advertising	6,613	5,605
Repairs and maintenance	12,698	12,698
Bank service charges	7,555	4,186
Miscellaneous	4,781	7,763
Insurance	2,795	2,795
Board volunteer expense	3,084	4,535
Retirement	14,293	28,629
	<u>277,553</u>	<u>295,241</u>
Total general and administrative expenses	\$ <u>277,553</u>	\$ <u>295,241</u>
Fundraising expenses		
Professional fees	\$ 113,651	\$ 130,402
Advertising	41,461	83,360
Salaries	22,297	23,367
Management fees	16,324	17,501
Payroll taxes and employee benefits	2,643	1,762
Special events expense	52,576	92,166
	<u>248,952</u>	<u>348,558</u>
Total fundraising expenses	\$ <u>248,952</u>	\$ <u>348,558</u>

See independent auditors' report.