

# **Freestore Foodbank, Inc. and Affiliates**

Combined Financial Statements and  
Additional Financial Information

June 30, 2016 and 2015

with Independent Auditors' Report

**TABLE OF CONTENTS**

Independent Auditors' Report ..... 1-2

Combined Financial Statements:

    Combined Statements of Financial Position ..... 3

    Combined Statements of Activities ..... 4-5

    Combined Statements of Functional Expenses ..... 6-7

    Combined Statements of Cash Flows ..... 8

    Notes to the Combined Financial Statements ..... 9-17

Additional Financial Information:

    Schedule of Expenditures of Federal Awards ..... 18-19

Supplemental Reports:

    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 ..... 20-21

    Report on Compliance for Each Major Federal Program and on  
    Internal Control over Compliance Required by the Uniform  
    Guidance ..... 22-23

    Schedule of Findings and Questioned Costs ..... 24

Supplemental Schedules:

    Combining Statement of Financial Position ..... 25

    Combining Statement of Activities ..... 26

## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying combined financial statements of Freestore Foodbank, Inc. and Affiliates (a not-for-profit organization), which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Freestore Foodbank, Inc. and Affiliates as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

one east fourth street, ste. 1200  
cincinnati, oh 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

**Other Matters**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2016, on our consideration of Freestore Foodbank, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Freestore Foodbank, Inc. and Affiliates' internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
September 20, 2016

Freestore Foodbank, Inc. and Affiliates  
 Combined Statements of Financial Position  
 June 30, 2016 and 2015

Assets:	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 1,326,925	1,777,497
Restricted cash - Facility maintenance reserve	483,237	523,673
Restricted cash - Representative Payee & Direct Rent	690,836	702,740
Accounts receivable	531,784	478,976
Pledges receivable	292,685	392,229
Inventory	5,649,526	3,231,560
Prepaid expenses	<u>405,467</u>	<u>233,186</u>
Total current assets	<u>9,380,460</u>	<u>7,339,861</u>
Property and equipment:		
Land	1,350,230	1,350,230
Buildings and improvements	12,199,912	11,975,065
Furniture, fixtures and equipment	2,120,327	1,714,681
Vehicles	<u>968,344</u>	<u>940,828</u>
	16,638,813	15,980,804
Less accumulated depreciation	<u>5,709,038</u>	<u>5,172,904</u>
Total property and equipment	<u>10,929,775</u>	<u>10,807,900</u>
Other assets:		
Investments	9,361,622	8,810,562
Beneficial interest in charitable trust	233,797	250,180
Other	<u>14,990</u>	<u>-</u>
Total other assets	<u>9,610,409</u>	<u>9,060,742</u>
Total assets	<u>\$ 29,920,644</u>	<u>27,208,503</u>
Liabilities and net assets:		
Current liabilities:		
Current portion of capital lease obligation	\$ 20,121	17,210
Accounts payable	685,770	589,974
Amounts held for others - Representative Payee & Direct Rent	690,836	702,740
Accrued expenses	<u>694,489</u>	<u>726,757</u>
Total current liabilities	<u>2,091,216</u>	<u>2,036,681</u>
Non-current portion of capital lease obligation	<u>7,436</u>	<u>27,557</u>
Total liabilities	<u>2,098,652</u>	<u>2,064,238</u>
Net assets:		
Unrestricted	26,568,734	23,771,177
Temporarily restricted	989,461	1,092,908
Permanently restricted	<u>263,797</u>	<u>280,180</u>
Total net assets	<u>27,821,992</u>	<u>25,144,265</u>
Total liabilities and net assets	<u>\$ 29,920,644</u>	<u>27,208,503</u>

See accompanying notes to the combined financial statements.

Freestore Foodbank, Inc. and Affiliates  
 Combined Statement of Activities  
 Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions and grants	\$ 6,103,487	2,197,875	-	8,301,362
United Way/Community Chest	198,962	205,326	-	404,288
Change in interest in irrevocable trusts	-	-	(16,383)	(16,383)
	<u>6,302,449</u>	<u>2,403,201</u>	<u>(16,383)</u>	<u>8,689,267</u>
Revenues:				
Program services:				
Government agencies	2,827,118	-	-	2,827,118
Private organizations	72,224	-	-	72,224
Member agency fees/product resale	1,682,077	-	-	1,682,077
Client services - individuals	187,172	-	-	187,172
Social enterprises	231,101	-	-	231,101
Special events	1,504,300	-	-	1,504,300
Less special event direct expenses	(447,308)	-	-	(447,308)
In-kind goods and services:				
Advertising services	37,500	-	-	37,500
Foodbank donations - food and products	47,154,631	-	-	47,154,631
Interest and dividend income	168,956	4,342	-	173,298
Net realized and unrealized loss on investments	(378,369)	(3,071)	-	(381,440)
Net gain on disposal of property and equipment	25,217	-	-	25,217
Other	33,786	-	-	33,786
Net assets released from restriction:				
Satisfaction of program and purpose restrictions	2,304,605	(2,304,605)	-	-
Satisfaction of time restrictions	203,314	(203,314)	-	-
	<u>55,606,324</u>	<u>(2,506,648)</u>	<u>-</u>	<u>53,099,676</u>
	<u>61,908,773</u>	<u>(103,447)</u>	<u>(16,383)</u>	<u>61,788,943</u>
Expenses:				
Client services	3,957,050	-	-	3,957,050
Cincinnati Cooks!	1,098,216	-	-	1,098,216
Foodbank:				
In-kind expenses	44,776,589	-	-	44,776,589
Foodbank supportive services	5,838,829	-	-	5,838,829
Social enterprises	312,600	-	-	312,600
Management and general	1,560,441	-	-	1,560,441
Fundraising	1,567,491	-	-	1,567,491
	<u>59,111,216</u>	<u>-</u>	<u>-</u>	<u>59,111,216</u>
Change in net assets	2,797,557	(103,447)	(16,383)	2,677,727
Net assets at beginning of year	<u>23,771,177</u>	<u>1,092,908</u>	<u>280,180</u>	<u>25,144,265</u>
Net assets at end of year	\$ <u>26,568,734</u>	<u>989,461</u>	<u>263,797</u>	<u>27,821,992</u>

See accompanying notes to the combined financial statements.

Freestore Foodbank, Inc. and Affiliates  
 Combined Statement of Activities  
 Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions and grants	\$ 7,368,592	1,768,349	-	9,136,941
United Way/Community Chest	203,846	201,814	-	405,660
Change in interest in irrevocable trusts	-	-	(17,488)	(17,488)
	<u>7,572,438</u>	<u>1,970,163</u>	<u>(17,488)</u>	<u>9,525,113</u>
Revenues:				
Program services:				
Government agencies	2,649,046	-	-	2,649,046
Private organizations	83,047	-	-	83,047
Member agency fees/product resale	1,829,647	-	-	1,829,647
Client services - individuals	180,743	-	-	180,743
Social enterprises	275,693	-	-	275,693
Special events	1,556,150	-	-	1,556,150
Less special event direct expenses	(449,132)	-	-	(449,132)
In-kind goods and services:				
Advertising services	37,500	-	-	37,500
Foodbank donations - food and products	36,976,157	-	-	36,976,157
Interest and dividend income	142,574	920	-	143,494
Net realized and unrealized loss on investments	(34,250)	(297)	-	(34,547)
Net loss on disposal of property and equipment	(4,594)	-	-	(4,594)
Other	19,352	-	-	19,352
Net assets released from restriction:				
Satisfaction of program and purpose restrictions	1,884,128	(1,884,128)	-	-
Satisfaction of time restrictions	214,493	(214,493)	-	-
	<u>45,360,554</u>	<u>(2,097,998)</u>	<u>-</u>	<u>43,262,556</u>
	<u>52,932,992</u>	<u>(127,835)</u>	<u>(17,488)</u>	<u>52,787,669</u>
Expenses:				
Client services	4,083,586	-	-	4,083,586
Cincinnati Cooks!	752,455	-	-	752,455
Foodbank:				
In-kind expenses	37,875,656	-	-	37,875,656
Foodbank supportive services	5,101,919	-	-	5,101,919
Social enterprises	319,573	-	-	319,573
Management and general	1,771,432	-	-	1,771,432
Fundraising	1,453,233	-	-	1,453,233
	<u>51,357,854</u>	<u>-</u>	<u>-</u>	<u>51,357,854</u>
Change in net assets	1,575,138	(127,835)	(17,488)	1,429,815
Net assets at beginning of year	<u>22,196,039</u>	<u>1,220,743</u>	<u>297,668</u>	<u>23,714,450</u>
Net assets at end of year	\$ <u>23,771,177</u>	<u>1,092,908</u>	<u>280,180</u>	<u>25,144,265</u>

See accompanying notes to the combined financial statements.

Freestore Foodbank, Inc. and Affiliates  
 Combined Statement of Functional Expenses  
 Year Ended June 30, 2016

	Program Services					Supporting Services		
	Client Services	Cincinnati	FoodBank	Social	Total Program Services	Management and General	Fundraising	Total
		Cooks!		Enterprises				
Salaries	\$ 2,025,698	450,967	1,820,001	141,475	4,438,141	630,963	605,688	5,674,792
Employee benefits	312,212	60,219	298,794	23,176	694,401	253,585	73,790	1,021,776
Payroll taxes	151,721	33,401	142,960	13,566	341,648	112,904	47,616	502,168
	<u>2,489,631</u>	<u>544,587</u>	<u>2,261,755</u>	<u>178,217</u>	<u>5,474,190</u>	<u>997,452</u>	<u>727,094</u>	<u>7,198,736</u>
In-kind food and products distributed	-	-	44,776,589	-	44,776,589	-	-	44,776,589
Specific assistance to individuals	851,088	257,389	1,055,104	-	2,163,581	2,680	-	2,166,261
Fleet	3,465	953	222,963	3,692	231,073	-	-	231,073
Occupancy	171,038	60,472	259,968	15,234	506,712	93,506	21,829	622,047
Data and communications	44,270	5,945	67,992	3,237	121,444	52,681	38,187	212,312
Equipment, supplies and repairs	50,739	96,908	226,495	10,057	384,199	35,305	4,685	424,189
Office expenses and mailings	20,763	4,157	17,097	505	42,522	49,928	612,553	705,003
Advertising	17,203	-	1,451	394	19,048	-	51,505	70,553
Dues and fees	40,392	1,992	44,860	319	87,563	80,951	2,331	170,845
Travel, conferences and conventions	27,425	793	51,933	4,241	84,392	23,342	8,722	116,456
Professional fees	11,458	2,876	11,893	811	27,038	53,434	1,816	82,288
Contracted services	11,297	17,806	195,457	13,273	237,833	62,172	81,402	381,407
Bad debt expense	-	-	21	30	51	-	-	51
Miscellaneous	195	-	1,746	11	1,952	91	-	2,043
Insurance	12,771	3,192	10,487	902	27,352	25,777	2,143	55,272
Product purchases	-	-	1,133,893	58,719	1,192,612	-	-	1,192,612
	<u>3,751,735</u>	<u>997,070</u>	<u>50,339,704</u>	<u>289,642</u>	<u>55,378,151</u>	<u>1,477,319</u>	<u>1,552,267</u>	<u>58,407,737</u>
Total expenses before depreciation								
Depreciation	205,315	101,146	275,714	22,958	605,133	83,122	15,224	703,479
	<u>205,315</u>	<u>101,146</u>	<u>275,714</u>	<u>22,958</u>	<u>605,133</u>	<u>83,122</u>	<u>15,224</u>	<u>703,479</u>
Total expenses	\$ <u>3,957,050</u>	<u>1,098,216</u>	<u>50,615,418</u>	<u>312,600</u>	<u>55,983,284</u>	<u>1,560,441</u>	<u>1,567,491</u>	<u>59,111,216</u>

See accompanying notes to the combined financial statements.



Freestore Foodbank, Inc. and Affiliates  
 Combined Statement of Functional Expenses  
 Year Ended June 30, 2015

	Program Services					Supporting Services		Total
	Client Services	Cincinnati Cooks!	FoodBank	Social Enterprises	Total Program Services	Management and General	Fundraising	
Salaries	\$ 1,981,054	294,817	1,488,118	136,446	3,900,435	766,603	496,650	5,163,688
Employee benefits	293,463	43,421	232,714	6,165	575,763	235,239	61,214	872,216
Payroll taxes	135,555	18,691	100,012	11,657	265,915	109,181	39,067	414,163
	<u>2,410,072</u>	<u>356,929</u>	<u>1,820,844</u>	<u>154,268</u>	<u>4,742,113</u>	<u>1,111,023</u>	<u>596,931</u>	<u>6,450,067</u>
In-kind food and products distributed	-	-	37,875,656	-	37,875,656	-	-	37,875,656
Specific assistance to individuals	1,044,621	202,599	877,566	-	2,124,786	4,650	-	2,129,436
Fleet	3,094	1,224	235,519	4,965	244,802	-	-	244,802
Occupancy	196,381	68,590	209,949	17,146	492,066	57,818	10,451	560,335
Data and communications	46,330	4,717	37,175	5,426	93,648	41,870	61,299	196,817
Equipment, supplies and repairs	41,577	58,166	159,246	16,595	275,584	41,185	5,396	322,165
Office expenses and mailings	19,756	1,379	12,602	1,062	34,799	55,620	666,034	756,453
Advertising	26,189	-	-	1,393	27,582	-	43,621	71,203
Dues and fees	28,372	642	35,392	301	64,707	97,615	400	162,722
Travel, conferences and conventions	23,341	2,939	22,833	948	50,061	24,030	5,165	79,256
Professional fees	12,017	1,444	8,968	595	23,024	46,297	2,093	71,414
Contracted services	23,913	20,164	160,168	29,617	233,862	62,587	58,054	354,503
Bad debt expense	-	-	-	540	540	-	-	540
Miscellaneous	26	-	215	85	326	561	-	887
Insurance	12,328	1,559	9,183	690	23,760	25,374	2,110	51,244
Product purchases	-	-	1,303,302	80,507	1,383,809	-	-	1,383,809
	<u>3,888,017</u>	<u>720,352</u>	<u>42,768,618</u>	<u>314,138</u>	<u>47,691,125</u>	<u>1,568,630</u>	<u>1,451,554</u>	<u>50,711,309</u>
Total expenses before depreciation								
Depreciation	204,230	32,103	217,221	5,435	458,989	185,877	1,679	646,545
	<u>204,230</u>	<u>32,103</u>	<u>217,221</u>	<u>5,435</u>	<u>458,989</u>	<u>185,877</u>	<u>1,679</u>	<u>646,545</u>
Total expenses	\$ <u>4,092,247</u>	<u>752,455</u>	<u>42,985,839</u>	<u>319,573</u>	<u>48,150,114</u>	<u>1,754,507</u>	<u>1,453,233</u>	<u>51,357,854</u>

See accompanying notes to the combined financial statements.

Freestore Foodbank, Inc. and Affiliates  
 Combined Statements of Cash Flows  
 Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 2,677,727	1,429,815
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	703,479	646,545
Realized and unrealized losses on investments	381,440	34,547
Loss (gain) on disposal of property and equipment	(25,217)	4,594
Loss on uncollectible pledges	51	540
Change in discount on pledges receivable	-	(3,039)
Effects of change in operating assets and liabilities:		
Accounts receivable	(52,808)	203,737
Pledges receivable	99,493	(2,452)
Inventory	(2,417,966)	841,900
Prepaid expenses	(172,281)	(64,681)
Beneficial interest in charitable trusts	16,383	17,488
Other assets	(14,990)	-
Accounts payable	95,796	(310,561)
Accrued expenses	(32,268)	123,789
Net cash provided by operating activities	1,258,839	2,922,222
Cash flows from investing activities:		
Proceeds from sale of investments	4,131,487	7,045,310
Purchase of investments	(5,063,987)	(9,179,897)
Capital expenditures	(878,187)	(527,371)
Proceeds from sale of capital assets	78,050	167,964
Change in cash surrender value of life insurance policy	-	2,505
Net cash used by investing activities	(1,732,637)	(2,491,489)
Cash flows from financing activities:		
Payments on capital lease	(17,210)	(14,720)
Net change in cash and cash equivalents	(491,008)	416,013
Cash and cash equivalents - beginning of the year	2,301,170	1,885,157
Cash and cash equivalents - end of the year	\$ 1,810,162	2,301,170
Reconciliation to Combined Statements of Financial Position:		
Cash and cash equivalents	\$ 1,326,925	1,777,497
Restricted cash - facility maintenance reserve	483,237	523,673
	\$ 1,810,162	2,301,170

See accompanying notes to the combined financial statements.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Freestore Foodbank, Inc. is a not-for-profit corporation, that exists to help people throughout the tri-state area of Ohio, Kentucky, and Indiana who are facing crisis because they are unable to meet their basic survival needs. The primary mission of the Freestore Foodbank, Inc. is to provide food and services; create stability and further self-reliance for people in crisis. Additionally, the Freestore Foodbank, Inc. strives to be the leader of a community mobilized to end hunger and address its causes.

The Freestore Foodbank Foundation is a not-for-profit corporation, whose governing board is comprised of Freestore Foodbank, Inc. trustees and independent trustees. The Foundation grants funds to Freestore Foodbank, Inc. for operations and raises money on its behalf. Corwine Foundation, Inc. is a not-for-profit corporation, whose governing board is comprised of Freestore Foodbank, Inc. trustees and independent trustees, for the purpose of holding property for Freestore Foodbank, Inc.

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

### **Principles of combination**

These financial statements are the result of the combination of the operations of the Freestore Foodbank, Inc., Corwine Foundation, Inc. and The Freestore Foodbank Foundation (the "Agency"). All intercompany transactions are eliminated upon combination.

### **Temporarily restricted net assets**

The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Agency reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

### **Permanently restricted net assets**

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

### **Food contributions and other in-kind donations/inventory**

Receipt and subsequent distribution of in-kind food contributions are reported in the statement of activities at \$2.21 and \$2.06 per pound in 2016 and 2015, respectively. Inventory on hand at year-end is also valued at the same amounts per pound. The price per pound is based on price indexes from a Feeding America survey which is then adjusted for gross profit based on a local grocery survey.

The following table summarizes food inventory activity, in pounds, as of and for the years ended June 30, 2016 and 2015:

	<u>Total Pounds</u>	
	<u>2016</u>	<u>2015</u>
Beginning balance	2,002,320	2,178,306
Donated product	21,262,066	18,150,834
Purchased product	2,714,345	2,792,192
Donated product distributed	(19,308,236)	(17,526,128)
Purchased product distributed	(2,856,007)	(2,787,384)
Physical inventory variance and spoilage	<u>(865,450)</u>	<u>(805,500)</u>
Ending balance	<u>2,949,038</u>	<u>2,002,320</u>

Products distributed by the Agency which have both been donated by others and purchased from outside vendors are carried at fair value. Purchased and donated inventory amounts to \$5,649,526 and \$3,231,560 at June 30, 2016 and 2015, respectively.

Food contributions increased 3,111,232 pounds in 2016 to 21,262,066 pounds versus 18,150,834 pounds in 2015. The increase is attributed to the hiring of a Food Donations Solicitor to encourage donations.

**Donated materials and services**

Donated vehicles, equipment, investments and services are recorded as public support contributions in the accompanying statements at their estimated fair value at the date of receipt.

Donated services are recorded as public support only if they create or enhance non-financial assets or require specialized services. Donated services, all of which were advertising services, were estimated at \$37,500 in 2016 and 2015. The Agency received volunteer services of approximately 84,100 and 84,000 hours for the years ended June 30, 2016 and 2015, respectively, which are not recorded in these financial statements as public support in accordance with generally accepted accounting principles.

**Depreciation**

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

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

**Use of estimates in financial statements**

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents**

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

The Agency maintains funds for the maintenance and replacement of its facilities and improvements which is shown as restricted cash on the financial statements. Amounts held for this purpose were \$483,237 and \$523,673 at June 30, 2016 and 2015, respectively.

The Agency also maintains funds for the use of others which is shown as restricted cash on the financial statements. Amounts held as restricted cash were \$690,836 and \$702,740 at June 30, 2016 and 2015, respectively, which includes amounts for the Direct Rent and Representative Payee programs. See Note 12 for a description of the Representative Payee program.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

**Pledges receivable**

As of June 30, 2016 and 2015, contributors to the Agency have promised to give \$292,685 and \$392,229 for its Powerpack program, Rubber Duck Regatta, United Way and other projects. Multiple year pledges are discounted to net present value using the risk free rate of return in the year pledged. Management expects to collect all pledges. Pledges are reviewed quarterly and compared to scheduled payments for collectability. All pledges as of June 30, 2016 and 2015 are due within one year.

**Accounts and grants receivable**

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

**Functional expense allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities, accordingly, certain costs have been allocated among benefited programs and supporting services. All fundraising costs are charged to fundraising; there are no joint costs.

**Subsequent events**

The Agency evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through September 20, 2016, the date on which the financial statements were available to be issued.

**2. TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Program activities	\$ 745,481	876,167
Time restrictions	205,326	201,814
Building and equipment	<u>38,654</u>	<u>14,927</u>
	<u>\$ 989,461</u>	<u>1,092,908</u>

**3. PERMANENTLY RESTRICTED NET ASSETS:**

Permanently restricted net assets consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Beneficial interest in charitable trust	\$ 233,797	250,180
Cincinnati Cooks! Student Scholarship Fund	<u>30,000</u>	<u>30,000</u>
	<u>\$ 263,797</u>	<u>280,180</u>

**4. LINE OF CREDIT:**

The Agency has a \$2,000,000 line of credit with a financial institution with interest at LIBOR plus 2.75% (3.16% and 2.87% at June 30, 2016 and 2015, respectively). No balance was drawn on the line at June 30, 2016 and 2015. The line of credit is secured by all assets of the Agency.

**5. CAPITAL LEASE OBLIGATION:**

The Agency financed the purchase of equipment through a capital lease which requires monthly payments of \$1,920 through October 2017. The lease is secured by the equipment. At June 30, 2016, the equipment had a cost basis of \$97,449 and a net book value of \$8,121.

Minimum future lease payments under the capital lease as of June 30, 2016, were as follows:

2017	\$ 23,045
2018	<u>7,682</u>
Total future minimum payments	30,727
Less amounts representing interest	<u>3,170</u>
Present value of net minimum lease payments	27,557
Less current portion	<u>20,121</u>
	<u>\$ 7,436</u>

**6. INCOME TAXES:**

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

**7. COMMITMENTS:**

The Agency leases equipment under operating leases expiring through the year 2018. Future minimum lease payments required under terms of the operating leases are as follows:

2017	\$ 10,642
2018	<u>1,774</u>
	<u>\$ 12,416</u>

Freestore Foodbank, Inc. leases office and warehouse space from Corwine Foundation, Inc. Under the lease agreements, which expire in 2033, monthly lease payments were \$44,587 from January 1, 2016 to June 30, 2016 and \$34,254 per month from July 1, 2014 to December 31, 2015. These transactions are eliminated upon the combination of the financial statements.

**8. EMPLOYEE BENEFITS:**

The Agency offers retirement benefits for all of its eligible full-time employees. The defined contribution plan meets the requirements of Internal Revenue Code Section 403(b) and is funded by contributions from the Agency and employees. Contributions are paid as accrued. Employees vest over five years in employer contributions. Agency contributions were \$198,784 and \$182,145 for the years ended June 30, 2016 and 2015, respectively.

**9. BENEFICIAL INTEREST IN CHARITABLE TRUST:**

A donor established a perpetual trust with a bank naming the Agency as one of the beneficiaries. Under terms of the split-interest agreement, the Agency is to receive the interest income earned annually for its use into perpetuity. The fair value of the Agency's interest in this perpetual trust was recorded as a permanently restricted contribution and as beneficial interest in a charitable trust. Income received from the trust in 2016 and 2015 was \$11,926 and \$11,090, respectively.

**10. FAIR VALUE:**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Agency has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The beneficial interest in charitable trust is valued on Level 2 inputs using prices obtained from the custodians, which used third party data service providers.

The following table presents the Agency's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2016.

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Cash and cash equivalents	\$ 731,800	731,800	-	-
Equity securities:				
Healthcare	499,883	499,883	-	-
Financial	427,706	427,706	-	-
Services	835,806	835,806	-	-
Basic materials	224,940	224,940	-	-
Technology	431,731	431,731	-	-
Consumer goods	359,516	359,516	-	-
Industrial goods	<u>146,463</u>	<u>146,463</u>	-	-
	2,926,045	2,926,045	-	-
Mutual funds and ETFs:				
Foreign bond and equity	1,371,768	1,371,768	-	-
Large cap	1,401,707	1,401,707	-	-
Small cap	<u>497,289</u>	<u>497,289</u>	-	-
	3,270,764	3,270,764	-	-
Corporate debt obligations:				
A through AAA	125,583	-	125,583	-
B through BBB	<u>2,297,278</u>	-	<u>2,297,278</u>	-
	2,422,861	-	2,422,861	-
U.S. government agency	10,152	-	10,152	-
Beneficial interest in charitable trust	<u>233,797</u>	-	<u>233,797</u>	-
	<u>\$ 9,595,419</u>	<u>6,928,609</u>	<u>2,666,810</u>	<u>-</u>



The following table presents the Agency's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2015.

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Cash and cash equivalents	\$ 424,523	424,523	-	-
Equity securities:				
Healthcare	244,367	244,367	-	-
Financial	425,058	425,058	-	-
Services	524,265	524,265	-	-
Basic materials	264,654	264,654	-	-
Technology	203,230	203,230	-	-
Consumer goods	319,910	319,910	-	-
Conglomerates	<u>103,923</u>	<u>103,923</u>	-	-
	2,085,407	2,085,407	-	-
Mutual funds and ETFs:				
Foreign bond and equity	1,697,094	1,697,094	-	-
Large cap	1,723,694	1,723,694	-	-
Small cap	654,586	654,586	-	-
Emerging markets	<u>361,493</u>	<u>361,493</u>	-	-
	4,436,867	4,436,867	-	-
Corporate debt obligations:				
A through AAA	231,790	-	231,790	-
B through BBB	<u>1,618,494</u>	-	<u>1,618,494</u>	-
	1,850,284	-	1,850,284	-
U.S. government agency	13,481	-	13,481	-
Beneficial interest in charitable trust	<u>250,180</u>	-	<u>250,180</u>	-
	<u>\$ 9,060,742</u>	<u>6,946,797</u>	<u>2,113,945</u>	-

**11. ENDOWMENT FUNDS:**

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

### **Interpretation of relevant law**

The Agency has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as permanently restricted net assets (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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the Agency and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Agency; and the investment policies of the Agency.

### **Funds with deficiencies**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires to be retained permanently. Such deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. Deficiencies of this nature are reported as part of unrestricted net assets.

### **Return objectives and risk parameters**

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

### **Strategies employed for achieving objectives**

To satisfy its long-term rate-of-return objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### **Spending policy and how the investment objectives relate to spending policy**

The Agency has a policy of appropriating for distribution each year five percent of its previous three year moving average endowment fund balance as needed. Any distributions in excess of the normal annual distribution require approval of the Board of Trustees of The Freestore Foodbank Foundation. In establishing this policy, the Agency considered the long-term expected return on its endowment. Accordingly, this spending policy should, over time, protect the inflation-adjusted value of the endowment and, consequently, allow inflation-adjusted spending to occur in the distant future. This is consistent with the Agency's objective to maintain purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Agency's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The portion of the Agency's endowment funds classified as temporarily restricted and permanently restricted are donor-restricted and the portion classified as unrestricted are board-designated endowment funds.

The changes in endowment net assets are as follows for the year ended June 30, 2016 and 2015 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$ 6,653,101	27,421	30,000	6,710,522
Investment income:				
Investment income, net of investment fees	106,126	920	-	107,046
Net realized and unrealized losses on investments	<u>(34,250)</u>	<u>(297)</u>	<u>-</u>	<u>(34,547)</u>
Total investment income	71,876	623	-	72,499
Contributions	2,250,273	66,120	-	2,316,393
Appropriation of assets for expenditures	<u>(287,352)</u>	<u>(1,500)</u>	<u>-</u>	<u>(288,852)</u>
Endowment net assets, June 30, 2015	8,687,898	92,664	30,000	8,810,562
Investment income:				
Investment income, net of investment fees	125,396	4,342	-	129,738
Net realized and unrealized losses on investments	<u>(378,369)</u>	<u>(3,071)</u>	<u>-</u>	<u>(381,440)</u>
Total investment income	(252,973)	1,271	-	(251,702)
Contributions	1,023,274	134,770	-	1,158,044
Appropriation of assets for expenditures	<u>(353,782)</u>	<u>(1,500)</u>	<u>-</u>	<u>(355,282)</u>
Endowment net assets, June 30, 2016	\$ <u>9,104,417</u>	<u>227,205</u>	<u>30,000</u>	<u>9,361,622</u>

## 12. REPRESENTATIVE PAYEE PROGRAM:

The Agency is appointed by the Social Security Administration to act as a representative payee. The Agency receives Social Security and/or SSI benefits for customers who cannot manage or cannot direct someone else to manage their money. The main responsibilities of a payee are to use the benefits to pay for the current and foreseeable needs of the beneficiary and properly save any benefits not needed to meet current needs. The Agency managed monthly receipts averaging \$478,147 and \$472,061 for the years ending June 30, 2016 and 2015, respectively.

Freestore Foodbank, Inc. and Affiliates  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture:</u>		
Food Distribution Cluster:		
<i>Passed through Ohio Department of Job &amp; Family Services</i>		
Commodity Supplemental Food Program - Senior Box Program	10.565	\$ 63,809
Commodity Supplemental Food Program - Senior Box Program Distributed Product	10.565	710,690
Emergency Food Assistance Program (Administrative Costs)	10.568	242,498
Emergency Food Assistance Program (Food Commodities)	10.569	6,730,718
<i>Passed through Indiana State Department of Health</i>		
Emergency Food Assistance Program (Administrative Costs)	10.568	7,859
Emergency Food Assistance Program (Food Commodities)	10.569	<u>495,139</u>
		<u>8,250,713</u>
 <i>Passed through Ohio Department of Education (ODE)</i>		
Child and Adult Care Food Program (CACFP)	10.558	179,584
<i>Passed through Kentucky Department of Education</i>		
Child and Adult Care Food Program (CACFP)	10.558	<u>142,983</u>
		<u>322,567</u>
 <i>Passed through Ohio Department of Education (ODE)</i>		
Summer Food Service Program for Children (SFSP)	10.559	12,448
<i>Passed through Kentucky Department of Education</i>		
Summer Food Service Program for Children (SFSP)	10.559	<u>1,706</u>
		<u>14,154</u>
 <i>Passed through Ohio Association of Foodbanks</i>		
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580	<u>70,258</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>8,657,692</u></b>
 <u>U.S. Department of Housing and Urban Development:</u>		
<i>Passed through Strategies to End Homelessness</i>		
Emergency Solutions Grant Program	14.231	<u>50,085</u>
Continuum of Care Program		
SSI-Jobs	14.267	73,481
Permanent Housing	14.267	196,900
Permanent Housing II	14.267	<u>210,862</u>
		<u>481,243</u>
 <i>Passed through City of Cincinnati, Ohio</i>		
Community Development Block Grants/Entitlement Grants	14.218	200,893
<i>Passed through Hamilton County, Ohio</i>		
Community Development Block Grants/Entitlement Grants	14.218	<u>104,828</u>
		<u>305,721</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<b><u>837,049</u></b>

Freestore Foodbank, Inc. and Affiliates  
Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2016

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services:</u>		
<i>Passed through Cincinnati Health Network</i>		
Health Center Program	93.224	246,491
<i>Passed through Ohio Association of Foodbanks</i>		
Temporary Assistance For Needy Families (TANF)		
Ohio Food Program (OFP)	93.558	187,812
Ohio Food Program (OFP) Food Commodities	93.558	7,522,925
		<u>7,710,737</u>
Social Services Block Grant		
Ohio Food Program (OFP)	93.667	21,403
Ohio Food Program (OFP) Food Commodities	93.667	857,313
		<u>878,716</u>
Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces		
	93.332	238,076
<i>Passed through Coalition on Homelessness and Housing in Ohio</i>		
Money Follows the Person Rebalancing Demonstration	93.791	103,759
<b>Total U.S. Department of Health and Human Services</b>		<b><u>9,177,779</u></b>
<u>Corporation for National and Community Service:</u>		
AmeriCorps	94.006	3,819
<u>U.S. Department of Homeland Security:</u>		
<i>Passed through United Way of Greater Cincinnati</i>		
Emergency Food and Shelter National Board Program	97.024	53,740
<b>Total expenditures of federal awards</b>		<b>\$ <u>18,730,079</u></b>

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards is a summary of the activity of the Agency's federal award programs. The schedule has been prepared on the accrual basis of accounting. The Agency has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**NOTE B - DONATED COMMODITIES**

The amounts reported as commodities or distributed products represent federal commodities distributed through states to local agencies under the programs with CFDA numbers 10.565, 10.569, 93.558 and 93.667. The amount of commodities on hand for these programs at June 30, 2016 is \$3,436,500.

**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**

**INDEPENDENT AUDITORS' REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Freestore Foodbank, Inc. and Affiliates, which comprise the combined statement of financial position as of June 30, 2016, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated September 20, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered Freestore Foodbank, Inc. and Affiliates' 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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Freestore Foodbank, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of the Freestore Foodbank, Inc. and Affiliates' internal control.

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

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

one east fourth street, ste. 1200  
cincinnati, oh 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Freestore Foodbank, Inc. and Affiliates' 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
September 20, 2016

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### INDEPENDENT AUDITORS' REPORT

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

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

We have audited Freestore Foodbank, Inc. and Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Freestore Foodbank, Inc. and Affiliates' major federal programs for the year ended June 30, 2016. Freestore Foodbank, Inc. and Affiliates' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditors' Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Freestore Foodbank, Inc. and Affiliates' compliance.

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

In our opinion, the Freestore Foodbank, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

one east fourth street, ste. 1200  
cincinnati, oh 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212



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

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

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

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

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
September 20, 2016

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of report issued on financial statements:	unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	none
Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

**Federal Awards**

Internal Control over major programs:	
Material weakness(es) identified?	none
Significant deficiency(ies) identified not considered to be material weaknesses?	none

Type of auditors' report issued on compliance for major programs:	unmodified
---	------------

Any audit findings that are required to be reported in accordance with Uniform Guidance?	none
--	------

Identification of major programs:

- Food Distribution Cluster:
  - CFDA 10.565 – Commodity Supplement Food Program  
Senior Box Program
  - CFDA 10.568 – Emergency Food Assistance Program  
Administrative Costs
  - CFDA 10.569 – Emergency Food Assistance Program  
Food Commodities

Dollar threshold to distinguish between Type A and Type B Programs:	\$750,000
---	-----------

Auditee qualified as low-risk auditee?	yes
--	-----

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

Freestore Foodbank, Inc. and Affiliates  
Combining Statement of Financial Position  
June 30, 2016

	Freestore	Corwine	The Freestore Foodbank	
Assets:	Foodbank, Inc.	Foundation	Foundation, Inc.	Total
Current assets:				
Cash and cash equivalents	\$ 1,326,925	-	-	1,326,925
Restricted cash - Facility maintenance reserve	-	483,237	-	483,237
Restricted cash - Representative Payee & Direct Rent	690,836	-	-	690,836
Accounts receivable	531,784	-	-	531,784
Pledges receivable	292,685	-	-	292,685
Inventory	5,649,526	-	-	5,649,526
Prepaid expenses	395,134	10,333	-	405,467
Total current assets	<u>8,886,890</u>	<u>493,570</u>	<u>-</u>	<u>9,380,460</u>
Property and equipment:				
Land	-	1,350,230	-	1,350,230
Buildings and improvements	57,542	12,142,370	-	12,199,912
Furniture, fixtures and equipment	1,885,401	234,926	-	2,120,327
Vehicles	968,344	-	-	968,344
	<u>2,911,287</u>	<u>13,727,526</u>	<u>-</u>	<u>16,638,813</u>
Less accumulated depreciation	<u>1,763,484</u>	<u>3,945,554</u>	<u>-</u>	<u>5,709,038</u>
Total property and equipment	<u>1,147,803</u>	<u>9,781,972</u>	<u>-</u>	<u>10,929,775</u>
Other assets:				
Investments	-	-	9,361,622	9,361,622
Beneficial interest in charitable trust	233,797	-	-	233,797
Other	9,990	5,000	-	14,990
Total other assets	<u>243,787</u>	<u>5,000</u>	<u>9,361,622</u>	<u>9,610,409</u>
Total assets	<u>\$ 10,278,480</u>	<u>10,280,542</u>	<u>9,361,622</u>	<u>29,920,644</u>
Liabilities and net assets:				
Current liabilities:				
Current portion of capital lease obligation	\$ 20,121	-	-	20,121
Accounts payable	671,933	13,837	-	685,770
Amounts held for others - Representative Payee & Direct Rent	690,836	-	-	690,836
Accrued expenses	694,489	-	-	694,489
Total current liabilities	<u>2,077,379</u>	<u>13,837</u>	<u>-</u>	<u>2,091,216</u>
Other liabilities:				
Non-current portion of capital lease obligation	FALSE	-	-	-
Total liabilities	<u>2,077,379</u>	<u>13,837</u>	<u>-</u>	<u>2,091,216</u>
Net assets:				
Unrestricted	7,197,612	10,266,705	9,104,417	26,568,734
Temporarily restricted	762,256	-	227,205	989,461
Permanently restricted	233,797	-	30,000	263,797
Total net assets	<u>8,193,665</u>	<u>10,266,705</u>	<u>9,361,622</u>	<u>27,821,992</u>
Total liabilities and net assets	<u>\$ 10,271,044</u>	<u>10,280,542</u>	<u>9,361,622</u>	<u>29,913,208</u>

See accompanying notes to the combined financial statements.

	Freestore Foodbank, Inc.			Corwine Foundation	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	
Public support:					
Contributions and grants	\$ 5,080,213	2,063,105	-	7,143,318	-
United Way/Community Chest	198,962	205,326	-	404,288	-
Change in interest in irrevocable trusts	-	-	(16,383)	(16,383)	-
	<u>5,279,175</u>	<u>2,268,431</u>	<u>(16,383)</u>	<u>7,531,223</u>	<u>-</u>
Revenues:					
Program services:					
Government agencies	2,827,118	-	-	2,827,118	-
Private organizations	72,224	-	-	72,224	-
Member agency fees/product resale	1,682,077	-	-	1,682,077	-
Client services - individuals	187,172	-	-	187,172	-
Social enterprises	231,101	-	-	231,101	-
Special events	1,504,300	-	-	1,504,300	-
Less special event direct expenses	(447,308)	-	-	(447,308)	-
In-kind goods and services:					
Advertising services	37,500	-	-	37,500	-
Foodbank donations - food and products	47,154,631	-	-	47,154,631	-
Interest and dividend income	-	-	-	-	675
Net realized and unrealized loss on investments	-	-	-	-	-
Net gain on disposal of property and equipment	25,217	-	-	25,217	-
Other	33,786	-	-	33,786	-
Intercompany:					
Rental revenue/(expense)	(473,046)	-	-	(473,046)	473,046
Donations to Freestore Foodbank, Inc./ (from Corwine Foundation)	12	-	-	12	(12)
Donation to Freestore Foodbank, Inc./ (from Freestore Foodbank Foundation)	353,782	-	-	353,782	-
Net assets released from restriction:					
Satisfaction of program and purpose restrictions	2,304,605	(2,304,605)	-	-	-
Satisfaction of time restrictions	201,814	(201,814)	-	-	-
	<u>55,694,985</u>	<u>(2,506,419)</u>	<u>-</u>	<u>53,188,566</u>	<u>473,709</u>
Total public support and revenues	<u>60,974,160</u>	<u>(237,988)</u>	<u>(16,383)</u>	<u>60,719,789</u>	<u>473,709</u>
Expenses:					
Client services	3,957,050	-	-	3,957,050	-
Cincinnati Cooks!	1,096,716	-	-	1,096,716	-
Foodbank:					
In-kind expenses	44,776,589	-	-	44,776,589	-
Supportive services	5,776,831	-	-	5,776,831	61,998
Social enterprises	312,600	-	-	312,600	-
Management and general	1,074,680	-	-	1,074,680	442,876
Fundraising	1,567,491	-	-	1,567,491	-
	<u>58,561,957</u>	<u>-</u>	<u>-</u>	<u>58,561,957</u>	<u>504,874</u>
Change in net assets	2,412,203	(237,988)	(16,383)	2,157,832	(31,165)
Net assets at beginning of year	<u>4,785,409</u>	<u>1,000,244</u>	<u>250,180</u>	<u>6,035,833</u>	<u>10,297,870</u>
Net assets at end of year	\$ <u>7,197,612</u>	<u>762,256</u>	<u>233,797</u>	<u>8,193,665</u>	<u>10,266,705</u>

Freestore Foodbank, Inc. and Affiliates  
Combining Statement of Activities  
Year Ended June 30, 2016

The Freestore Foodbank Foundation, Inc.				Total			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
1,023,274	134,770	-	1,158,044	6,103,487	2,197,875	-	8,301,362
-	-	-	-	198,962	205,326	-	404,288
-	-	-	-	-	-	(16,383)	(16,383)
<u>1,023,274</u>	<u>134,770</u>	<u>-</u>	<u>1,158,044</u>	<u>6,302,449</u>	<u>2,403,201</u>	<u>(16,383)</u>	<u>8,689,267</u>
-	-	-	-	2,827,118	-	-	2,827,118
-	-	-	-	72,224	-	-	72,224
-	-	-	-	1,682,077	-	-	1,682,077
-	-	-	-	187,172	-	-	187,172
-	-	-	-	231,101	-	-	231,101
-	-	-	-	1,504,300	-	-	1,504,300
-	-	-	-	(447,308)	-	-	(447,308)
-	-	-	-	37,500	-	-	37,500
-	-	-	-	47,154,631	-	-	47,154,631
168,281	4,342	-	172,623	168,956	4,342	-	173,298
(378,369)	(3,071)	-	(381,440)	(378,369)	(3,071)	-	(381,440)
-	-	-	-	25,217	-	-	25,217
-	-	-	-	33,786	-	-	33,786
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(353,782)	-	-	(353,782)	-	-	-	-
-	-	-	-	2,304,605	(2,304,605)	-	-
1,500	(1,500)	-	-	203,314	(203,314)	-	-
<u>(562,370)</u>	<u>(229)</u>	<u>-</u>	<u>(562,599)</u>	<u>55,606,324</u>	<u>(2,506,648)</u>	<u>-</u>	<u>53,099,676</u>
460,904	134,541	-	595,445	61,908,773	(103,447)	(16,383)	61,788,943
-	-	-	-	3,957,050	-	-	3,957,050
1,500	-	-	-	1,098,216	-	-	1,098,216
-	-	-	-	44,776,589	-	-	44,776,589
-	-	-	-	5,838,829	-	-	5,838,829
-	-	-	-	312,600	-	-	312,600
42,885	-	-	42,885	1,560,441	-	-	1,560,441
-	-	-	-	1,567,491	-	-	1,567,491
<u>44,385</u>	<u>-</u>	<u>-</u>	<u>42,885</u>	<u>59,111,216</u>	<u>-</u>	<u>-</u>	<u>59,111,216</u>
416,519	134,541	-	552,560	2,797,557	(103,447)	(16,383)	2,677,727
<u>8,687,898</u>	<u>92,664</u>	<u>30,000</u>	<u>8,810,562</u>	<u>23,771,177</u>	<u>1,092,908</u>	<u>280,180</u>	<u>25,144,265</u>
<u>9,104,417</u>	<u>227,205</u>	<u>30,000</u>	<u>9,363,122</u>	<u>26,568,734</u>	<u>989,461</u>	<u>263,797</u>	<u>27,821,992</u>

See accompanying notes to the combined financial statements.



**At Clark Schaefer Hackett,** we believe there's a difference between providing accounting services and actually serving you. One is about numbers, the other is about relationships. We strive to create remarkable relationships The CSH Way: by building trust, offering guidance, delivering desired outcomes, and providing vision to help you achieve your goals.

cincinnati | cleveland | columbus | miami valley | northern kentucky | springfield | toledo

[www.cshco.com](http://www.cshco.com)