

**OHIO ASSOCIATION OF FOODBANKS**

**FINANCIAL STATEMENTS**

For the Years Ended June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

# OHIO ASSOCIATION OF FOODBANKS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Ohio Association of Foodbanks  
Columbus, Ohio

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

We have audited the accompanying financial statements of Ohio Association of Foodbanks (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

INDEPENDENT AUDITORS' REPORT  
(Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Association of Foodbanks as of June 30, 2018 and 2017, 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.

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, on our consideration of Ohio Association of Foodbanks' 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 Ohio Association of Foodbanks' internal control over financial reporting and compliance.

*Hemphill Wright & Associates, Inc.*

Westerville, Ohio  
October 11, 2018

**OHIO ASSOCIATION OF FOODBANKS**  
**Statements of Financial Position**  
**June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 2)	\$ 3,206,606	\$ 2,997,544
Grants & Accounts Receivable	1,308,025	982,070
Total Current Assets	4,514,631	3,979,614
<b>Other Assets</b>		
Equipment & Vehicles (Net) (Note 3)	35,812	57,544
<b>TOTAL ASSETS</b>	<b>\$ 4,550,443</b>	<b>\$ 4,037,158</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 2,311,459	\$ 1,608,293
Accrued Wages and Payroll Taxes	81,799	103,162
Deferred Revenue	220,124	518,993
Capital Lease Obligations - Current Portion (Note 4)	11,790	11,229
Total Current Liabilities	2,625,172	2,241,677
<b>Long-Term Liabilities</b>		
Capital Lease Obligations - Long-Term Portion (Note 4)	12,019	23,219
Total Long-Term Liabilities	12,019	23,219
<b>TOTAL LIABILITIES</b>	<b>2,637,191</b>	<b>2,264,896</b>
 <b>NET ASSETS</b>		
Total Unrestricted		
Designated by Board	492,000	492,000
Undesignated	1,187,093	1,101,596
Total Unrestricted	1,679,093	1,593,596
Total Temporarily Restricted	234,159	178,666
<b>TOTAL NET ASSETS</b>	<b>1,913,252</b>	<b>1,772,262</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 4,550,443</b>	 <b>\$ 4,037,158</b>

See Accompanying Notes to Financial Statements

**OHIO ASSOCIATION OF FOODBANKS**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUE AND OTHER SUPPORT</b>			
<b>Public Support</b>			
Governmental Revenue	\$ 26,120,271	\$ -	\$ 26,120,271
Foundation Revenue	108,281	142,603	250,884
Membership Dues	192,785	-	192,785
Donations	212,171	-	212,171
	26,633,508	142,603	26,776,111
<b>Other Revenue</b>			
Interest Income	5,481	-	5,481
Other	181,496	-	181,496
Gain in Disposal of Equipment	-	-	-
Released from Restrictions	87,110	(87,110)	-
	274,087	(87,110)	186,977
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>26,907,595</b>	<b>55,493</b>	<b>26,963,088</b>
 <b>EXPENSES</b>			
<b>Program Expenses</b>			
Ohio Food Program	21,797,805	-	21,797,805
Ohio Benefit Bank	3,515,782	-	3,515,782
National Service	752,726	-	752,726
<b>Total Program Expenses</b>	26,066,313	-	26,066,313
General and Management	755,785	-	755,785
<b>TOTAL EXPENSES</b>	<b>26,822,098</b>	<b>-</b>	<b>26,822,098</b>
 Change in Net Assets	 85,497	 55,493	 140,990
Net Assets at Beginning of Year	1,593,596	178,666	1,772,262
Net Assets at End of Year	\$ 1,679,093	\$ 234,159	\$ 1,913,252

See Accompanying Notes to Financial Statements

**OHIO ASSOCIATION OF FOODBANKS**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>			
<b>Public Support</b>			
Governmental Revenue	\$ 27,743,970	\$ -	\$ 27,743,970
Foundation Revenue	-	178,666	178,666
Membership Dues	195,004	-	195,004
Donations	222,652	-	222,652
	<u>28,161,626</u>	<u>178,666</u>	<u>28,340,292</u>
<b>Other Revenue</b>			
Interest Income	3,680	-	3,680
Other	180,762	-	180,762
Gain in Disposal of Equipment	1,098	-	1,098
Released from Restrictions	22,352	(22,352)	-
	<u>207,892</u>	<u>(22,352)</u>	<u>185,540</u>
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<u>28,369,518</u>	<u>156,314</u>	<u>28,525,832</u>
<b>EXPENSES</b>			
<b>Program Expenses</b>			
Ohio Food Program	21,145,609	-	21,145,609
Ohio Benefit Bank	5,432,105	-	5,432,105
National Service	627,123	-	627,123
<b>Total Program Expenses</b>	<u>27,204,837</u>	<u>-</u>	<u>27,204,837</u>
General and Management	1,084,372	-	1,084,372
<b>TOTAL EXPENSES</b>	<u>28,289,209</u>	<u>-</u>	<u>28,289,209</u>
Change in Net Assets	80,309	156,314	236,623
Net Assets at Beginning of Year	<u>1,513,287</u>	<u>22,352</u>	<u>1,535,639</u>
Net Assets at End of Year	<u>\$ 1,593,596</u>	<u>\$ 178,666</u>	<u>\$ 1,772,262</u>

See Accompanying Notes to Financial Statements

**OHIO ASSOCIATION OF FOODBANKS**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 140,990	\$ 236,623
<b>Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities</b>		
Depreciation Expense	21,732	21,732
Gain on Disposal of Fixed Assets	-	(1,098)
Change in Assets:		
Grants & Accounts Receivable	(325,955)	23,499
Employee Advances	-	2,507
Change in Liabilities:		
Accounts Payable	703,166	318,349
Accrued Wages and Payroll Taxes	(21,363)	21,300
Deferred Revenue	(298,869)	150,219
<b>Net Cash Provided by Operating Activities</b>	<b>219,701</b>	<b>773,131</b>
<b>Cash Flows from Investing Activities</b>		
Capital Expenditures	(10,639)	(10,650)
<b>Net Cash Used in Investing Activities</b>	<b>(10,639)</b>	<b>(10,650)</b>
<b>Cash Flows from Financing Activities</b>		
Payments on Capital Lease Obligations	-	-
<b>Net Cash Used in Financing Activities</b>	<b>-</b>	<b>-</b>
Net Change in Cash and Cash Equivalents	209,062	762,481
Cash and Cash Equivalents at Beginning of Year	2,997,544	2,235,063
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 3,206,606</b>	<b>\$ 2,997,544</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash Paid During the Year for Interest	\$ 3,396	\$ 4,062

See Accompanying Notes to Financial Statements



**OHIO ASSOCIATION OF FOODBANKS**

**Statement of Functional Expenses**

**For the Year Ended June 30, 2018**

	<b>Ohio Food Program</b>	<b>Ohio Benefit Bank</b>	<b>National Service</b>	<b>Subtotal Programs</b>	<b>General &amp; Management</b>	<b>Total</b>
Wages and Salaries	\$ 261,793	\$ 704,205	\$ 102,904	\$ 1,068,902	\$ 232,704	\$ 1,301,606
Fringe Benefits - Employees	78,293	200,054	26,483	304,830	126,656	431,486
Payroll Taxes - Employees	23,402	61,391	8,428	93,221	18,690	111,911
Living Allowance/Stipends - National Service	-	-	557,229	557,229	9,845	567,074
Payroll Taxes - National Service	-	-	1,076	1,076	-	1,076
Accounting Services	3,884	27,866	9,797	41,547	4,282	45,829
Marketing/PR Consulting	-	-	-	-	87,760	87,760
Legal Fees	-	-	-	-	30,702	30,702
Training - Employee	105	-	-	105	-	105
Training - Inservice - National Service	-	-	125	125	-	125
Meeting & Conference Expenses	-	38	10,609	10,647	5,351	15,998
Program Expenses	670	140,521	6,709	147,900	67,140	215,040
Office Supplies	1,413	4,950	-	6,363	615	6,978
Printing & Copying	-	1,804	-	1,804	2,341	4,145
Publications	-	-	-	-	4,814	4,814
Postage	1,646	5,605	-	7,251	1,291	8,542
Advertising	-	7,315	-	7,315	5,787	13,102
Membership Dues	750	-	-	750	25,476	26,226
Rent	31,124	90,721	10,264	132,109	21,088	153,197
Telephone	7,516	23,676	-	31,192	9,123	40,315
Insurance	-	-	-	-	16,006	16,006
Travel	1,827	17,488	18,892	38,207	17,118	55,325
Equipment & Software Purchases	214,136	1,322	176	215,634	38,195	253,829
Depreciation	-	-	-	-	21,732	21,732
Bad Debt Expense	-	-	-	-	-	-
Interest Expense/ Bank & Collection Fees	-	-	-	-	3,396	3,396
Miscellaneous Expense	43	1,847	34	1,924	5,673	7,597
Ohio Benefit Bank Software Support/Development	-	583,333	-	583,333	-	583,333
Grants to Foodbanks	-	1,279,015	-	1,279,015	-	1,279,015
Grants to Agencies	-	364,631	-	364,631	-	364,631
Shelf Stable and Protein (Note 6)	8,902,562	-	-	8,902,562	-	8,902,562
Agricultural Surplus (Note 6)	7,905,239	-	-	7,905,239	-	7,905,239
TANF / Innovative Backpack Programs (Note 6)	2,421,529	-	-	2,421,529	-	2,421,529
OPI	35,870	-	-	35,870	-	35,870
Best Buy	340,861	-	-	340,861	-	340,861
Storage and Distribution	1,550,292	-	-	1,550,292	-	1,550,292
Freight	14,850	-	-	14,850	-	14,850
<b>Total</b>	<b>\$ 21,797,805</b>	<b>\$ 3,515,782</b>	<b>\$ 752,726</b>	<b>\$ 26,066,313</b>	<b>\$ 755,785</b>	<b>\$ 26,822,098</b>

See Accompanying Notes to Financial Statements

**OHIO ASSOCIATION OF FOODBANKS**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2017**

	<b>Ohio Food Program</b>	<b>Ohio Benefit Bank</b>	<b>National Service</b>	<b>Subtotal Programs</b>	<b>General &amp; Management</b>	<b>Total</b>
Wages and Salaries	\$ 322,464	\$ 892,483	\$ 113,497	\$ 1,328,444	\$ 339,030	\$ 1,667,474
Fringe Benefits - Employees	85,888	286,233	18,641	390,762	141,099	531,861
Payroll Taxes - Employees	27,197	77,658	9,893	114,748	25,205	139,953
Living Allowance/Stipends - National Service	-	59,926	401,363	461,289	22,318	483,607
Payroll Taxes - National Service	-	230	1,259	1,489	-	1,489
Accounting Services	4,396	22,746	7,903	35,045	15,445	50,490
Marketing/PR Consulting	-	-	-	-	60,667	60,667
Legal Fees	-	-	-	-	32,705	32,705
Training - Employee	1,275	25	374	1,674	129	1,803
Training - Inservice - National Service	-	-	480	480	-	480
Meeting & Conference Expenses	1,417	3,725	15,266	20,408	14,177	34,585
Program Expenses	1,484	186,407	12,160	200,051	77,375	277,426
Office Supplies	1,302	6,174	-	7,476	2,170	9,646
Printing & Copying	214	6,439	346	6,999	10,176	17,175
Publications	-	-	-	-	4,296	4,296
Postage	1,209	8,724	-	9,933	1,018	10,951
Advertising	-	29,861	-	29,861	292	30,153
Membership Dues	-	-	-	-	70,054	70,054
Rent	22,007	102,432	10,813	135,252	15,365	150,617
Telephone	9,140	42,748	-	51,888	12,027	63,915
Insurance	-	-	-	-	17,408	17,408
Travel	4,337	21,841	35,083	61,261	26,930	88,191
Equipment & Software Purchases	329	7,045	45	7,419	165,156	172,575
Depreciation	-	-	-	-	21,732	21,732
Bad Debt Expense	-	-	-	-	2,507	2,507
Interest Expense/ Bank & Collection Fees	-	-	-	-	4,062	4,062
Miscellaneous Expense	-	976	-	976	3,029	4,005
Ohio Benefit Bank Software Support/Development	-	1,050,000	-	1,050,000	-	1,050,000
Grants to Foodbanks	-	1,116,807	-	1,116,807	-	1,116,807
Grants to Agencies	-	1,509,625	-	1,509,625	-	1,509,625
Shelf Stable and Protein (Note 6)	10,002,946	-	-	10,002,946	-	10,002,946
Agricultural Surplus (Note 6)	8,530,542	-	-	8,530,542	-	8,530,542
TANF / Innovative Backpack Programs (Note 6)	1,901,567	-	-	1,901,567	-	1,901,567
OPI	81,070	-	-	81,070	-	81,070
Best Buy	130,550	-	-	130,550	-	130,550
Freight	16,275	-	-	16,275	-	16,275
<b>Total</b>	<b>\$ 21,145,609</b>	<b>\$ 5,432,105</b>	<b>\$ 627,123</b>	<b>\$ 27,204,837</b>	<b>\$ 1,084,372</b>	<b>\$ 28,289,209</b>

See Accompanying Notes to Financial Statements

**OHIO ASSOCIATION OF FOODBANKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2018 and June 30, 2017**

**Note 1 - Background**

**Organization**

The mission of the Ohio Association of Foodbanks (“the Association”) is to assist Feeding America foodbanks in Ohio in providing food and other resources to people in need and to pursue areas of common interest for the benefit of people in need.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Accounting**

The accompanying financial statements of the Association have been prepared utilizing the accrual basis of accounting.

**Basis of Presentation**

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

- 1) Unrestricted net assets represent the portion of expendable funds that is available for support of the Association.
- 2) Temporarily restricted net assets are limited as to use by donor-imposed restrictions that either expire by passage of time or that can be fulfilled or removed by actions of the Association. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. There were temporarily restricted net assets as of June 30, 2018 of \$234,159 and temporary restricted net assets for 2017 of \$178,666.
- 3) Permanently restricted net assets are subject to donor-imposed restrictions which do not expire. Generally, the providers of these funds restrict the Association to maintain the principal in perpetuity and invest for the purposes of producing present and future income that may be expended by the Association. There were no permanently restricted net assets as of June 30, 2018 and 2017.

**Board Designated Net Assets**

The Board of Directors of the Association have designated net assets to be used as a reserve for general operating expenses in the event of a major loss of funding. Total board designated net assets as of both June 30, 2018 and 2017 were \$492,000.

OHIO ASSOCIATION OF FOODBANKS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2018 and June 30, 2017

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Tax Exempt Status**

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1954. It has been classified as an organization that is not a private foundation under Section 509(a)(3) of the Internal Revenue Code and qualifies as a tax-deductible charitable contribution for individual donors. The Association is also exempt from property tax and state income taxes.

**Cash & Cash Equivalents**

For purposes of the statements of cash flows, the Association considers bank accounts, petty cash and certificates of deposit purchased with a maturity of one year or less to be cash and cash equivalents. Interest income on the certificates of deposit is recorded as income when earned.

**Grants & Accounts Receivable**

Grants and accounts receivable are stated at unpaid balances. It is the Association's policy to charge off uncollectible accounts when management determines the receivable will not be collected. As of June 30, 2018 and 2017, the grants and accounts receivable balance primarily consisted of funds due from the State of Ohio.

**Expense Allocation**

The costs of providing various programs and other activities and services have been summarized on a functional basis in the statements of activities. Accordingly, labor costs are based on salaries and wages paid and allocated based on the nature of the service or activity performed. Certain other costs have been allocated among the projects and activities based upon benefits received.

**Equipment**

Equipment is recorded at cost, less accumulated depreciation. Depreciation of equipment is computed using the straight-line method over the estimated useful lives of the assets. The Association follows the policy of capitalizing all expenditures for purchased assets of \$3,000 or greater. Expenditures of equipment which increase the values or extend useful lives are capitalized. Routine maintenance and repairs which do not improve or extend the useful lives of the respective assets are charged to expenses as incurred. The carrying amounts of assets sold, retired, or otherwise disposed of and the related accumulated depreciation is eliminated from the accounts in the year of disposal. Any resulting gains or losses from the disposals are included in the statements of activities.

**Revenue Recognition**

Revenues are generally recognized when received by the Association.

OHIO ASSOCIATION OF FOODBANKS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2018 and June 30, 2017

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Membership Dues**

Membership dues are paid based on Feeding America Goal Factors issued annually. As of June 30, 2018 and 2017, dues totaled \$192,785 and \$195,004 each year, respectively, and are paid by each of the 12 Feeding America foodbanks on a quarterly basis.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

**Fair Value of Financial Instruments**

The following methods and assumptions were used by the Association in estimating the fair value of its financial instruments:

**Cash and Cash Equivalents and Prepaid Expenses** – The carrying amount reported in the statements of financial position approximates fair value due to their short-term nature.

**Accounts Receivable** – The carrying amount reported in the statements of financial position approximates fair value due to the short-term nature of the receivables.

**Accounts Payable and Accrued Wages** – The carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

**Notes Payable and Capital Lease Obligations** – The carrying amount reported in the statements of financial position approximates fair value because the Association can obtain similar loans at the same terms.

**Deferred Revenue**

Deferred revenue of the Association represents amounts received on grant agreements in advance, which have not been earned at the end of the year. As of June 30, 2018 and 2017, deferred revenue for the Association was \$220,124 and \$518,993 respectively.

**Subsequent Events**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through October 11, 2018, the date on which the financial statements were available to be issued.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to current year presentation.

OHIO ASSOCIATION OF FOODBANKS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2018 and June 30, 2017

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 161,762	\$ 161,762
Vehicles	52,289	52,289
Total Equipment and Vehicles	214,051	214,051
Less: Accumulated Depreciation	(178,239)	(156,507)
Equipment and Vehicles, Net	<u>\$ 35,812</u>	<u>\$ 57,544</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$21,732 and \$21,732, respectively.

**Note 4 – Lease Commitments**

**Capital Leases**

The Association is a party to certain noncancellable lease agreements involving equipment. These leases have been capitalized and the related assets and obligations recorded using the interest rates implicit in the leases since the agreements contain bargain purchase options. The assets are being amortized over 48 months.

At June 30, 2018, the future minimum lease payments under the capital lease obligations are as follows:

<u>For the year ended June 30,</u>	<u>Amount</u>
2019	\$ 11,790
2020	12,019
Total	23,809
<b>Less: Current Portion</b>	<u>(11,790)</u>
<b>Long-Term Portion</b>	<u>\$ 12,019</u>

The following is an analysis of the leased assets included in property and equipment as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Copiers	\$ 45,097	\$ 45,097
Less: Accumulated Depreciation	(22,548)	(11,274)
<b>Net Carrying Amount</b>	<u>\$ 22,549</u>	<u>\$ 33,823</u>

OHIO ASSOCIATION OF FOODBANKS  
 NOTES TO FINANCIAL STATEMENTS  
 For the Years Ended June 30, 2018 and June 30, 2017

**Note 4 – Lease Commitments (Continued)**

Amortization expense of \$10,639 and \$10,639 for assets held under capital leases is included with depreciation expense for 2018 and 2017.

**Operating Leases**

The Association leases office space. Rent expense for the year ended June 30, 2018 and 2017 totaled \$153,197 and \$150,617 respectively.

The future minimum rental payments due under this rental agreement are as follows:

<u>For the Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 155,802
2020	0
2021	0
Total	<u>\$ 155,802</u>

**Note 5 – Ohio Food Program and Agricultural Clearance Program**

In 2018, the Association received a \$19,550,000 grant from the Ohio Department of Job and Family Services. The grant was to be used for three purposes: 1) The Ohio Food Program (OFP), \$9,286,250 to purchase food products, storage and distribution for local food distribution agencies; 2) The Agricultural Clearance Program (ACP), \$9,286,250 to strengthen the emergency food distribution system; and 3) Administration, \$977,500.

The ACP accomplished its goal by developing alliances with growers and processors to help defray direct costs of providing surplus agricultural commodities and purchasing shelf-stable products; identifying and supporting innovative programs for emerging needs; and providing training and technical assistance to emergency food providers.

Revenue from the Department of Job and Family Services for the Ohio Food and Agriculture Clearance program amounted to 73% of the Association’s total revenue.

**Note 6 - Ohio Food & Agriculture Clearance Program, TANF Executive Order (TANF E.O.), and Governor’s Backpack Program**

The Ohio Food Program is included as an expenditure line item on the statements of functional expenses and consisted of the following types of expenses for the year ended June 30:

OHIO ASSOCIATION OF FOODBANKS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2018 and June 30, 2017

<b>Note 6 - Ohio Food &amp; Agriculture Clearance Program, TANF Executive Order (TANF E.O.), and Governor's Backpack Program-Continued</b>
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<b>Shelf Stable and Protein</b>	<b>2018</b>	<b>2017</b>
Food Purchases for Foodbanks	\$ 8,902,562	\$ 9,025,466
Storage & Distribution of Food Purchases	775,146	977,500
Transportation and Delivery Charge	0	0
Pantry Trak Expenses	107,000	0
<b>Total</b>	<b>\$ 9,784,708</b>	<b>\$ 10,002,946</b>
<b>Agricultural Surplus</b>		
Purchase of Commodities for Consumption	\$ 7,905,239	\$ 7,553,042
Purchase of Commodities TANF E.O.	0	0
Storage and Distribution of Commodities	775,147	977,500
Transportation Costs	0	0
Pantry Trak Expenses	107,000	0
Processing Fees	0	0
<b>Total</b>	<b>\$ 8,787,386</b>	<b>\$ 8,530,542</b>
<b>TANF/Innovative Backpack Programs</b>		
Purchase of Food and Transportation	\$ 2,241,529	\$ 1,901,567
<b>Total Food Program</b>	<b>\$ 20,813,623</b>	<b>\$ 20,435,055</b>

<b>Note 7 - Concentration of Credit Risk</b>
--

The Association's funds contained in its cash and cash equivalent balances at June 30, 2018 and 2017 were held in a total of four different financial institutions. These institutions provide insurance coverage up to \$250,000 through the Federal Deposit Insurance Corporation (FDIC). At June 30, 2018, the cash on deposit at Key Bank and Huntington National Bank exceeded this \$250,000 limit by \$11,082 and \$2,365,849, respectively. Also at risk at June 30, 2018 was the Fifth Third Securities cash of \$79,674.

At June 30, 2017, the cash on deposit at Key Bank and Huntington National Bank exceeded this \$250,000 limit by \$10,730 and \$2,159,969, respectively. Also at risk at June 30, 2017 was the Fifth Third Securities cash of \$76,845.



OHIO ASSOCIATION OF FOODBANKS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2018 and June 30, 2017

**Note 8 - Retirement and Tax Sheltered Annuity Plan**

The Association maintains a defined contribution pension plan for all full-time employees who have completed at least one year of service. Contributions of \$93,597 and \$158,762 were made for the years ended June 30, 2018 and 2017, respectively. Pension plan contributions consist of safe harbor and employer match contributions, along with a discretionary amount based upon a percentage of annual compensation of eligible employees; discretionary contributions are set by the Board of Trustees according to the availability of funds.

**Note 9 - Contingency**

The grant programs of the Association are subject to potential audits by agents of each individual granting authority. The purpose of such an audit is to ensure compliance with conditions precedent to the granting of funds. Revenues generated by the grant programs may be disallowed in subsequent periods as a result of these audits. However, management believes that the Association has materially complied with all grant agreements as of the years ended June 30, 2018 and 2017.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Ohio Association of Foodbanks  
Columbus, Ohio

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 financial statements of Ohio Association of Foodbanks (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ohio Association of Foodbanks' 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ohio Association of Foodbanks' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

**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*  
(Continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ohio Association of Foodbanks' financial statements are free of 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 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.

*Hemphill Wright & Associates, Inc.*

Westerville, Ohio  
October 11, 2018

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

To the Board of Directors of  
Ohio Association of Foodbanks  
Columbus, Ohio

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

We have audited Ohio Association of Foodbanks' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each Ohio Association of Foodbanks' major federal programs for the year ended June 30, 2018. Ohio Association of Foodbanks' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

***Opinion on Each of the other Major Federal Programs***

In our opinion, Ohio Association of Foodbanks 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 other major federal programs identified in the summary auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

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

*Report on Internal Control over Compliance*

Management of Ohio Association of Foodbanks 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 Ohio Association of Foodbanks' 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 Ohio Association of Foodbanks' 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.

*Hemphill Wright & Associates, Inc.*

Independence, Ohio  
October 11, 2018

**Ohio Association of Foodbanks  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor Program Title	Entity Number	Federal CFDA	Disbursements
<b>Department of Health and Human Services Direct Programs</b>			
Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces	N/A	93.332	348,037
Total Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Exchanges-Direct Programs			<u>348,037</u>
Total Department of Health and Human Services Direct Programs			<u>348,037</u>
<b>Department of Health and Human Services Pass-Through Programs</b>			
<b>Passed through Ohio Department of Job &amp; Family Service</b>			
Social Services Block Grant - Core Food Program	G-1819-17-0205	93.667	2,000,000
Temporary Assistance for Needy Families (TANF) - Core Food Program	G-1819-17-0205	93.558	17,550,000
Temporary Assistance for Needy Families (TANF) - Ohio Benefit Bank	G-1819-17-0389	93.558	891,269
Total Social Services Block Grant & Temporary Assistance for Needy Families			<u>20,441,269</u>
Total Passed through Ohio Department of Job & Family Service			<u>20,441,269</u>
<b>Passed through Ohio Development Services Agency</b>			
Low-Income Home Energy Assistance	17-HA-157	93.568	12,600
Low-Income Home Energy Assistance	18-HA-157	93.568	42,000
Total Low-Income Home Energy Assistance			<u>54,600</u>
Total Passed through Ohio Development Services Agency			<u>54,600</u>
<b>Passed through Governor's Office of Faith-Based &amp; Community Initiatives</b>			
Temporary Assistance For Needy Families (TANF)	C-1819-21-0064	93.558	352,835
Temporary Assistance For Needy Families (TANF)	C-1819-21-0644	93.558	2,254,063
Total Temporary Assistance for Needy Families			<u>2,606,898</u>
Total Passed through Governor's Office of Faith-Based & Community Initiatives			<u>2,606,898</u>
<b>Passed through Franklin County Department of Job and Family Services</b>			
Social Service Block Grant (Title XX)	25-17-2039	93.667	73,653
Social Service Block Grant (Title XX)	25-18-3101	93.667	296,597
Total Social Services Block Grant			<u>370,250</u>
Passed through Franklin County Department of Job and Family Services			<u>370,250</u>
Total Department of Health and Human Services Pass-Through Programs			<u>23,473,017</u>
Total Department of Health and Human Services			<u>23,473,017</u>
<b>Corporation for National &amp; Community Service Direct Program</b>			
Volunteers in Service to America	15VSN0H008	94.013	726,568
Total Volunteers in Service to America			<u>726,568</u>
Total Corporation for National & Community Service Direct Program			<u>726,568</u>
Department Agriculture Pass-Through Programs			
<b>Passed through Ohio Department of Job &amp; Family Services</b>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1819-17-0211	10.561	373,035
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1819-17-0490	10.561	1,119,770
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			<u>1,492,805</u>
Total Passed through Ohio Department of Job & Family Services			<u>1,492,805</u>
Passed through Franklin County Department of Job and Family Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	25-17-2039	10.561	29,633
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	25-18-3101	10.561	50,211
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			<u>79,844</u>
Total Passed through Franklin County Department of Job and Family Services			<u>79,844</u>
Total Department Agriculture Pass-Through Programs			<u>1,572,649</u>
Total Department of Agriculture			<u>1,572,649</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 26,120,271</u>

OHIO ASSOCIATION OF FOODBANKS  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Ohio Association of Foodbanks, non-profit under programs of the federal government for the year ended June 30, 2018. The information on this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the non-profit, it is not intended to and does not present the financial position, changes in net assets or cash flows of the non-profit.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The non-profit does not take a de minimis rate and receives a straight 5% administrative fee to cover both direct and indirect expenses.

**NOTE C – PAYMENTS TO SUBRECIPIENTS**

The non-profit passes certain federal awards received from the Federal Government to other non-profits. The non-profit reports expenditures of Federal awards to subrecipients when paid in cash. The subrecipients are listed in the following table, to which the non-profit paid \$19,622,297 during fiscal year 2018. These payments were included in the schedule of federal expenditures of federal awards under grants Navigator CA-NAV-15-038, G-1617-17-0205 (Title XX), G-1819-17-0205 (TANF), and G-1819-17-0211; G-1819-17-0490 (Supplemental Nutrition Assistance Program), CFDA Number 93.332, 93.667, 93.558 and 10.561.

**OHIO ASSOCIATION OF FOODBANKS**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

CFDA Federal Grant Distribution By Subrecipient

ORGANIZATION	Navigator 93.332	Title XX 93.667	TANF 93.558	SNAP 10.561	TOTAL
Akron-Canton Regional Foodbank		\$ 234,061	\$ 1,995,370	\$ 47,049	\$ 2,276,480
Greater Cleveland Food Bank		335,027	2,856,105	815,505	4,006,637
The Foodbank		128,497	1,095,437		1,223,934
Freestore Foodbank	36,248	229,463	1,956,172	242,375	2,464,258
Mid-Ohio Foodbank		408,462	3,482,139	103,491	3,994,092
Clark, Champaign and Logan		36,708	312,936		349,644
Foodbank of the Mahoning Valley		91,789	782,501		874,290
Foodbank of North Central		68,837	586,835		655,672
Southeast Ohio Foodbank		64,258	547,799		612,057
Shared Harvest Foodbank		100,966	860,735	70,596	1,032,297
Toledo Northwestern Ohio Food Bank		133,095	1,134,635		1,267,730
West Ohio Food Bank		68,837	586,835		655,672
Access Health Mahoning Valley	10,218				10,218
Asian Services In Action, Inc. (ASIA)	10,694				10,694
Cuyahoga Health Access Partnership(CHAP)	56,446				56,446
Community Action Committee of Pike County	6,380				6,380
Ohio Association of Free Clinics	47,904				47,904
Southeast, Inc.	11,862				11,862
Community Action Program Corporation of Washington					
Morgan Community Action	12,047				12,047
Toledo/Lucas County CareNet	53,983				53,983
<b>TOTAL</b>	<b><u>\$ 245,782</u></b>	<b><u>\$ 1,900,000</u></b>	<b><u>\$ 16,197,499</u></b>	<b><u>\$ 1,279,016</u></b>	<b><u>\$ 19,622,297</u></b>



OHIO ASSOCIATION OF FOODBANKS  
Notes to the Schedule of Expenditures of Federal Awards  
FOR THE YEAR ENDED JUNE 30, 2018

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the non-profit to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The non-profit has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

OHIO ASSOCIATION OF FOODBANKS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2018

<b>Section I — Summary of Auditors' Results</b>
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***Financial Statements***

Type of auditor's report issued:	<b>Unmodified</b>	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	<u>  X  </u> no
• Significant deficiency(ies) identified?	_____ yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u>  X  </u> no

***Federal Awards***

Internal control over major programs:		
• Material weakness(es) identified?	_____ yes	<u>  X  </u> no
• Significant deficiency(ies) identified?	_____ yes	<u>  X  </u> none reported
Type of auditor's report issued on compliance for major programs:	<b>Unmodified</b>	
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	_____ yes	<u>  X  </u> no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.558	Temporary Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Dollar threshold used to distinguish between type A and type B programs:	\$ 783,608
Auditee qualified as low-risk auditee?	_____ yes <u>  X  </u> no

OHIO ASSOCIATION OF FOODBANKS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018

**Section II — Financial Statement Findings**

None

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

None