



**AKRON-CANTON REGIONAL FOODBANK INC.  
AND AFFILIATE  
(NONPROFIT ORGANIZATIONS)**

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**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**For the Years Ended December 31, 2018  
(With Prior Year Summarized Comparative Information)**



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# AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

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## **INDEPENDENT AUDITOR'S REPORT**

To the Boards of Trustees of the  
Akron-Canton Regional Foodbank, Inc. and Affiliate:

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

We have audited the accompanying consolidated financial statements of the Akron-Canton Regional Foodbank, Inc. and Affiliate (the Foodbank and Affiliate) (both nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the 2018 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Akron-Canton Regional Foodbank, Inc. and Affiliate as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 2 to the financial statements, the Organization adopted new accounting guidance as issued by the Financial Accounting Standards Board under Financial Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2018 consolidating statements of financial position, activities, and cash flows are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 consolidated financial statements or to the 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 consolidated financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2019 on our consideration of the Akron-Canton Regional Foodbank, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Akron-Canton Regional Foodbank, Inc. and Affiliate's internal control over financial reporting and compliance.

## **Prior Period Financial Statement and Summarized Comparative Information**

We have previously audited Akron-Canton Regional Foodbank, Inc. and Affiliate's 2017 financial statements, and we expressed an unmodified opinion on those statements in our report dated May 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sikich LLP*

March 21, 2019

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2018

(with summarized comparative financial information at December 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,405,876	\$ 2,545,909
Accounts receivable, net	226,678	167,571
Grants receivable	312,153	555,454
Pledges receivable	45,000	-
Prepaid expenses	69,464	82,340
Inventory	2,908,870	2,864,305
Investments	1,408,214	1,486,764
Land, building and equipment, net	4,459,565	4,011,904
Endowment investments	<u>1,096,072</u>	<u>1,167,570</u>
	<u>\$ 11,931,892</u>	<u>\$ 12,881,817</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 166,755	\$ 272,494
Accrued expenses	<u>388,210</u>	<u>453,661</u>
Total liabilities	<u>554,965</u>	<u>726,155</u>
Net assets:		
Without donor restrictions	9,994,368	10,923,822
With donor restrictions	<u>1,382,559</u>	<u>1,231,840</u>
Total net assets	<u>11,376,927</u>	<u>12,155,662</u>
	<u>\$ 11,931,892</u>	<u>\$ 12,881,817</u>

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Public support and revenue:				
Public support:				
Grants	\$ 550,682	\$ -	\$ 550,682	\$ 421,750
USDA distribution fees	406,934	-	406,934	336,864
Donated food, net	36,837,877	-	36,837,877	36,196,896
Contributions	5,001,989	929,850	5,931,839	5,837,079
Net assets released from restrictions	795,964	(795,964)	-	-
Total public support	<u>43,593,446</u>	<u>133,886</u>	<u>43,727,332</u>	<u>42,792,589</u>
Revenue:				
Fundraising events	391,597	-	391,597	296,419
Less: direct benefit to donors	61,063	-	61,063	62,025
Fundraising events, net	<u>330,534</u>	<u>-</u>	<u>330,534</u>	<u>234,394</u>
Purchase program sales	1,325,128	-	1,325,128	1,536,593
Less: cost of purchased goods distributed	1,164,682	-	1,164,682	1,432,713
Purchase program, net	<u>160,446</u>	<u>-</u>	<u>160,446</u>	<u>103,880</u>
Shared maintenance	924,967	-	924,967	1,041,856
Distribution fees	211,107	-	211,107	226,011
Freight income	25,975	-	25,975	21,975
Investment income	40,475	33,846	74,321	73,399
Miscellaneous	48,804	-	48,804	81,428
	<u>1,251,328</u>	<u>33,846</u>	<u>1,285,174</u>	<u>1,444,669</u>
Total revenue	<u>1,742,308</u>	<u>33,846</u>	<u>1,776,154</u>	<u>1,782,943</u>
Total public support and revenue	<u>45,335,754</u>	<u>167,732</u>	<u>45,503,486</u>	<u>44,575,532</u>
Expenses:				
Program services	42,588,911	-	42,588,911	41,564,383
Supporting services:				
Management and general	1,291,141	-	1,291,141	1,282,306
Fundraising expenses	2,167,635	-	2,167,635	1,902,189
Total expenses	<u>46,047,687</u>	<u>-</u>	<u>46,047,687</u>	<u>44,748,878</u>
Change in net assets from operations before gains and losses	(711,933)	167,732	(544,201)	(173,346)
Gains and losses:				
Net appreciation (depreciation) on investments	(217,521)	(17,013)	(234,534)	229,815
Change in net assets	(929,454)	150,719	(778,735)	56,469
Net assets, beginning of year	<u>10,923,822</u>	<u>1,231,840</u>	<u>12,155,662</u>	<u>12,099,193</u>
Net assets, end of year	<u>\$ 9,994,368</u>	<u>\$ 1,382,559</u>	<u>\$ 11,376,927</u>	<u>\$ 12,155,662</u>

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

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	2018 Total	2017 Total
Salaries and related:						
Administration salaries	\$ 1,730,466	\$ 716,357	\$ 944,410	\$ -	\$ 3,391,233	\$ 3,279,385
Warehouse salaries	817,596	-	-	-	817,596	751,443
Payroll taxes	231,497	53,661	73,476	-	358,634	300,625
Health and life insurance	454,257	84,694	152,145	-	691,096	607,733
Retirement plan	85,630	25,469	34,153	-	145,252	121,016
	<u>3,319,446</u>	<u>880,181</u>	<u>1,204,184</u>	<u>-</u>	<u>5,403,811</u>	<u>5,060,202</u>
Office:						
Supplies	10,233	3,705	12,469	-	26,407	28,680
Telephone	18,243	-	-	-	18,243	15,401
Postage	8,756	1,715	-	-	10,471	9,975
Maintenance	-	-	46,068	-	46,068	23,936
Insurance	-	18,694	-	-	18,694	22,409
Payroll service	-	17,384	-	-	17,384	15,787
Professional fees	-	161,380	131,764	-	293,144	166,556
Bank service charges	-	62,899	-	-	62,899	57,484
	<u>37,232</u>	<u>265,777</u>	<u>190,301</u>	<u>-</u>	<u>493,310</u>	<u>340,228</u>
Transportation:						
Staff travel	12,216	-	-	-	12,216	16,479
Fuel	141,705	-	-	-	141,705	109,533
Maintenance	123,151	-	-	-	123,151	111,615
Insurance	23,919	-	-	-	23,919	17,886
Freight	390,035	-	-	-	390,035	334,842
Truck lease expense	125,572	-	-	-	125,572	127,673
Supplies	9,794	-	-	-	9,794	12,555
	<u>826,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>826,392</u>	<u>730,583</u>

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## AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES, Continued  
for the year ended December 31, 2018

(with summarized comparative financial information for the year end December 31, 2017)

	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	2018 Total	2017 Total
Warehouse:						
Utilities	107,407	-	-	-	107,407	97,564
Trash	18,805	-	-	-	18,805	18,041
Security	4,591	-	-	-	4,591	4,487
Maintenance	57,429	-	-	-	57,429	65,109
Information technology	205,205	-	-	-	205,205	208,212
Supplies	73,827	-	-	-	73,827	98,142
Contract labor	13,986	-	-	-	13,986	20,575
Insurance	43,321	-	-	-	43,321	41,664
Real estate assessments	4,147	-	-	-	4,147	4,147
Pest control	4,902	-	-	-	4,902	4,290
	<u>533,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>533,620</u>	<u>562,231</u>
Other:						
Grant expense, member agencies	700,411	-	-	-	700,411	594,613
Donated food distributed	36,673,016	-	-	-	36,673,016	36,101,577
Network and association fees	48,879	-	-	-	48,879	58,537
Public relations	6,356	84,879	5,296	-	96,531	120,573
Fundraising event supplies	-	-	-	61,063	61,063	62,025
Direct mail and other solicitations	-	-	767,854	-	767,854	644,376
Miscellaneous	142,288	51,393	-	-	193,681	208,005
	<u>37,570,950</u>	<u>136,272</u>	<u>773,150</u>	<u>61,063</u>	<u>38,541,435</u>	<u>37,789,706</u>
Total expenses before depreciation	42,287,640	1,282,230	2,167,635	61,063	45,798,568	44,482,950
Depreciation	<u>301,271</u>	<u>8,911</u>	<u>-</u>	<u>-</u>	<u>310,182</u>	<u>327,953</u>
Total expenses	42,588,911	1,291,141	2,167,635	61,063	46,108,750	44,810,903
Additional costs:						
Cost of purchased goods distributed	<u>1,164,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,164,682</u>	<u>1,432,713</u>
Total expenses plus additional costs	<u>\$ 43,753,593</u>	<u>\$ 1,291,141</u>	<u>\$ 2,167,635</u>	<u>\$ 61,063</u>	<u>\$ 47,273,432</u>	<u>\$ 46,243,616</u>



**AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**for the year ended December 31, 2018**

**(with summarized comparative financial information for the year ended December 31, 2017)**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from public support	\$ 7,477,854	\$ 6,742,024
Cash received from customers	2,476,874	2,871,584
Cash paid to suppliers and employees	(10,328,253)	(9,754,820)
Interest received	<u>74,321</u>	<u>73,399</u>
Net cash used by operating activities	<u>(299,204)</u>	<u>(67,813)</u>
Cash flows from investing activities:		
Purchase of investments	(4,023,552)	(1,095,733)
Proceeds from sale of investments	3,939,066	1,011,298
Capital expenditures	(757,843)	(148,189)
Merger of Community Harvest	<u>-</u>	<u>33,185</u>
Net cash used by investing activities	<u>(842,329)</u>	<u>(199,439)</u>
Cash flows from financing activities:		
Proceeds from contributions for investment in plant, property, and equipment	<u>1,500</u>	<u>-</u>
Net cash provided by financing activities	<u>1,500</u>	<u>-</u>
Net decrease in cash and cash equivalents	(1,140,033)	(267,252)
Cash and cash equivalents, beginning of year	<u>2,545,909</u>	<u>2,813,161</u>
Cash and cash equivalents, end of year	<u>\$ 1,405,876</u>	<u>\$ 2,545,909</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	<u>\$ (778,735)</u>	<u>\$ 56,469</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	310,182	327,953
Net (appreciation) depreciation on investments	234,534	(229,815)
Merger of Community Harvest	-	(33,185)
Contributions restricted for investment in plant, property, and equipment	(1,500)	-
Changes in operating assets:		
Accounts receivable	(59,107)	(3,094)
Grants receivable	243,301	(150,088)
Pledges receivable	(45,000)	-
Prepaid expenses	12,876	(7,720)
Inventory	(44,565)	(88,562)
Changes in operating liabilities:		
Accounts payable	(105,739)	77,192
Accrued expenses	<u>(65,451)</u>	<u>(16,963)</u>
Total adjustments	<u>479,531</u>	<u>(124,282)</u>
Net cash used by operating activities	<u>\$ (299,204)</u>	<u>\$ (67,813)</u>
Supplemental disclosures:		
Noncash investing and financing transactions:		
Acquisition of property and equipment financed through accounts payable	<u>\$ -</u>	<u>\$ 6,790</u>

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

## AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

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#### 1. Nature of Activities:

The Akron-Canton Regional Foodbank, Inc. (the Foodbank) is a nonprofit organization which primarily collects donations of surplus food and related items and then distributes them to eligible charities and food programs. The Akron-Canton Regional Foodbank Endowment (the Endowment), a nonprofit organization, was established in 1999 with the purpose of receiving and maintaining funds to support the Foodbank.

#### 2. Summary of Significant Accounting Policies:

**Principles of Consolidation** – The consolidated financial statements include the accounts of the Foodbank and the Endowment, an affiliate. The Foodbank and Endowment (the Organization) are related through common management. All significant affiliate transactions have been eliminated from the consolidated amounts.

**Basis of Accounting** - The accompanying consolidated financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Financial Statement Presentation** – The Organization reports information regarding their financial position and activities according to two classes of net assets:

**Net assets without donor restrictions** include general and board-designated net assets of the Organization and are not subject to donor-imposed restrictions. These net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

**Net assets with donor restrictions** are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**Support and Revenue Recognition** – Contributions received are recorded as without donor restrictions or with donor restrictions support, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is recorded as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

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2. **Summary of Significant Accounting Policies, Continued:**

***Support and Revenue Recognition, Continued*** – The Organization receives contributions of food and supplies from various sources and classifies these contributions as without donor restrictions support. Contributions received from the U.S. Department of Agriculture and the Ohio Food Program are recorded at fair market value as determined by these donors and agreed with by the Organization. All other contributions of food and supplies are valued at fair value using the approximate average wholesale value of one pound of donated product as determined at the national level and agreed with by the Organization. This value is \$1.73 per pound for 2018 and \$1.67 per pound for 2017, and is based on a national study. This study was subject to certain agreed upon procedures performed by an international CPA firm at the national level. Purchase program sales are recorded at the time the goods are provided.

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, “Revenue from Contracts with Customers,” as amended by ASU 2015-14, which supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU 2014-09, as amended, is effective for non-public companies for annual reporting periods beginning after December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. The Organization is currently assessing the impact of this new standard.

***Shared Maintenance*** – The Organization charges member agencies a per pound fee on certain food distributed to them. These fees vary based on the types of food distributed and are recognized as revenue as the related food distribution services are provided to member agencies.

***Cash and Cash Equivalents*** – Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments purchased with an original maturity of three months or less. However, cash and deposit accounts held as part of the Organization’s investment policy are classified as investments in the statement of financial position.

***Accounts Receivable*** – The Organization provides surplus food and related items to many organizations, the majority of which are charities and food programs in northeastern Ohio. The Foodbank extends unsecured credit to these organizations in the ordinary course of its operations but mitigates the associated risk by actively pursuing past due accounts. Trade accounts receivable are stated at the amount that management expects to collect from balances outstanding at year end. Management provides for probable uncollectable amounts through a charge to expense and a credit to an allowance for doubtful accounts based on its assessment of the current status of accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to trade accounts receivable. Amounts are considered past due based upon contractual terms.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

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2. **Summary of Significant Accounting Policies, Continued:**

**Grants Receivable** – Grants receivable include funds due from various funding sources. These amounts are stated at the amount management expects to collect from balances outstanding at year end. The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. In the opinion of management, there was no allowance necessary at December 31, 2018 and 2017.

**Pledges Receivable** – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible pledges. The allowance is based on prior years' experience and management's analysis of specific pledges made. In the opinion of management, there was no allowance necessary at December 31, 2018 and 2017.

**Investments** – Investments are stated at fair market value in the consolidated statement of financial position. Gains and losses (realized and unrealized) on investments are recognized as changes in net assets in the period in which they occur and investment income is recognized as revenue in the period earned.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the consolidated statement of financial position and the consolidated statement of activities.

**Inventory** – The Organization values its inventory of purchased wholesale product at the lower of cost or market, with cost determined on the first-in, first-out (FIFO) method. Inventory donated by the U.S. Department of Agriculture and the Ohio Food Program is recorded at fair market value as determined by these donors and agreed with by the Organization. All other food and supplies inventory (primarily donated by the general public) is valued using the approximate average wholesale value of one pound of donated product as determined at the national level.

**Land, Building and Equipment** – Land, building and equipment are stated at cost or as to contributions in kind, at the market value prevailing at the date of donation. Acquisitions in excess of \$2,000 are capitalized while maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. When property is retired or otherwise disposed of, the cost of the property is removed from the asset account, accumulated depreciation is charged with an amount equivalent to the depreciation provided, and the difference is charged or credited to operations.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

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2. **Summary of Significant Accounting Policies, Continued:**

Depreciation has been provided using the accelerated and straight-line methods of accounting. Assets are depreciated based on the following estimated useful lives:

Buildings and improvements	7 – 31.5 years
Furniture	5 years
Equipment	3 – 10 years
Vehicles	5 years

**Functional Expenses** – The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated between program services, supporting services, and fundraising expenses. Salaries and related expenses are allocated on the basis of estimated time and effort.

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

**Tax Status** – The Foodbank and Endowment are nonprofit organizations exempt from federal income taxes under the current provisions of Internal Revenue Code Section 501(c)(3) and have been classified as organizations that are not private foundations.

**Comparative Financial Information** – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class and entity. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

**Contributed Services** – A substantial number of unpaid volunteers make significant contributions of their time to the Organization’s program services. No amounts have been recognized in the consolidated financial statements for donated services because the criteria for recognition have not been satisfied. In order to be recognized in the consolidated financial statements, the donated services must create or enhance nonfinancial assets or require specialized skills which would need to be purchased if not donated.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

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2. Summary of Significant Accounting Policies, Continued:

**New Accounting Pronouncement** – On August 18, 2016, FASB issued 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 Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Subsequent Events** – Subsequent events are events or transactions that occur after year end but before the financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at year end, including estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at year end but arose after that date (that is, non-recognized subsequent events).

Management has evaluated subsequent events through March 21, 2019, which is the date the consolidated financial statements were available to be issued.

3. Land, Building and Equipment:

Land, building and equipment consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 730,227	\$ 283,554
Buildings and improvements	5,631,166	5,614,391
Furniture	345,527	345,527
Equipment	931,567	915,373
Vehicles	645,507	593,953
Construction in progress	<u>177,619</u>	<u>-</u>
	8,461,613	7,752,798
Less accumulated depreciation	<u>4,002,048</u>	<u>3,740,894</u>
	<u>\$ 4,459,565</u>	<u>\$ 4,011,904</u>

**AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**for the year ended December 31, 2018**

**(with summarized comparative financial information for the year ended December 31, 2017)**

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**4. Liquidity:**

The following represents the Organization's financial assets available for operating expenses and capital expenditures on fixed assets within one year of the statement of financial position date at December 31:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,405,876	\$ 2,545,909
Accounts receivable, net	226,678	167,571
Grants receivable	312,153	555,454
Investments of the Foodbank available to be used within one year	<u>1,085,981</u>	<u>1,360,637</u>
	<u>\$ 3,030,688</u>	<u>\$ 4,629,571</u>

As described in Note 11, the Foodbank's Endowment is subject to an annual spend rate of 5%. The Organization has a \$1,000,000 line of credit available to meet cash flow needs.

**5. Fair Value Measurements:**

GAAP establishes a framework for measuring fair value. The framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs which are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

5. Fair Value Measurements, Continued:

**Valuation Techniques** - Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2018 and 2017.

**Common stocks** - Valued at the closing quoted price in an active market.

**Mutual funds** - Valued at the NAV of shares on the last trading day of the year.

**Corporate bonds** - U.S. government agencies and municipal obligations are measured at Level 2 and are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

The following table presents the assets carried on the statement of financial position by level within the fair value hierarchy:

	<u>2018</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds:			
Growth funds	\$ 584,681	\$ -	\$ 584,681
Value funds	324,189	-	324,189
Blend funds	646,776	-	646,776
Fixed income bond fund	127,805	-	127,805
Inflation-protected bond fund	36,406	-	36,406
Specialty funds	134,948	-	134,948
Corporate obligations (bonds)	<u>-</u>	<u>571,101</u>	<u>571,101</u>
Total assets at fair value	<u>\$ 1,854,805</u>	<u>\$ 571,101</u>	2,425,906
Investments in money market (a)			<u>78,380</u>
Total			<u>\$ 2,504,286</u>



**AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

**5. Fair Value Measurements, Continued:**

	<b>2017</b>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds:			
Growth funds	\$ 705,390	\$ -	\$ 705,390
Value funds	435,320	-	435,320
Blend funds	484,606	-	484,606
Fixed income bond funds	533,000	-	533,000
Inflation-protected bond fund	89,402	-	89,402
Common stocks	1,089	-	1,089
Corporate obligations (bonds)	<u>-</u>	<u>201,580</u>	<u>201,580</u>
Total assets at fair value	<u>\$ 2,248,807</u>	<u>\$ 201,580</u>	2,450,387
Investments in money market (a)			<u>203,947</u>
Total			<u>\$ 2,654,334</u>

(a) The amount presented is at cost. The amount presented in this table is intended to permit reconciliation of the fair value hierarchy to the line item presented in the consolidated statement of financial position.

**6. Financing Arrangements:**

The Organization has a revolving line of credit with a bank. During 2018, the agreement was amended to increase the borrowing limit from \$300,000 to \$1,000,000. There were no outstanding balances at December 31, 2018 and 2017. Advances outstanding on the credit line are due on demand, with interest due monthly at the bank's prime rate plus .25% (prime 5.5% at December 31, 2018). The credit line expires on June 30, 2020 and is collateralized by a blanket lien on all assets.

**7. Retirement Plan:**

The Organization maintains a 403(b) tax deferred annuity retirement plan in which employees are eligible to participate on their first day of employment with the Organization. The plan requires the Organization to contribute 2% of eligible employees' compensation and match up to an additional 2% of employees' compensation on elective deferrals. Retirement plan expense was \$145,252 in 2018 and \$121,016 in 2017.

**AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**for the year ended December 31, 2018**

**(with summarized comparative financial information for the year ended December 31, 2017)**

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**8. Concentrations:**

The Organization maintains cash balances with financial institutions which, at times, may exceed federally insured limits. At December 31, 2018 and 2017, the Organization's cash accounts exceeded federally insured limits by approximately \$910,000 and \$2,102,000, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**9. Leases:**

The Organization has entered into agreements to rent equipment, trucks and real estate under operating leases which expire on various dates through 2024. Rent expense under these leases totaled \$185,812 in 2018 and \$168,720 in 2017. Future minimum rental payments required under these leases are as follows:

2019	\$	177,380
2020		131,928
2021		56,376
2022		30,004
2023		24,868
Thereafter		<u>20,724</u>
	\$	<u>441,280</u>

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, "Leases (Topic 842)" (ASU 2016-02), to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. ASU 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements" providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Organization is currently assessing the impact of this new standard, including the two optional transition methods.

**AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

**10. Net Assets:**

Net assets without donor restrictions are available for the following purposes as of December 31:

	<u>2018</u>	<u>2017</u>
Net investment in land, building and equipment	\$ 4,459,565	\$ 4,011,904
Board designated funds functioning as endowment	517,837	573,053
Operating surplus	<u>5,016,966</u>	<u>6,338,865</u>
	<u>\$ 9,994,368</u>	<u>\$ 10,923,822</u>

Net assets with donor restrictions are available for the following purposes as of December 31:

	<u>2018</u>	<u>2017</u>
Children's food programs	\$ 180,235	\$ 197,248
Children's meals	185,668	242,645
Direct distribution	80,216	34,630
Agency grants	82,829	101,977
Transportation, freight and storage costs	34,746	66,384
Capacity building	111,708	70,833
Client engagement	150,000	-
Technology	-	4,021
Regional initiatives	99,157	83,333
Warehouse equipment	-	33,000
Volunteer center support	15,000	-
Capital projects	45,000	-
Permanent endowment - Investment in perpetuity, the income on which is expendable to support operations	<u>398,000</u>	<u>397,769</u>
	<u>\$ 1,382,559</u>	<u>\$ 1,231,840</u>

Net assets with donor restrictions totaling \$795,964 and \$575,861 were released from donor restrictions during 2018 and 2017, respectively, by incurring expenses satisfying the restricted purposes.

**11. Endowment:**

The Endowment was established in 1999 with the specific purpose of seeking funds for the benefit of the Organization. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

**11. Endowment, Continued:**

**Interpretation of Relevant Law**

The Boards of Trustees of the Akron-Canton Regional Foodbank, Inc. and Affiliate have interpreted state law 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 Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by state law. In accordance with state law, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

***Endowment Net Asset Classification by Type of Fund***

	<u>Without Donor Restrictions</u>	<u>2018</u>		<u>Total</u>
		<u>Restricted for Purpose</u>	<u>Restricted for Perpetuity</u>	
Donor-restricted endowment funds	\$ -	\$ 180,235	\$ 398,000	\$ 578,235
Board-designated funds functioning as endowment	<u>517,837</u>	<u>-</u>	<u>-</u>	<u>517,837</u>
Total funds	<u>\$ 517,837</u>	<u>\$ 180,235</u>	<u>\$ 398,000</u>	<u>\$ 1,096,072</u>

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

11. Endowment, Continued:

	<u>Without Donor Restrictions</u>	<u>2017</u>		<u>Total</u>
		<u>Restricted for Purpose</u>	<u>Restricted for Perpetuity</u>	
Donor-restricted endowment funds	\$ -	\$ 197,248	\$ 397,769	\$ 595,017
Board-designated funds functioning as endowment	<u>573,053</u>	<u>-</u>	<u>-</u>	<u>573,053</u>
Total funds	<u>\$ 573,053</u>	<u>\$ 197,248</u>	<u>\$ 397,769</u>	<u>\$ 1,168,070</u>

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

11. Endowment, Continued:

Changes in Endowment Net Assets for the Years Ended December 31:

	<u>With Donor Restrictions</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>Restricted for Purpose</u>	<u>Restricted for Perpetuity</u>	
Endowment net assets, January 1, 2017	\$ 448,491	\$ 197,248	\$ 395,732	\$ 1,041,471
Contributions	-	-	2,037	2,037
Investment return:				
Investment income	-	33,051	-	33,051
Net appreciation (realized and unrealized)	-	97,229	-	97,229
Total investment return	-	130,280	-	130,280
Appropriation of investment return by board	130,280	(130,280)	-	-
Appropriation of endowment assets for expenditure	(5,718)	-	-	(5,718)
Endowment net assets, December 31, 2017	573,053	197,248	397,769	1,168,070
Contributions	-	-	231	231
Investment return:				
Investment income	-	33,846	-	33,846
Net depreciation (realized and unrealized)	(83,062)	(17,013)	-	(100,075)
Total investment return	(83,062)	16,833	-	(66,229)
Appropriation of investment return by board	33,846	(33,846)	-	-
Appropriation of endowment assets for expenditure	(6,000)	-	-	(6,000)
Endowment net assets, December 31, 2018	\$ 517,837	\$ 180,235	\$ 398,000	\$ 1,096,072

**AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**for the year ended December 31, 2018**

**(with summarized comparative financial information for the year ended December 31, 2017)**

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**11. Endowment, Continued:**

**Return Objectives and Risk Parameters**

The Endowment seeks to provide a predictable stream of funding to the Akron-Canton Regional Foodbank, Inc. and to maintain the core balance of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Endowment must hold in perpetuity.

It is the Board of Director's practice to appropriate for future expenditures all investment income earned on the Endowment and classify these earnings as board designated.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term objectives, the Endowment relies on a conservative strategy in which investment returns are achieved through current yield (interest and dividends). The Endowment targets equity and fixed income mutual funds in order to maintain the core value of the Endowment while at the same time generating modest returns.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The primary objective of the Endowment is to support the current and future activities of the Organization; therefore, assets withdrawn from the Endowment will be lower than the expected long-term return. It is the objective of the Endowment to distribute in any one fiscal year no more than 5.0% of the three-year moving average of the fair market value of the Endowment's assets at year end.

**12. Merger:**

The Organization completed a merger with Community Harvest which was effective January 1, 2017. Community Harvest's net assets consisted of cash totaling \$33,185 at the date of the merger.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2018

(with summarized comparative financial information at December 31, 2017)

ASSETS	Akron-Canton Regional Foodbank, Inc.	Akron-Canton Regional Foodbank Endowment	Consolidation Entries	2018 Consolidated Totals	2017 Consolidated Totals
Cash and cash equivalents	\$ 1,405,876	\$ -	\$ -	\$ 1,405,876	\$ 2,545,909
Accounts receivable, net	226,678	-	-	226,678	167,571
Grants receivable	312,153	-	-	312,153	555,454
Pledges receivable	45,000	-	-	45,000	-
Prepaid expenses	69,464	-	-	69,464	82,340
Inventory	2,908,870	-	-	2,908,870	2,864,305
Investments	1,408,214	-	-	1,408,214	1,486,764
Land, building and equipment, net	4,459,565	-	-	4,459,565	4,011,904
Endowment investments	-	1,096,072	-	1,096,072	1,167,570
Interest in the net assets of the Endowment	1,096,072	-	(1,096,072)	-	-
	<u>\$ 11,931,892</u>	<u>\$ 1,096,072</u>	<u>\$ (1,096,072)</u>	<u>\$ 11,931,892</u>	<u>\$ 12,881,817</u>
<b>LIABILITIES AND NET ASSETS</b>					
Accounts payable	\$ 166,755	\$ -	\$ -	\$ 166,755	\$ 272,494
Accrued expenses	388,210	-	-	388,210	453,661
Total liabilities	<u>554,965</u>	<u>-</u>	<u>-</u>	<u>554,965</u>	<u>726,155</u>
Net assets:					
Without donor restrictions	9,994,368	517,837	(517,837)	9,994,368	10,923,822
With donor restrictions	1,382,559	578,235	(578,235)	1,382,559	1,231,840
Total net assets	<u>11,376,927</u>	<u>1,096,072</u>	<u>(1,096,072)</u>	<u>11,376,927</u>	<u>12,155,662</u>
	<u>\$ 11,931,892</u>	<u>\$ 1,096,072</u>	<u>\$ (1,096,072)</u>	<u>\$ 11,931,892</u>	<u>\$ 12,881,817</u>



AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES  
for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

	Akron-Canton Regional Foodbank, Inc.			Akron-Canton Regional Foodbank Endowment			2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Consolidation Entries	Consolidated Totals	Consolidated Totals	
Public support and revenue:										
Public support:										
Grants	\$ 550,682	\$ -	\$ 550,682	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 421,750	
USDA distribution fees	406,934	-	406,934	-	-	-	-	-	336,864	
Donated food, net	36,837,877	-	36,837,877	-	-	-	-	-	36,196,896	
Contributions	5,001,989	929,619	5,931,608	-	231	231	-	5,931,839	5,837,079	
Net assets released from restrictions	762,118	(762,118)	-	33,846	(33,846)	-	-	-	-	
Total public support	43,559,600	167,501	43,727,101	33,846	(33,615)	231	-	43,727,332	42,792,589	
Revenue:										
Fundraising events	391,597	-	391,597	-	-	-	-	391,597	296,419	
Less: direct benefit to donors	61,063	-	61,063	-	-	-	-	61,063	62,025	
Fundraising events, net	330,534	-	330,534	-	-	-	-	330,534	234,394	
Purchase program sales	1,325,128	-	1,325,128	-	-	-	-	1,325,128	1,536,593	
Less: cost of goods sold	1,164,682	-	1,164,682	-	-	-	-	1,164,682	1,432,713	
Purchase program, net	160,446	-	160,446	-	-	-	-	160,446	103,880	
Shared maintenance	924,967	-	924,967	-	-	-	-	924,967	1,041,856	
Distribution fees	211,107	-	211,107	-	-	-	-	211,107	226,011	
Freight income	25,975	-	25,975	-	-	-	-	25,975	21,975	
Investment income	40,475	-	40,475	-	33,846	33,846	-	74,321	73,399	
Miscellaneous	48,804	-	48,804	-	-	-	-	48,804	81,428	
Total revenue	1,251,328	-	1,251,328	-	33,846	33,846	-	1,285,174	1,444,669	
Total public support and revenue	1,742,308	-	1,742,308	-	33,846	33,846	-	1,776,154	1,782,943	
	45,301,908	167,501	45,469,409	33,846	231	34,077	-	45,503,486	44,575,532	
Expenses:										
Program services	42,588,911	-	42,588,911	-	-	-	-	42,588,911	41,564,383	
Supporting services:										
Management and general	1,285,141	-	1,285,141	6,000	-	6,000	-	1,291,141	1,282,306	
Fundraising expenses	2,167,635	-	2,167,635	-	-	-	-	2,167,635	1,902,189	
Total expenses	46,041,687	-	46,041,687	6,000	-	6,000	-	46,047,687	44,748,878	
Change in net assets from operations before gains and losses	(739,779)	167,501	(572,278)	27,846	231	28,077	-	(544,201)	(173,346)	
Gains and losses:										
Net appreciation (depreciation) on investments	(134,459)	-	(134,459)	(83,062)	(17,013)	(100,075)	-	(234,534)	229,815	
Change in interest in net assets of the Endowment	(55,216)	(16,782)	(71,998)	-	-	-	71,998	-	-	
Change in net assets	(929,454)	150,719	(778,735)	(55,216)	(16,782)	(71,998)	71,998	(778,735)	56,469	
Net assets, beginning of year	10,923,822	1,231,840	12,155,662	573,053	595,017	1,168,070	(1,168,070)	12,155,662	12,099,193	
Net assets, end of year	\$ 9,994,368	\$ 1,382,559	\$ 11,376,927	\$ 517,837	\$ 578,235	\$ 1,096,072	\$ (1,096,072)	\$ 11,376,927	\$ 12,155,662	

See independent auditor's report.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF CASH FLOWS

for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

	Akron-Canton Regional Foodbank, Inc.	Akron-Canton Regional Foodbank Endowment	Consolidation Entries	2018 Consolidated Totals	2017 Consolidated Totals
Cash flows from operating activities:					
Cash received from public support	\$ 7,477,123	\$ 731	\$ -	\$ 7,477,854	\$ 6,742,024
Cash received from customers	2,476,874	-	-	2,476,874	2,871,584
Cash paid to suppliers and employees	(10,322,253)	(6,000)	-	(10,328,253)	(9,754,820)
Interest received	40,475	33,846	-	74,321	73,399
Net cash provided (used) by operating activities	<u>(327,781)</u>	<u>28,577</u>	<u>-</u>	<u>(299,204)</u>	<u>(67,813)</u>
Cash flows from investing activities:					
Purchase of investments	(2,003,892)	(2,019,660)	-	(4,023,552)	(4,095,733)
Proceeds from sale of investments	1,947,983	1,991,083	-	3,939,066	1,011,298
Capital expenditures	(757,843)	-	-	(757,843)	(148,189)
Merger of Community Harvest	-	-	-	-	33,185
Net cash used by investing activities	<u>(813,752)</u>	<u>(28,577)</u>	<u>-</u>	<u>(842,329)</u>	<u>(199,439)</u>
Cash flows from financing activities:					
Capital campaign contributions received	1,500	-	-	1,500	-
Net cash provided by financing activities	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>
Net decrease in cash and cash equivalents	<u>(1,140,033)</u>	<u>-</u>	<u>-</u>	<u>(1,140,033)</u>	<u>(267,252)</u>
Cash and cash equivalents, beginning of year	2,545,909	-	-	2,545,909	2,813,161
Cash and cash equivalents, end of year	<u>\$ 1,405,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,405,876</u>	<u>\$ 2,545,909</u>

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF CASH FLOWS, Continued  
for the year ended December 31, 2018  
(with summarized comparative financial information for the year ended December 31, 2017)

	Akron-Canton Regional Foodbank, Inc.	Akron-Canton Regional Foodbank Endowment	Consolidation Entries	2018 Consolidated Totals	2017 Consolidated Totals
Reconciliation of change in net assets to net cash provided by operating activities:					
Change in net assets	\$ (778,735)	\$ (71,998)	\$ 71,998	\$ (778,735)	\$ 56,469
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	310,182	-	-	310,182	327,953
Net (appreciation) depreciation on investments	134,459	100,075	-	234,534	(229,815)
Merger of Community Harvest	-	-	-	-	(33,185)
Gain on interest in net assets of the Endowment	71,998	-	(71,998)	-	-
Capital campaign contributions received	(1,500)	-	-	(1,500)	-
Changes in operating assets:					
Accounts receivable	(59,107)	-	-	(59,107)	(3,094)
Grants receivable	243,301	-	-	243,301	(150,088)
Pledges receivable	(45,000)	-	-	(45,000)	-
Prepaid expenses	12,876	-	-	12,876	(7,720)
Inventory	(44,565)	-	-	(44,565)	(88,562)
Changes in operating liabilities:					
Accounts payable	(105,739)	-	-	(105,739)	77,192
Accrued expenses	(65,451)	-	-	(65,451)	(16,963)
Total adjustments	451,454	100,075	(71,998)	479,531	(124,282)
Net cash provided (used) by operating activities	\$ (327,281)	\$ 28,077	\$ -	\$ (299,204)	\$ (67,813)
Supplemental disclosures:					
Noncash investing and financing transactions:					
Acquisition of property and equipment financed through accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 6,790

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
for the year ended December 31, 2018

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	Passed Through To Subrecipients
<u>Department of Agriculture</u>			
Passed through Ohio Department of Job and Family Services:			
Food Distribution Cluster			
The Emergency Food Assistance Program:			
Cash	10.568 *	\$ 406,934	\$ -
Food commodities at fair value	10.569 *	<u>3,171,948</u>	<u>3,171,948</u>
		3,578,882	3,171,948
Commodity Supplemental Food Program	10.565	80,545	-
Passed through the Ohio Association of Foodbanks:			
Supplemental Nutrition Assistance Program	10.580	79,029	-
<u>Department of Health and Human Services</u>			
Passed through County of Summit Department of Job and Family Services:			
Temporary Assistance to Needy Families	93.558	300,000	-
<u>Department of Homeland Security</u>			
Passed through United Way of Summit County			
Emergency Food and Shelter National Board Program	97.024	<u>81,188</u>	<u>-</u>
		<u>\$ 4,119,644</u>	<u>\$ 3,171,948</u>

\* Denotes major federal program

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended December 31, 2018

(with summarized comparative financial information for the year ended December 31, 2017)

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1. **Summary of Significant Accounting Policies:**

***Basis of Presentation*** – The accompanying supplemental schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Akron-Canton Regional Foodbank, Inc. and Affiliate (the Organization) under programs of the federal government for the year ended December 31, 2018. 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 Akron-Canton Regional Foodbank, Inc. and Affiliate, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Akron-Canton Regional Foodbank, Inc. and Affiliate.

***Basis of Accounting*** – *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.

***Food Donation*** – *Nonmonetary* assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At December 31, 2018, the Organization had USDA food commodities totaling \$245,862 in inventory.

***Indirect Cost Rate*** – The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

***Subrecipients*** – The Organization passes certain federal awards (food commodities) received to other not-for-profit agencies (subrecipients). Distributions made to subrecipients totaled \$3,171,948 in 2018.

***Non-Cash Assistance, Loans Outstanding and Insurance*** – The Organization did not receive any federal non-cash assistance, federal loans or federal insurance for the year ended December 31, 2018.



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## **INDEPENDENT AUDITOR'S 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***

To the Boards of Trustees of the  
Akron-Canton Regional Foodbank, Inc. and Affiliate:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Akron-Canton Regional Foodbank, Inc. and Affiliate (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 21, 2019.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Akron-Canton Regional Foodbank, Inc. and Affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Akron-Canton Regional Foodbank, Inc. and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of the Akron-Canton Regional Foodbank, Inc. and Affiliate's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Akron-Canton Regional Foodbank, Inc. and Affiliate's 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sikich LLP*

Akron, Ohio  
March 21, 2019



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

To the Boards of Trustees of the  
Akron-Canton Regional Foodbank, Inc. and Affiliate:

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

We have audited Akron-Canton Regional Foodbank, Inc. and Affiliate's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Akron-Canton Regional Foodbank, Inc. and Affiliate's major federal programs for the year ended December 31, 2018. The Akron-Canton Regional Foodbank, Inc. and Affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Akron-Canton Regional Foodbank, Inc. and Affiliate's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Akron-Canton Regional Foodbank, Inc. and Affiliate's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Akron-Canton Regional Foodbank, Inc. and Affiliate's compliance.



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

In our opinion, the Akron-Canton Regional Foodbank, Inc. and Affiliate 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 December 31, 2018.

## **Report on Internal Control Over Compliance**

Management of the Akron-Canton Regional Foodbank, Inc. and Affiliate is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Akron-Canton Regional Foodbank, Inc. and Affiliate's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Akron-Canton Regional Foodbank, Inc. and Affiliate's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Sikich LLP*

Akron, Ohio  
March 21, 2019

**AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE**

**SUPPLEMENTAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
for the year ended December 31, 2018**

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**Section I - Summary of Auditor's Results**

***Financial Statements***

	<u>Yes</u>	<u>No</u>	<u>None Reported</u>
Type of auditor's report issued – unmodified			
Internal control over financial reporting:			
• Material weakness(es) identified?	_____	<u>✓</u>	_____
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	_____	<u>✓</u>
Noncompliance material to financial statements noted?	_____	<u>✓</u>	_____

***Federal Awards***

Internal control over major programs:			
• Material weakness(es) identified?	_____	<u>✓</u>	_____
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	_____	<u>✓</u>
Type of auditor's report issued on compliance for major programs – unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____	<u>✓</u>	_____

Identification of major programs:

U.S. Department of Agriculture  
Passed through the Ohio Department of Job and Family Services:  
Food Distribution Cluster  
The Emergency Food Assistance Program:  
CFDA No. 10.568  
CFDA No. 10.569

Dollar threshold used to distinguish between type A and type B programs:       \$ 750,000

Auditee qualified as low-risk auditee?	<u>✓</u>	_____	_____
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**AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATE**

**SUPPLEMENTAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
for the year ended December 31, 2018**

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**Section II – Financial Statement Audit Findings - None**

**Section III – Major Federal Award Programs Findings and Questioned Costs - None**

**Section IV – Prior Year Findings - None**