

Akron-Canton Regional Foodbank, Inc. and Affiliates

Consolidated Financial Statements
December 31, 2023

Cohen & Co

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AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

DECEMBER 31, 2023

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Akron-Canton Regional Foodbank, Inc. and Affiliates (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2023, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Akron-Canton Regional Foodbank, Inc. and Affiliates as of December 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Akron-Canton Regional Foodbank, Inc. and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Akron-Canton Regional Foodbank, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Akron-Canton Regional Foodbank, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, consolidating statement of activities, and consolidating statement of cash flows are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. In addition, 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the consolidated financial statements. The supplementary 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 consolidating statement of financial position, consolidating statement of activities, consolidating statement of cash flows, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2024, on our consideration of the Akron-Canton Regional Foodbank, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Akron-Canton Regional Foodbank, Inc. and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Akron-Canton Regional Foodbank, Inc. and Affiliates' internal control over financial reporting and compliance.

Akron, Ohio
May 24, 2024

Cohen & Company Ltd.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

ASSETS

ASSETS

Cash and cash equivalents	\$ 14,555,215
Accounts receivable	129,457
Grants receivable	831,914
Pledges receivable - Net	728,349
Prepaid expenses	24,670
Inventory	4,243,291
Investments	6,276,077
Leverage loan receivable	4,530,750
Land, building, and equipment - Net	19,587,495
Operating lease right-of-use assets	<u>702,856</u>
TOTAL ASSETS	<u>\$ 51,610,074</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 612,326
Accrued expenses	1,077,087
Refundable advances	565,641
Operating lease liabilities	696,610
Long-term debt - Net	<u>6,892,982</u>
Total liabilities	<u>9,844,646</u>

NET ASSETS

Without donor restrictions	37,471,720
With donor restrictions	<u>4,293,708</u>
Total net assets	<u>41,765,428</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 51,610,074</u>
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See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
PUBLIC SUPPORT			
Grants	\$ 1,536,484	\$ -	\$ 1,536,484
Distribution fees	1,266,077	-	1,266,077
Donated food - Net	46,642,366	-	46,642,366
Contributions	9,512,803	2,240,353	11,753,156
Capital campaign contributions	-	831,060	831,060
Total public support	<u>58,957,730</u>	<u>3,071,413</u>	<u>62,029,143</u>
REVENUE			
Shared maintenance	619,992	-	619,992
Agency delivery fees and freight	68,600	-	68,600
Investment return - Net	388,720	373,694	762,414
Interest income	71,740	-	71,740
Miscellaneous income	149,550	-	149,550
Net assets released from restrictions	4,088,601	(4,088,601)	-
Total revenue	<u>5,387,203</u>	<u>(3,714,907)</u>	<u>1,672,296</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>64,344,933</u>	<u>(643,494)</u>	<u>63,701,439</u>
EXPENSES			
Program services	55,050,837	-	55,050,837
Supporting services			
Management and general	1,951,822	12,438	1,964,260
Fundraising expenses	2,663,096	-	2,663,096
Total expenses	<u>59,665,755</u>	<u>12,438</u>	<u>59,678,193</u>
CHANGE IN NET ASSETS	4,679,178	(655,932)	4,023,246
NET ASSETS - BEGINNING OF YEAR	<u>32,792,542</u>	<u>4,949,640</u>	<u>37,742,182</u>
NET ASSETS - END OF YEAR	<u>\$ 37,471,720</u>	<u>\$ 4,293,708</u>	<u>\$ 41,765,428</u>

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Program Services	Management and General	Fundraising	Total
Donated food distributed	\$ 45,209,069	\$ -	\$ -	\$ 45,209,069
Salaries and wages	3,562,938	980,926	1,455,826	5,999,690
Grants and purchased food distributed - Net	2,016,324	-	-	2,016,324
Employee benefits and payroll taxes	1,007,061	244,556	347,821	1,599,438
Direct mail and other solicitations	-	-	730,264	730,264
Repairs, maintenance, and equipment fees	583,400	7,767	97,872	689,039
Freight and transportation	368,020	-	-	368,020
Technology	250,099	59,494	-	309,593
Utilities	235,192	15,302	-	250,494
Professional services	-	225,626	17,127	242,753
Supplies	194,304	3,542	7,056	204,902
Insurance	98,904	50,329	-	149,233
Public relations	3,383	132,304	7,130	142,817
Contract labor	141,406	-	-	141,406
Bank fees	-	88,036	-	88,036
Interest expense	-	71,750	-	71,750
Network and association fees	42,762	-	-	42,762
Miscellaneous	334,351	84,628	-	418,979
	<u>54,047,213</u>	<u>1,964,260</u>	<u>2,663,096</u>	<u>58,674,569</u>
Depreciation and amortization	<u>1,003,624</u>	<u>-</u>	<u>-</u>	<u>1,003,624</u>
TOTAL EXPENSES	<u>\$ 55,050,837</u>	<u>\$ 1,964,260</u>	<u>\$ 2,663,096</u>	<u>\$ 59,678,193</u>

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES

Change in net assets	\$ 4,023,246
Noncash items included in operations:	
Depreciation and amortization	1,003,624
Unrealized gains on investments	(593,893)
Realized gains losses on investments	(19,004)
Amortization of debt issuance costs	16,500
Operating lease expense	182,052
Change in donated inventory	(1,433,297)
Change in discount on pledges receivable	(31,162)
Increase (decrease) in cash caused by change in operating items:	
Accounts receivable	51,710
Grants receivable	(329,354)
Pledges receivable	925,723
Prepaid expenses	(10,041)
Inventory	(33,074)
Accounts payable	440,208
Accrued expenses	283,635
Refundable advances	(52,590)
Operating lease liabilities	(188,298)
Net cash flow provided from operations	<u>4,235,985</u>

CASH FLOWS USED IN INVESTING ACTIVITIES

Purchase of investments	(1,992,261)
Proceeds from sale of investments	657,170
Capital expenditures	<u>(7,718,416)</u>
	<u>(9,053,507)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (4,817,522)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 19,372,737CASH AND CASH EQUIVALENTS \$ 14,555,215

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest paid	<u>\$ 71,750</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	<u>\$ 197,154</u>

NONCASH INVESTING AND FINANCING ACTIVITY

Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ 213,932</u>
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See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Akron-Canton Regional Foodbank, Inc. (the Foodbank), the Akron-Canton Regional Foodbank Endowment (Endowment), and 1365 Cherry LLC (Cherry) (collectively, the Organization), related through common control. All significant intercompany transactions have been eliminated from the consolidated amounts.

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 Endowment, a nonprofit organization, was established in 1999 with the purpose of receiving and maintaining funds to support the Foodbank. Cherry, a single-member domestic nonprofit limited liability company, was established in 2020, whose sole member is Endowment. The purpose of Cherry is to hold the assets of the Foodbank's new Stark County warehouse distribution facility.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

Management uses estimates and assumptions in preparing its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used, and such differences may be material.

Adoption of New Accounting Standard - Allowance for Credit Losses

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB Accounting Standards Codification [ASC] 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 are trade accounts receivable and leverage loan receivable.

The Organization adopted the standard effective January 1, 2023, for calendar year end. The impact of the adoption was not considered significant to the consolidated financial statements and primarily resulted in new and enhanced disclosures only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Allowance for Credit Losses

The Organization provides surplus food and related items to many organizations, the majority of which are charities and food programs in northeastern Ohio. Since the Organization's trade receivables are largely similar, the Organization evaluates its allowance for credit losses as one portfolio segment. Accounts receivable are uncollateralized customer obligations due under normal trade terms. Accounts receivable are stated at amounts billed to the customer. At January 1, 2023, accounts receivable amounted to \$181,167.

At each balance sheet date, the Organization recognizes an expected allowance for credit losses with respect to accounts receivable. This estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. The allowance estimate is derived from a review of the Organization's historical losses based on aging of receivables. Based on the Organization's evaluation it was determined that the allowance of credit losses with respect to accounts receivable was not significant as of December 31, 2023.

The leveraged loan receivable represents amounts due in conjunction with the New Markets Tax Credit transaction (see Note 7). Loan receivables that management has the intent and ability to hold for the foreseeable future are reported at amortized cost, which is generally the amount of unpaid principal, reduced by an allowance. Loans are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection is doubtful. Loans are evaluated for impairment individually. As of December 31, 2023, the Organization had no allowance for loan receivables.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or as an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election. The total amount of write-offs was not significant to the consolidated financial statements as a whole for the year ended December 31, 2023.

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, 2023. All balances are expected to be collected within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Long-term pledges receivable are recorded at the present value of future cash flows using a risk-adjusted interest rate. Pledges receivable are recorded at the amount management expects to collect on balances outstanding at year end.

Revenue RecognitionRevenue from Exchange Transactions

The Organization's revenue from exchange transactions consists of shared maintenance fees. The accompanying consolidated statement of activities shows those disaggregated revenue streams for the year ended December 31, 2023. Accounts receivable from exchange transactions are included in accounts receivable on the consolidated statement of financial position.

Shared Maintenance Fees

The Organization provides food distribution to member agencies and charges a per pound fee on certain donated food distributed to them. The fees vary based on the types of food distributed. The performance obligation is the transfer of the food to the member agency. The transaction price is established by the Organization. The Organization recognizes revenue as the member agency takes possession of the food; payment is either immediate and/or invoiced by the Organization and generally paid within 30 days of the invoice.

Contribution Revenue

The Organization receives contributions and records 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 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.

The Organization receives reimbursement for a portion of the costs incurred to distribute U.S. Department of Agriculture (USDA) food commodities received from the USDA and costs incurred to distribute food commodities received through the Ohio Food Purchase and Agricultural Clearance Program. The Organization recognizes these contributions when the costs are incurred as this is when related conditions are met. All income recorded in this category are considered to be non-exchange and therefore, follow contribution guidance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)Contribution Revenue (continued)

The Organization's grant revenue is primarily derived from cost-reimbursable grants or grants which are conditioned upon certain performance requirements or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred the expenditures in compliance with specific grant provisions. Amounts received prior to meeting specific grant provisions are reported as refundable advances in the consolidated statement of financial position. Conditional grants awarded but not yet recognized as of December 31, 2023, are insignificant.

Endowment contributions and related investments are restricted by the donor and recorded in net assets with donor restrictions. Investment earnings are recorded in net assets with donor restrictions and are released from restrictions when those amounts are appropriated for expenditure by the Organization.

Donated Food

The Organization recognizes contributions of food from various sources when the commodities are received as without donor restrictions support. Donated food contributions from government and state government programs are valued at fair value based on food prices provided by the USDA, and which reflects the average cost per pound provided by the USDA at the time the food is donated and agreed with by the Organization. Food donated through private donors are valued using the average per pound wholesale value that would be received for selling similar products in the United States for each food category, as determined by the Feeding America Product Valuation Survey. This survey was subject to certain agreed upon procedures performed by an international CPA firm at the national level. All income recorded in this category is considered to be non-exchange and therefore, follow contribution guidance. Donated food that is determined to be unusable or unsafe for distribution is disposed of and the disposal value is recorded by the Organization. Donated food revenue is shown net of food disposals and spoilage. None of the donations received in 2023, were restricted by the donor and none of the donations received were monetized.

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 consolidated statement of financial position.

The Organization maintains cash balances with financial institutions which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are stated at fair 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. Investment income is reported net of external and direct internal investment expenses.

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 net realizable value, with cost determined on the first-in, first-out (FIFO) method. Inventory donated by the USDA and the Ohio Food Purchase Program is recorded at fair 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 at the estimated fair 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.

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
Leasehold improvements	Term of the lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refundable Advances

Refundable advances represent conditional contributions which will be reduced, and the related contribution will be recognized as revenue, when barriers are overcome and right of return no longer exists.

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, management and general, and fundraising expenses. Salaries and related expenses are allocated on the basis of estimated time and effort. Utilities and technology expenses are allocated on the basis of square footage used by each function. All other expenses are charged directly to the relating function when incurred.

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 from individuals possessing such skills which would need to be purchased if not donated.

Leases

The Organization determines if an arrangement is, or contains, a lease at the inception date. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Right-of-use assets (ROU assets) represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the commencement date based primarily on the present value of lease payments over the lease term. In determining the discount rate used to measure the ROU assets and lease liabilities, the Organization uses rates implicit in the lease, when available. If the rate implicit in the lease is not readily available, the Organization has elected to use a risk-free rate for all classes of assets. The risk-free rate used is the US Treasury Bill Rate in effect at the commencement of the lease for a similar term. The operating lease ROU assets also include any lease payments made at commencement and exclude lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (continued)

The Organization elected the practical expedient to account for lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of non-lease components is typically revised from one period to the next. Payments for non-lease components, which are primarily consisted of common area maintenance, utilities, and real estate taxes that are passed to the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred. Variable lease expense is immaterial for 2023.

Debt Issuance Costs

Costs incurred with the issuance of long-term debt are deferred and amortized over the term of the related debt. Debt issuance costs are presented as a reduction of the carrying amount of the long-term debt and the Organization includes the amortization of debt issuance costs in interest expense on the consolidated statement of activities.

Income Taxes

The Foodbank, Endowment, and Cherry are exempt from federal income taxes under section 501(c)(3) of the Internal Revenue code.

The Organization recognizes and discloses uncertain tax positions in accordance with GAAP. As of and during the year ended December 31, 2023, the Organization did not have a liability for unrecognized tax benefits.

Subsequent Events

Management has evaluated subsequent events through May 24, 2024, which is the date the consolidated financial statements were available to be issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. LIQUIDITY

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's financial assets available to meet cash needs for general expenditures within one year were as follows at December 31, 2023:

Cash and cash equivalents	\$ 14,555,215
Accounts receivable	129,457
Grants receivable	831,914
Pledges receivable - Net	728,349
Investments	<u>6,276,077</u>
Total financial assets	22,521,012
Less: Pledges receivable not expected to be collected within one year - Net	290,990
Less: Net assets with time and donor restrictions	<u>4,293,708</u>
Total financial assets liquid within one year	<u>\$ 17,936,314</u>

As described in Note 12, the Organization's endowment is subject to an annual spend rate of 5%. In addition, the Organization has a \$2,000,000 line of credit (see Note 8), which is collateralized by all assets, available to meet cash flow needs.

4. PLEDGES RECEIVABLE

Pledges receivable represent promises to give recorded at their present value of estimated future cash flows using a risk-adjusted interest rate of 6.35%.

As of December 31, 2023, the timing of collections of pledges receivable is estimated as follows:

2024	\$ 437,359
2025	202,030
2026	<u>150,500</u>
	789,889
Less: Discounts to net present value	<u>61,540</u>
	<u>\$ 728,349</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. LAND, BUILDING, AND EQUIPMENT

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

Land	\$ 921,697
Buildings and improvements	13,273,773
Furniture	674,971
Equipment	2,117,278
Vehicles	1,463,777
Leasehold improvements	130,898
Construction in progress	<u>7,952,397</u>
	26,534,791
Less: Accumulated depreciation	<u>6,947,296</u>
	<u>\$ 19,587,495</u>

Construction in progress at December 31, 2023, relates to costs associated with planned expansions to the Foodbank's main distribution center in Akron, which was completed in 2024.

6. FAIR VALUE MEASUREMENTS

The various inputs that may be used to determine the fair value of the Organization's assets and liabilities are summarized in three broad levels:

- 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.

Cash and cash equivalents and mutual funds are valued at the daily closing price as reported by the fund. Corporate obligations and U.S. government obligations and bonds are valued using pricing models maximizing the use of observable inputs for similar securities.

Assets measured at fair value are comprised of the following at December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,145,439	\$ -	-	\$ 1,145,439
Mutual funds	3,170,656	-	-	3,170,656
Corporate obligations (bonds)	-	<u>1,959,982</u>	-	<u>1,959,982</u>
	<u>\$ 4,316,095</u>	<u>\$ 1,959,982</u>	<u>\$ -</u>	<u>\$ 6,276,077</u>

There were no transfers between levels during 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. NEW MARKETS TAX CREDIT

The Organization entered into a debt transaction to access additional funds through the New Markets Tax Credit (NMTC) Program. These funds were used towards the construction of the Stark County facility. The NMTC Program permits investors to claim federal tax credits for making Qualified Equity Investments (QEI) in a designated Community Development Entity (CDE). The CDE must use substantially all the proceeds to make Qualified Low-Income Community Investments (QLICs). The tax credits are claimed over a period of seven years and equate to 39% of the QLICs. The Foodbank has partnered with an investor, Capital One, N.A. to utilize the NMTC program.

Capital One, N.A. established a special purpose entity called COCRF Investor 190, LLC (COCRF190) to raise the capital for the transaction. COCRF190 was funded with \$2,969,250 of equity from Capital One, N.A. and \$4,530,750 from the Foodbank (Leverage Loan Receivable). The loan agreement requires quarterly interest only payments for the first 7 years at a fixed rate of 1.5834%. Beginning in April 2027, the loan agreement requires principal and interest payments for 23 years through April 2050. The outstanding balance on the Leverage Loan Receivable was \$4,530,750 at December 31, 2023.

The capital raised by COCRF190 was used to make a \$7,500,000 QEI in two CDEs called COCRF Sub CDE 108, LLC, a wholly owned subsidiary of COCRF190 and Western Reserve DF Affiliate XIII, LLC, a jointly owned entity of COCRF190 and Development Fund of the Western Reserve, Inc. (collectively, the NMTC Investors). The CDEs then loaned \$7,175,000 of these funds in the form of four notes to 1365 Cherry LLC (collectively, the NMTC Notes Payable).

The NMTC Notes Payable range in principal from \$315,900 to \$3,846,650, bear interest at 1% per annum, and mature in April 2050. The NMTC Notes Payable require quarterly interest only payments through June 30, 2027, at which time the notes require quarterly payments of principal and interest through their remaining respective terms.

At December 31, 2023, future maturities of the NMTC Notes Payable are as follows:

2027	\$	140,806
2028		283,730
Thereafter		<u>6,750,464</u>
	\$	7,175,500
Less: Unamortized debt issuance costs		<u>282,018</u>
	\$	<u>6,892,982</u>

The Foodbank's Leverage Loan Receivable and the NMTC Notes Payable are generally offsetting in amount and have essentially identical interest, payment, and maturity terms. The Organization accounts for the Leverage Loan Receivable and NMTC Notes Payable on a gross basis within the consolidated statement of financial position and the related interest income and expense in the consolidated statement of activities, because a right of set-off, as described in ASC 210-20, *Balance Sheet - Offsetting*, does not exist during the terms of the outstanding notes. At maturity, or early payoff, the parties may choose to satisfy the balance payable to the Organization with some of the NMTC Notes Payable rather than settle them in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. NEW MARKETS TAX CREDIT (Continued)

As part of this financing agreement, the Organization has entered into a put and call agreement to take place at the end of the seven-year tax credit period in April 2027. Under the agreements, the NMTC Investors can exercise a put option to sell all interest in the investment fund to the Organization for \$1,000. If the NMTC Investors do not exercise the put option, then the agreement allows the Organization to exercise a call option to purchase the interest in the investment fund at an appraised fair value.

8. OTHER FINANCING ARRANGEMENTS

The Organization has a revolving line of credit with a bank, that has available borrowings of up to \$2,000,000. There were no outstanding balances at December 31, 2023. Advances outstanding on the line of credit are due on demand, with interest due monthly at the bank's Prime rate plus .25% (Prime - 8.50% at December 31, 2023). The credit line matures in June 2024, and is collateralized by a blanket lien on all assets.

9. 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 \$189,429 in 2023.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as follows at December 31, 2023:

Children's meals	\$	126,000
Direct distribution		17,602
Agency grants		203,586
Home delivery		116,471
Strategic partnerships		22,048
Transportation		28,305
Operating replacement		32,919
Endowment earnings - Net		536,456
Permanent endowment		<u>3,210,321</u>
		<u>\$ 4,293,708</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. ENDOWMENT

The Endowment was established in 1999, with the specific purpose of seeking funds for the benefit of the Organization. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Boards of Trustees of the Akron-Canton Regional Foodbank, Inc. and Affiliates 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 perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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.

Return Objectives and Risk Parameters

The Organization 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.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, the Organization relies on a conservative strategy in which investment returns are achieved through current yield (interest and dividends). The Organization 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. ENDOWMENT (Continued)

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 investment assets at year end.

Endowment Fund Deficiency

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donor or state law requires the Organization to retain as a fund of perpetual duration. The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies as of December 31, 2023.

Changes in endowment net assets for the year ended December 31, 2023:

	<u>Restricted for Time/Purpose</u>	<u>Restricted for Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 290,416	\$ 2,087,633	\$ 2,378,049
Contributions	<u>-</u>	<u>1,122,688</u>	<u>1,122,688</u>
Investment return:			
Investment income	418,399	-	418,399
Net loss	(44,705)	-	(44,705)
Fees	<u>(12,438)</u>	<u>-</u>	<u>(12,438)</u>
Total investment return	<u>361,256</u>	<u>-</u>	<u>361,256</u>
Appropriation of endowment assets for expenditure	<u>(115,216)</u>	<u>-</u>	<u>(115,216)</u>
Endowment net assets, end of year	<u>\$ 536,456</u>	<u>\$ 3,210,321</u>	<u>\$ 3,746,777</u>

12. LEASES

The Organization maintains operating leases for copiers and vehicles expiring at various dates through June 2029.

For the year ended December 31, 2023, the Agency's operating lease expense was approximately \$182,000.

At December 31, 2023, the weighted average remaining lease term and weighted average discount rate for operating leases was 4.37 years and 2.19%, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. LEASES (Continued)

At December 31, 2023, future minimum lease payments under non-cancellable operating leases are as follows:

2024	\$	209,525
2025		164,952
2026		163,488
2027		95,958
2028		67,860
Thereafter		<u>29,916</u>
Total undiscounted cash flows		731,699
Less: Present value discount		<u>(35,089)</u>
Total lease liabilities	\$	<u><u>696,610</u></u>

13. CONTINGENCY

Laws and Regulations

Laws and regulations governing the Organization's programs are complex and subject to interpretation. Potential noncompliance with laws and regulations can be subject to future government review and interpretation as well as regulatory action. The Organization believes it is in compliance with all applicable laws and regulations and believes there are no material contingencies related to laws and regulations governing its programs.

AKRON-CANTON REGIONAL FOODBANK, INC. AND AFFILIATES

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DECEMBER 31, 2023

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing Number	Passed Through To Subrecipients	Federal Expenditures
<u>Food Distribution Cluster</u>			
United States Department of Agriculture passed through the Ohio Department of Job and Family Services:			
The Emergency Food Assistance Program (TEFAP):			
Administrative costs	10.568	\$ -	\$ 847,967
Food commodities at fair value	10.568	4,897,359	5,169,943
Commodity Supplemental Food Program:			
Administrative costs	10.565	32,670	158,422
Food commodities at fair value	10.565	725,876	739,098
		<u>5,655,906</u>	<u>6,915,430</u>
United States Department of Agriculture passed through the Ohio Association of Foodbanks:			
Local Food Purchase Assistance:			
Administrative costs	10.182	-	62,497
Food commodities at fair value	10.182	665,246	677,445
Total Food Distribution Cluster		<u>6,321,152</u>	<u>7,655,372</u>
<u>Other Programs</u>			
United States Department of Agriculture passed through the Ohio Department of Job and Family Services:			
The Emergency Food Assistance Program (TEFAP) Community Credit Corporation Eligible Recipient Funds:			
Administrative costs	10.187	-	151,433
Food commodities at fair value	10.187	2,713,237	2,846,866
		<u>2,713,237</u>	<u>2,998,299</u>
Total United States Department of Agriculture		<u>9,034,389</u>	<u>10,653,671</u>
United States Department of Health and Human Services passed through the County of Summit:			
Temporary Assistance to Needy Families (TANF):			
Administrative costs	93.558	-	33,268
Food commodities at fair value	93.558	330,164	348,760
		<u>330,164</u>	<u>382,028</u>
United States Department of Health and Human Services passed through Produce Perks Midwest:			
Temporary Assistance to Needy Families (TANF)	93.558	5,000	5,000
United States Department of Health and Human Services passed through the Ohio Department of Job and Family Services			
Governor's Office of Faith Based Community Initiatives:			
Administrative costs	93.558	-	2,180
Food commodities at fair value	93.558	22,820	22,820
		<u>22,820</u>	<u>25,000</u>
United States Department of Health and Human Services passed through the Ohio Association of Foodbanks:			
Ohio Food Purchase and Agricultural Clearance Program - TANF Portion:			
Administrative costs	93.558	-	376,299
Food commodities at fair value	93.558	1,889,973	1,985,523
		<u>1,889,973</u>	<u>2,361,822</u>
Ohio Food Purchase and Agricultural Clearance Program - Title XX Portion:			
Administrative costs	93.667	-	41,811
Food commodities at fair value	93.667	209,997	220,614
		<u>209,997</u>	<u>262,425</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2023

United States Department of Health and Human Services passed through			
Community Action Summit - CARES:			
Community Block Grant:			
Administrative costs	93.569	-	9,583
Food commodities at fair value	93.569	<u>90,039</u>	<u>90,417</u>
		<u>90,039</u>	<u>100,000</u>
United States Department of Health and Human Services passed through			
Community Action Stark - CARES:			
Community Block Grant:			
Food commodities at fair value	93.569	<u>95,982</u>	<u>100,000</u>
Total United States Department of Health and Human Services		<u>2,643,975</u>	<u>3,236,275</u>
United States Department of the Treasury passed through the			
Ohio Association of Foodbanks - CARES:			
Coronavirus State and Local Fiscal Recovery Funds:			
Administrative costs	21.027	-	181,177
Food commodities at fair value	21.027	<u>3,754,941</u>	<u>3,899,192</u>
Total United States Department of the Treasury		<u>3,754,941</u>	<u>4,080,369</u>
Department of Homeland Security passed through United Way of Summit County			
Emergency Food and Shelter National:			
Food commodities at fair value	97.024	<u>146,086</u>	<u>147,477</u>
Total Department of Homeland Security		<u>146,086</u>	<u>147,477</u>
		<u>\$ 15,579,391</u>	<u>\$ 18,117,791</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2023

2022-001 - INTERNAL CONTROLS OVER PREPARATION OF SCHEDULES OF EXPENDITURE OF FEDERAL AWARDS

CONDITION: During audit procedures of the December 31, 2022 Schedule of Expenditures of Federal Awards (SEFA) prepared by management, it was noted that controls over preparation of the SEFA were not properly designed resulting in significant auditor involvement in the reporting of two material Federal expenditures (ALN 93.558 and ALN 93.667 passed through Ohio Association of Foodbanks). Further, due to the lack of review procedures, a material amount of expenditures were added to the SEFA late in the audit process resulting in a change in major program determination.

RECOMMENDATION: It was recommended that management review current internal controls over preparation and tracking of federal expenditures to ensure that all federal awards are captured and reported in the correct period and that internal controls are properly designed to detect and correct errors to the SEFA.

CURRENT YEAR STATUS: Management has implemented processes to ensure that the preparation of the SEFA and tracking of federal expenditures is performed appropriately.

2022-002 - INTERNAL CONTROLS OVER REPORTING

CONDITION: During audit procedures, a sample of reports required to be submitted to the pass-through entities, Ohio Association of Foodbanks and County of Summit Department of Job and Family Services, noted errors.

RECOMMENDATION: It was recommended that internal control procedures be reviewed by management and a secondary review of all submitted reports be performed by an employee, separate from the preparer and knowledgeable of compliance requirements, for completeness and accuracy, including comparing to source documentation and any reconciliations between source data and final reporting.

CURRENT YEAR STATUS: Management has implemented processes to ensure that all reports are reviewed by management and a secondary review is performed to ensure compliance with reporting requirements.

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*

Boards of Trustees

Akron-Canton Regional Foodbank, Inc. and Affiliates:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Akron-Canton Regional Foodbank, Inc. and Affiliates (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2023, 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 May 24, 2024.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Akron, Ohio
May 24, 2024

Cohen & Company Ltd.

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by The Uniform Guidance

Boards of Trustees
Akron-Canton Regional Foodbank, Inc. and Affiliates

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Akron-Canton Regional Foodbank, Inc. and Affiliates' compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Akron-Canton Regional Foodbank, Inc. and Affiliates' major federal programs for the year ended December 31, 2023. The Akron-Canton Regional Foodbank, Inc. and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Akron-Canton Regional Foodbank, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Akron-Canton Regional Foodbank, Inc. and Affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Akron-Canton Regional Foodbank, Inc. and Affiliates' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Akron-Canton Regional Foodbank, Inc. and Affiliates' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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.

Cohen & Company Ltd.

Akron, Ohio
May 24, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ X _____ No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	_____ X _____ None reported
Noncompliance material to consolidated financial statements noted?	_____ Yes	_____ X _____ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	_____ X _____ No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	_____ X _____ None reported
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 the Uniform Guidance, section 200.516?	_____ Yes	_____ X _____ No

Identification of major programs:

<u>Assistance Listing #</u>	<u>Name of Federal Program or Cluster</u>
10.187	The Emergency Food Assistance Program (TEFAP) Community Credit Corporation Eligible Recipient Funds
21.027	Coronavirus State and Local Fiscal Recovery Funds
93.558	Temporary Assistance to Needy Families (TANF)

Dollar threshold used to distinguish between Type A and Type B programs:	\$ _____ 750,000
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Auditee qualified as low-risk auditee?	_____ Yes	_____ X _____ No
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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

NOTES TO SCHEDULE OF THE EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Akron-Canton Regional Foodbank, Inc. and Affiliates (the Organization) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 value of the commodities received and disbursed. At December 31, 2023, the Organization had USDA food commodities totaling \$857,496 in inventory.

The Organization passes certain federal awards (food commodities) received to other not-for-profit agencies (subrecipients). Distributions made to subrecipients totaled \$15,579,391 in 2023.

The Organization did not elect to use the de minimus rate of 10% for the year ended December 31, 2023.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

	Akron-Canton Regional Foodbank, Inc.	Akron-Canton Regional Foodbank Endowment	1365 Cherry LLC	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 14,378,270	\$ -	\$ 176,945	\$ -	\$ 14,555,215
Accounts receivable	129,457	5,000	-	(5,000)	129,457
Grants receivable	831,914	-	-	-	831,914
Pledges receivable - Net	688,349	40,000	-	-	728,349
Prepaid expenses	12,770	-	11,900	-	24,670
Inventory	4,243,291	-	-	-	4,243,291
Investments	2,529,300	3,746,777	-	-	6,276,077
Leverage loan receivable	4,530,750	-	-	-	4,530,750
Land, building and equipment - Net	12,126,321	-	7,461,174	-	19,587,495
Operating lease right-of-use assets	7,553,458	-	-	(6,850,602)	702,856
Interest in the net assets of the affiliates	5,258,643	1,013,629	256,592	(6,528,864)	-
TOTAL ASSETS	<u>\$ 52,282,523</u>	<u>\$ 4,805,406</u>	<u>\$ 7,906,611</u>	<u>\$ (13,384,466)</u>	<u>\$ 51,610,074</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 617,326	\$ -	\$ -	\$ (5,000)	\$ 612,326
Accrued expenses	1,077,087	-	-	-	1,077,087
Refundable advances	565,641	-	-	-	565,641
Operating lease liabilities	8,257,041	-	-	(7,560,431)	696,610
Long-term debt - Net	-	-	6,892,982	-	6,892,982
Total liabilities	<u>10,517,095</u>	<u>-</u>	<u>6,892,982</u>	<u>(7,565,431)</u>	<u>9,844,646</u>
NET ASSETS					
Without donor restrictions	37,471,720	1,058,629	1,013,629	(2,072,258)	37,471,720
With donor restrictions	4,293,708	3,746,777	-	(3,746,777)	4,293,708
Total net assets	<u>41,765,428</u>	<u>4,805,406</u>	<u>1,013,629</u>	<u>(5,819,035)</u>	<u>41,765,428</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 52,282,523</u>	<u>\$ 4,805,406</u>	<u>\$ 7,906,611</u>	<u>\$ (13,384,466)</u>	<u>\$ 51,610,074</u>

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Akron-Canton Regional Foodbank, Inc.			Akron-Canton Regional Foodbank Endowment			1365 Cherry LLC	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions		
PUBLIC SUPPORT AND REVENUE									
PUBLIC SUPPORT									
Grants	\$ 1,536,484	\$ -	\$ 1,536,484	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,536,484
Distribution fees	1,266,077	-	1,266,077	-	-	-	-	-	1,266,077
Donated food - Net	46,642,366	-	46,642,366	-	-	-	-	-	46,642,366
Contributions	9,583,019	1,117,665	10,700,684	45,000	1,122,688	1,167,688	-	(115,216)	11,753,156
Capital campaign contributions	-	831,060	831,060	-	-	-	-	-	831,060
Total public support	<u>59,027,946</u>	<u>1,948,725</u>	<u>60,976,671</u>	<u>45,000</u>	<u>1,122,688</u>	<u>1,167,688</u>	<u>-</u>	<u>(115,216)</u>	<u>62,029,143</u>
REVENUE									
Shared maintenance	619,992	-	619,992	-	-	-	-	-	619,992
Agency delivery fees and freight	68,600	-	68,600	-	-	-	-	-	68,600
Investment return - Net	388,720	-	388,720	-	373,694	373,694	-	-	762,414
Interest income	71,740	-	71,740	-	-	-	-	-	71,740
Miscellaneous income	149,550	-	149,550	-	-	-	338,992	(338,992)	149,550
Net assets released from restrictions	<u>3,973,385</u>	<u>(3,973,385)</u>	<u>-</u>	<u>115,216</u>	<u>(115,216)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>5,271,987</u>	<u>(3,973,385)</u>	<u>1,298,602</u>	<u>115,216</u>	<u>258,478</u>	<u>373,694</u>	<u>338,992</u>	<u>(338,992)</u>	<u>1,672,296</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>64,299,933</u>	<u>(2,024,660)</u>	<u>62,275,273</u>	<u>160,216</u>	<u>1,381,166</u>	<u>1,541,382</u>	<u>338,992</u>	<u>(454,208)</u>	<u>63,701,439</u>
EXPENSES									
Program services	55,123,519	-	55,123,519	115,216	-	115,216	266,310	(454,208)	55,050,837
Supporting services									
Management and general	1,836,573	-	1,836,573	-	12,438	12,438	115,249	-	1,964,260
Fundraising expenses	2,663,096	-	2,663,096	-	-	-	-	-	2,663,096
Total expenses	<u>59,623,188</u>	<u>-</u>	<u>59,623,188</u>	<u>115,216</u>	<u>12,438</u>	<u>127,654</u>	<u>381,559</u>	<u>(454,208)</u>	<u>59,678,193</u>
CHANGE IN NET ASSETS	4,676,745	(2,024,660)	2,652,085	45,000	1,368,728	1,413,728	(42,567)	-	4,023,246
CHANGE IN INTEREST IN NET ASSETS OF AFFILIATES	2,433	1,368,728	1,371,161	(42,567)	-	(42,567)	-	(1,328,594)	-
NET ASSETS - BEGINNING OF YEAR	<u>32,792,542</u>	<u>4,949,640</u>	<u>37,742,182</u>	<u>1,056,196</u>	<u>2,378,049</u>	<u>3,434,245</u>	<u>1,056,196</u>	<u>(4,490,441)</u>	<u>37,742,182</u>
NET ASSETS - END OF YEAR	<u>\$ 37,471,720</u>	<u>\$ 4,293,708</u>	<u>\$ 41,765,428</u>	<u>\$ 1,058,629</u>	<u>\$ 3,746,777</u>	<u>\$ 4,805,406</u>	<u>\$ 1,013,629</u>	<u>\$ (5,819,035)</u>	<u>\$ 41,765,428</u>

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

	Akron-Canton Regional Foodbank, Inc.	Akron-Canton Regional Foodbank Endowment	1365 Cherry LLC	Eliminations	Totals
CASH FLOW PROVIDED FROM OPERATING ACTIVITIES					
Change in net assets	\$ 4,023,246	\$ 1,371,161	\$ (42,567)	\$ (1,328,594)	\$ 4,023,246
Noncash items included in operations:					
Depreciation and amortization	755,514	-	248,110	-	1,003,624
Unrealized (gains) losses on investments	(235,562)	(358,331)	-	-	(593,893)
Realized (gains) losses on investments	(63,709)	44,705	-	-	(19,004)
Amortization of debt issuance costs	-	-	16,500	-	16,500
Operating lease expense	182,052	-	-	-	182,052
Change in donated inventory	(1,433,297)	-	-	-	(1,433,297)
Change in discount on pledges receivable	(31,162)	-	-	-	(31,162)
Change in interest in net assets of affiliates	(1,371,161)	42,567	-	1,328,594	-
Increase (decrease) in cash caused by change in operating items:					
Accounts receivable	51,710	-	-	-	51,710
Grants receivable	(329,354)	-	-	-	(329,354)
Pledges receivable	885,723	40,000	-	-	925,723
Prepaid expenses	(11,741)	-	1,700	-	(10,041)
Inventory	(33,074)	-	-	-	(33,074)
Accounts payable	440,208	-	-	-	440,208
Accrued expenses	283,635	-	-	-	283,635
Refundable advances	(52,590)	-	-	-	(52,590)
Operating lease liabilities	(188,298)	-	-	-	(188,298)
Net cash flow provided from operations	<u>2,872,140</u>	<u>1,140,102</u>	<u>223,743</u>	<u>-</u>	<u>4,235,985</u>
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of investments	(194,969)	(1,797,292)	-	-	(1,992,261)
Proceeds from sale of investments	-	657,170	-	-	657,170
Purchases of property and equipment	(7,718,416)	-	-	-	(7,718,416)
	<u>(7,913,385)</u>	<u>(1,140,122)</u>	<u>-</u>	<u>-</u>	<u>(9,053,507)</u>
NET INTERCOMPANY TRANSACTIONS	<u>256,572</u>	<u>20</u>	<u>(256,592)</u>	<u>-</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,784,673)	-	(32,849)	-	(4,817,522)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>19,162,943</u>	<u>-</u>	<u>209,794</u>	<u>-</u>	<u>19,372,737</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 14,378,270</u>	<u>\$ -</u>	<u>\$ 176,945</u>	<u>\$ -</u>	<u>\$ 14,555,215</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,750</u>	<u>\$ -</u>	<u>\$ 71,750</u>
Cash paid for amounts included in the measurement of lease liabilities					
Operating cash flows from operating leases	<u>\$ 279,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (82,400)</u>	<u>\$ 197,154</u>
NONCASH INVESTING AND FINANCING ACTIVITY					
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ 213,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,932</u>